ANNUAL **REPORT**

2022

GRUPO carso

INDEX

CORPORATE **PROFILE**

Grupo Carso is one of the largest and most important diversified conglomerates in Latin America. The Group has an important presence in the Mexican economy, in which it maintains a position of market leadership, thanks to an exceptional portfolio of formats, products and services.

Since its foundation **43 years ago**, Grupo Carso has distinguished itself for its dynamism, its innovation in processes and technologies and for the sustainable management of its resources. Operational synergies have been attained in the sectors of which the Group is composed that have translated into profitability and a constant cash flow, for the creation of a history of long-term growth for shareholders.

The Group is composed of four divisions, considered as strategic:

“GRUPO CARSO MAINTAINS ITS POSITION AS ONE OF **THE MARKET LEADERS IN MEXICO**, THANKS TO ITS EXCEPTIONAL PORTFOLIO OF FORMATS, PRODUCTS AND SERVICES.”

THE COMMERCIAL DIVISION

THE INDUSTRIAL DIVISION

THE INFRASTRUCTURE AND CONSTRUCTION DIVISION

THE ENERGY DIVISION

ELEMENTIA/ FORTALEZA

DIVISIONS,
PRODUCTS AND SERVICES

COMMERCIAL AND CONSUMER PRODUCTS
GRUPO SANBORNS

Operates some of the most successful commercial formats in Mexico, with widely recognized brands, serving a large percentage of middle-, upper-middle and upper-class consumers in 440 locations and 1,187,000 square meters of commercial area.

Formats:

- Department stores and boutiques
- Store Restaurant
- Electronic, technology and gaming stores

35.5% Contribution to sales

18.4% Contribution to operating income

MAIN BRANDS:

Sears • Sanborns • iShop • MixUp

INDUSTRIAL AND MANUFACTURING
GRUPO CONDUMEX

Includes a portfolio of products and services catering to the telecommunications, construction, electrical, energy, automotive and mining industries.

Services and Products

- Cables (energy, telecommunications, electronic, coaxial, fiber optics, and mining and automotive cables, among others).
- Automotive electric harnesses
- Precision steel pipes
- Power transformers
- Alternate energy systems

25.6% Contribution to Sales

37.2% Contribution to operating income

MAIN BRANDS:

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

INFRASTRUCTURE AND CONSTRICTION
CARSO INFRASTRUCTURE AND CONSTRUCTION

Serves 5 sectors: the chemical and petroleum industry; the installation of pipelines industry; infrastructure, civil construction and the housing development industry.

It engages in the construction of:

- Highways; tunnels; water treatment plants, and infrastructure works in general.
- Offshore oil platforms and equipment for the chemical and petroleum industries.
- The drilling of oil and geothermal wells, and well-drilling services.
- Commercial strips; industrial plants; office buildings and housing.
- Facilities for telecommunications, gas pipelines and aqueducts.

20%
Contribution
to sales

15.1%
Contribution
to operating income.

MAIN BRANDS:

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

ENERGY
CARSO ENERGY

Carso Energy participates in the energy and petroleum industries. It is presently engaged in the performance of gas transmission services for the Federal Electricity Commission and it has two run-of-the-river hydroelectric plants, Baitun and Bajo de Mina, in the Province of Chiriqui in Panama. Its objective is to take advantage of business opportunities in energy in Mexico and other regions.

It engages in:

- The Performance of gas transmission services
- The generation of electricity.

2.1%
Contribution
to sales

11.0%
Contribution
to operating income.

MAIN BRANDS:

Carso Energy • Carso Oil & Gas • Carso Electric

ELEMENTIA/FORTALEZA

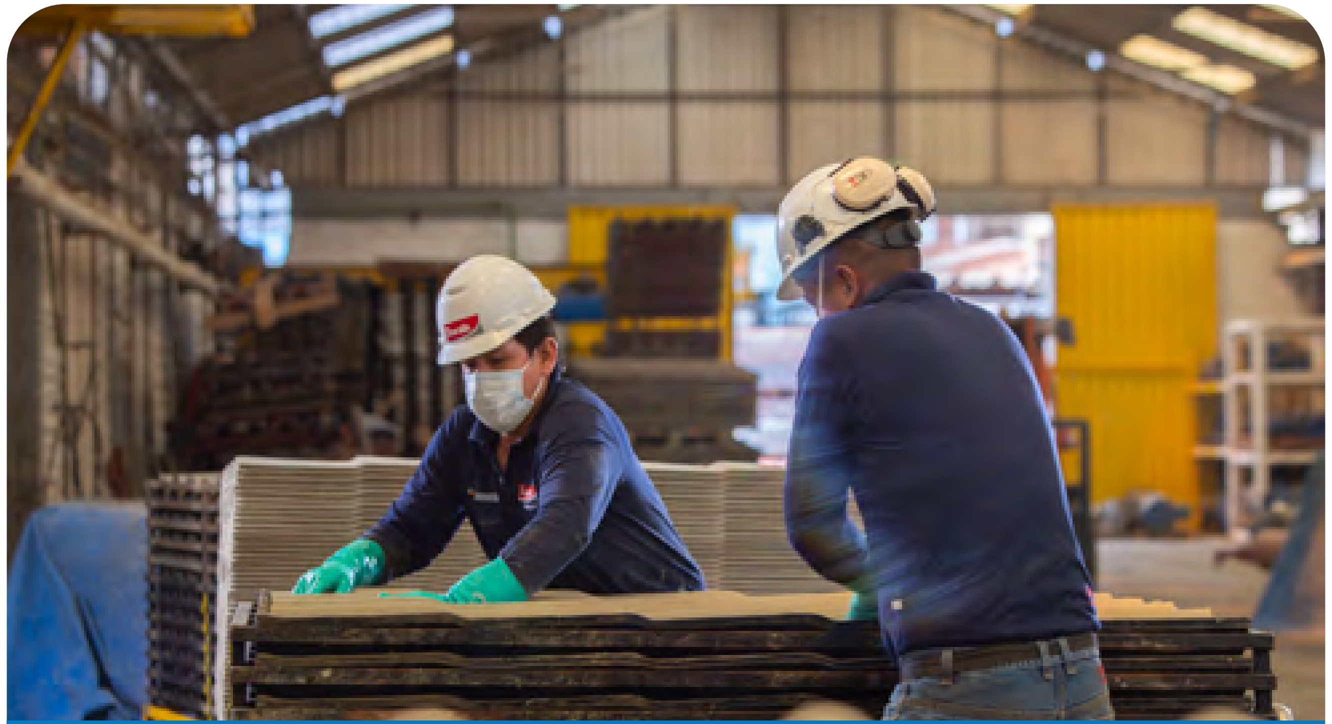
Elementia offers solutions to the construction industry. Fortaleza engages in the production and sale of gray cement, used in the construction industry.

Manufactures products such as:

- Fibrocemento (tiles, roof tiles)
- Plastic products (water tanks, cisterns, translucent sheeting)
- Metallic products (sheeting, piping, bars, wire, copper connections)
- Cement, bagged or in bulk

18.7%
Contribution
to sales

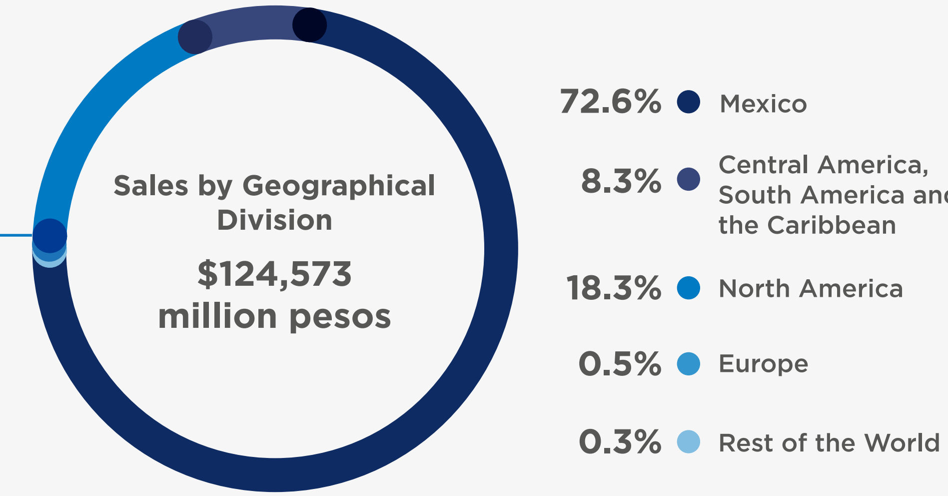
13.3%
Contribution
to operating incomee



MAIN BRANDS:

Nacobre • Mexalit • Plycem • Duralit • Eternit • Allura • Eureka

GEOGRAPHICAL **FOOTPRINT**



Key Financial Information Grupo Carso 2022

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

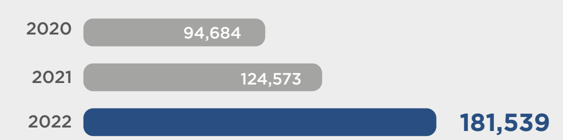
	2020	2021	2022	Var % 2022-2021
Sales	94,684,370	124,572,789	181,538,678	45.7%
Gross Profit	23,728,955	30,624,023	44,359,946	44.9%
Operating Income	8,916,259	12,856,985	25,965,096	102.0%
EBITDA	11,206,330	15,723,702	27,478,334	74.8%
Controlling Participation in Net Income	5,706,408	11,282,039	19,061,904	69.0%
Earnings per share (EPS)*	2.51	5.00	8.47	69.2%
MARGINS				
Gross	25.1%	24.6%	24.4%	-0.1 pp
Operating	9.4%	10.3%	14.3%	4.0 pp
EBITDA	11.8%	12.6%	15.1%	2.5 pp
Net	6.0%	9.1%	10.5%	1.4 pp
REVENUES				
Retail	39,612,874	52,939,372	64,807,342	22.4%
Industrial	32,936,523	44,259,032	49,599,601	12.1%
Infrastructure and Construction	24,541,851	25,472,323	38,813,412	52.4%
Elementia/Fortaleza	28,044,481	32,283,955	24,114,919	-25.3%
Energy	911,757	2,994,411	4,114,856	37.4%
EBITDA**				
Retail	2,040,573	4,724,106	7,124,285	50.8%
Industrial	4,653,908	6,026,669	6,850,756	13.7%
Infrastructure and Construction	3,644,920	1,828,355	4,887,478	167.3%
Elementia/Fortaleza	3,560,870	5,591,636	3,992,567	-28.6%
Energy	560,633	2,280,280	3,378,834	48.2%
EBITDA MARGINS				
Retail	5.2%	8.9%	11.0%	2.1 pp
Industrial	14.1%	13.6%	13.8%	0.2 pp
Infrastructure and Construction	14.9%	7.2%	12.6%	5.4 pp
Elementia/Fortaleza	12.7%	17.3%	16.6%	-0.8 pp
Energy	61.5%	76.2%	82.1%	6.0 pp
Total Assets	169,826,599	185,773,253	239,382,102	28.9%
Total Liabilities	69,111,756	71,698,606	104,527,859	45.8%
Stockholders' Equity	100,714,843	114,074,647	134,854,243	18.2%
Compounded Average Outstanding Shares ('000)	2,276,143	2,267,648	2,251,633	-0.7%

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

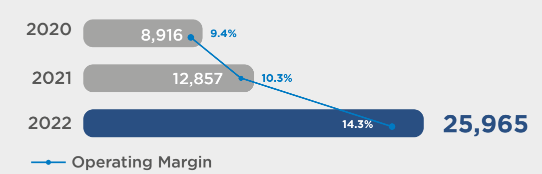
** EBITDA: Income before income taxes plus depreciation and amortization, interest expense, impairment of machinery and equipment and exploration expenses, and effect on valuation of derivative financial instruments, less interest income, net foreign exchange gain, surplus from appraisals of shopping centers and equity in earnings of associated companies and joint ventures. Conciliation in Note 32 of the FInancial Statements.

RELEVANT FINANCIAL DATA

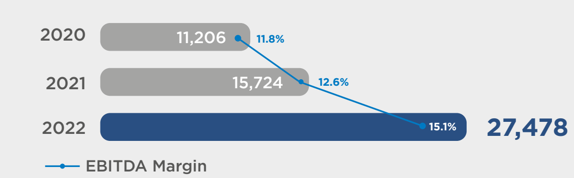
Revenues (Million Pesos)



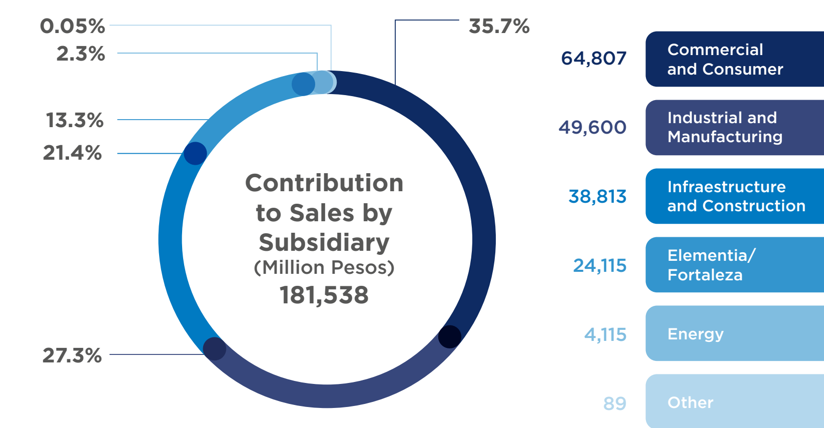
Operating Income (Million Pesos)

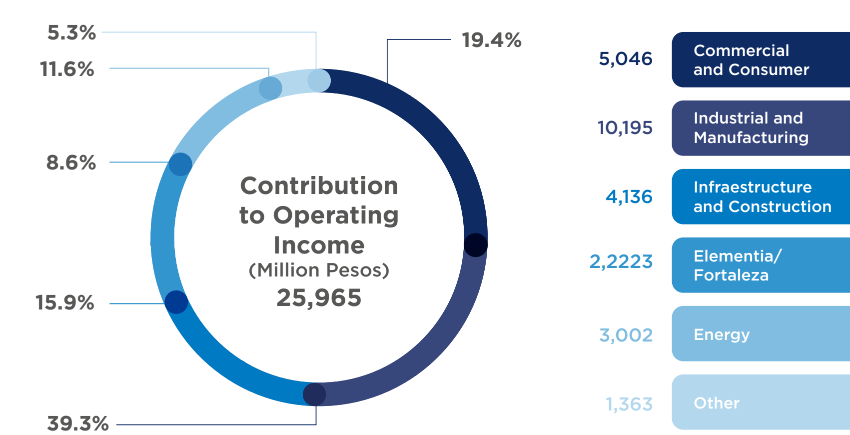


EBITDA* (Million Pesos)



*Note: Impairment of machinery and equipment and exploration expenditures, as well as environmental remediation, were considered in the 2020 EBITDA calculation. Not included were the surplus from shopping center appraisals, impairment of machinery and equipment and exploration expenditures and the valuation of labor obligations. For the calculation of EBITDA for 2021 and 2022, in addition to these items, the valuation effect of derivative financial instruments was not considered and the valuation of labor obligations was considered. See EBITDA reconciliation in Note 33. "Segment Reporting" in the Financial Statements.





LETTER TO THE SHAREHOLDERS

Annual Report 2021
Letter from the Chairman of the Board of Shareholders of Grupo Carso

Economic Panorama of 2022

World growth in 2022 marked the second consecutive year of economic recovery after the beginning of the COVID-19 pandemic in 2020. According to the FMI the world economy had a growth of 3.4%. In 2022 the United States had an expansion of 2.1%, driven by the personal consumer services sector, which rose by 4.5%, offsetting the -0.4% and -0.5% drop in the acquisition of durable and non-durable goods, respectively. Gross fixed investment grew by 4.0%, despite the steep drop of 10.6% in the investment in homes.

In Mexico, the GDP rose 3.1%. Non-core activities had the greatest growth – 3.3% –, while the manufacturing industry grew by 5.2%. The services sector rose by 2.8% and commerce by 5.5%.

The Mexican peso closed at $19.50 against the dollar, for a 5.0% increase in value. The difference in the Mexico/United States federal interest rate increased steadily throughout the year due to the fact that the Bank of Mexico raised its reference rate 8 times, bringing it from 5.50% at the end of 2021 to 10.50% at the end of 2022, while the United States went from 0.25% to 4.50% during the same period.

Due to the pandemic, the cost of transportation of marine containers at the end of 2021 went up five-fold, the average price of Steel tripled, and there was a shortage of semiconductors, all of which caused a rise in the price of automobiles. At the beginning of 2022, as a result of Russia's invasion of Ukraine the prices of food, fertilizers, energy and other commodities also rose, which, added to other factors caused an increase in worldwide inflation to levels not seen since the 1980's. In Mexico, inflation in 2022 closed at 7.8%, reaching its highest point in September, at 8.70%. Underlying inflation, which includes merchandise and services, grew by 8.35%, and non-underlying inflation, composed of agriculture, animal husbandry and energy, rose by 6.27%.

In 2022 Mexico's commercial balance showed a deficit of 26,421 million dollars, compared to -10,929 million dollars for the previous year. In exportations, manufacturing rose 16.6% and importations increased for all ítems, with consumption items leading all others with an increase of 29.4%. The price of the Mexican mix of oil products went from an average price of $64.60 USD per barrel in 2021 to $89.26 USD per barrel in 2022.

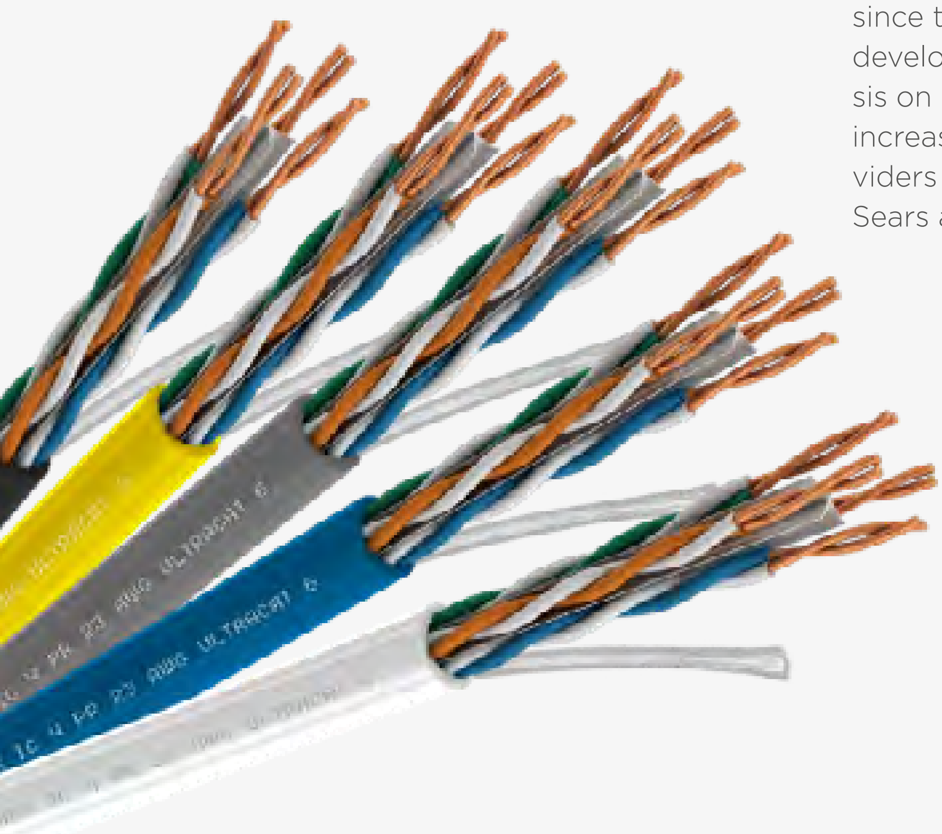
National public finances are in a stable condition, thanks to higher tax collections and restraint in expenditures. The national balance sheet showed a deficit of 978,534 million pesos, equivalent to 3.4% of the GDP, slightly greater than the 2.9% of 2021 due to the higher interest rates that affected financial costs in 2022. The public debt as a percentage of the GDP decreased from 50.8% to 49.4%.

An economic slowdown is expected for 2023, caused by the restrictive policies of the Central Banks on a worldwide level, which are seeking to reduce inflation to levels closer to their long-term objectives. Nevertheless, our country is economically prepared and we must take advantage of the situation in the commercial relationship between the United States and China to promote national and international investment, relocate our supply chains, orient the production of goods towards the United States instead of Asia, and further reinforce our commercial relationship with the United States.

Grupo Carso

During 2022 the consolidated sales of the Group totaled 181,539 million pesos, which is an increase of 45.7% in respect to the previous year. This increase is partly due to the incorporation of Elementia and Fortaleza into the results. If that business is not included, Grupo Carso's business grew by 26.4%. In regard to profitability, the operating income and EBITDA were 25,965 and 27,478 million pesos for an increase of 102.0% and 74.8%. These results reflect a solid performance by all the divisions of the Group, in addition to the incorporation of Elementia in the month of May, which, if it is not taken into consideration, would mean that the growth factors would be 84.7% and 49.8%, respectively.

The freedom of movement, the standardization of inventories and the confidence of the consumers after the pandemic were factors that had a positive effect on the results of the commercial division, in which Grupo Sanborns had a growth of 22.4%. Double digit growths were observed in all the commercial formats of Sears, Sanborns and iShop/Mix-Up, in which the participation of the financial business was of great relevance, with a greater distribution of their own credit cards. An increase in the categories of "softlines" was also observed, especially towards the end of the year, specifically in fashion, footwear and cosmetics. During 2022 we began to open Dax stores in the metropolitan zone as an innovative self-service option, which will surely become very attractive to customers because of their stock of beauty items and accessories. Additionally, in Grupo Sanborns ever since the pandemic we have been working to develop our online business, with an emphasis on reducing the average delivery time and increasing the number of Marketplace providers as well as the number of users of the Sears and Sanborns applications.



> **GRUPO CONDUMEX** INCREASED ITS SALES 12.1% AND 13.7% ITS EBITDA."

Grupo Condumex increased its sales by 12.1% and its EBITDA by 13.7%. This business is very sensitive to the variations in the Exchange rate. However, greater volumes of telecommunications cables in the national and exportation market, as well as of harnesses and cables for the automotive market compensated for this effect. During 2022 the automotive parts plants of San Felipe, Silao and Ocampo were nominees for the "Supplier Excellence award 2022" that is awarded every year to the providers with the best performance and that meet a series of strict quality criteria. During the year we carried out cable certifications with automotive communication protocols to meet the demands of hybrid automobiles and we continued to position ourselves in a way to take advantage of the opportunities that the transference of supply chains to Mexico, or "nearshoring", could provide.

Carso Infraestructura y Construcción recorded a growth of 52.4% in sales. This growth was mainly due to a greater volume of the various projects in which it is presently engaged, such as well drilling and well workover projects and a greater volume of pipeline assignments for Telecom. As for infrastructure projects, we continue with the layout of the Mitla-Tehuantepec and the Varas Vallarta highways, and more revenue was generated from the progress in the construction of the Tren Maya platform and railway in the Escárcega-Calkiní stretch. We also began the construction of various other projects, such as the Star Medica hospitals and other private building projects, from which significant earnings are expected next year.

Carso Energy increased its contribution to results to a significant degree with the two pipelines we have in Waha, Texas, U.S.A., with a participation of 51.0%, but not consolidated, and the Samalayuca-Sásabe pipeline between Chihuahua and Sonora, which is 100% owned by the Group. These three gas pipelines increased their revenue from the transmission of gas for the CFE and it is expected that the compression station for the Samalayuca-Sasabe pipeline, whose installation was begun this year will increase its capacity, adding to the revenue from the two hydroelectric plants acquired in Panama in 2021. This business division contributed $4,115 million pesos, increasing its sales by 37.4% over the previous year. In clean energy, specifically geothermal energy, we continue to carry out the procedures necessary to obtain the concessions in two fields, in which we have made significant progress in the exploration phase.

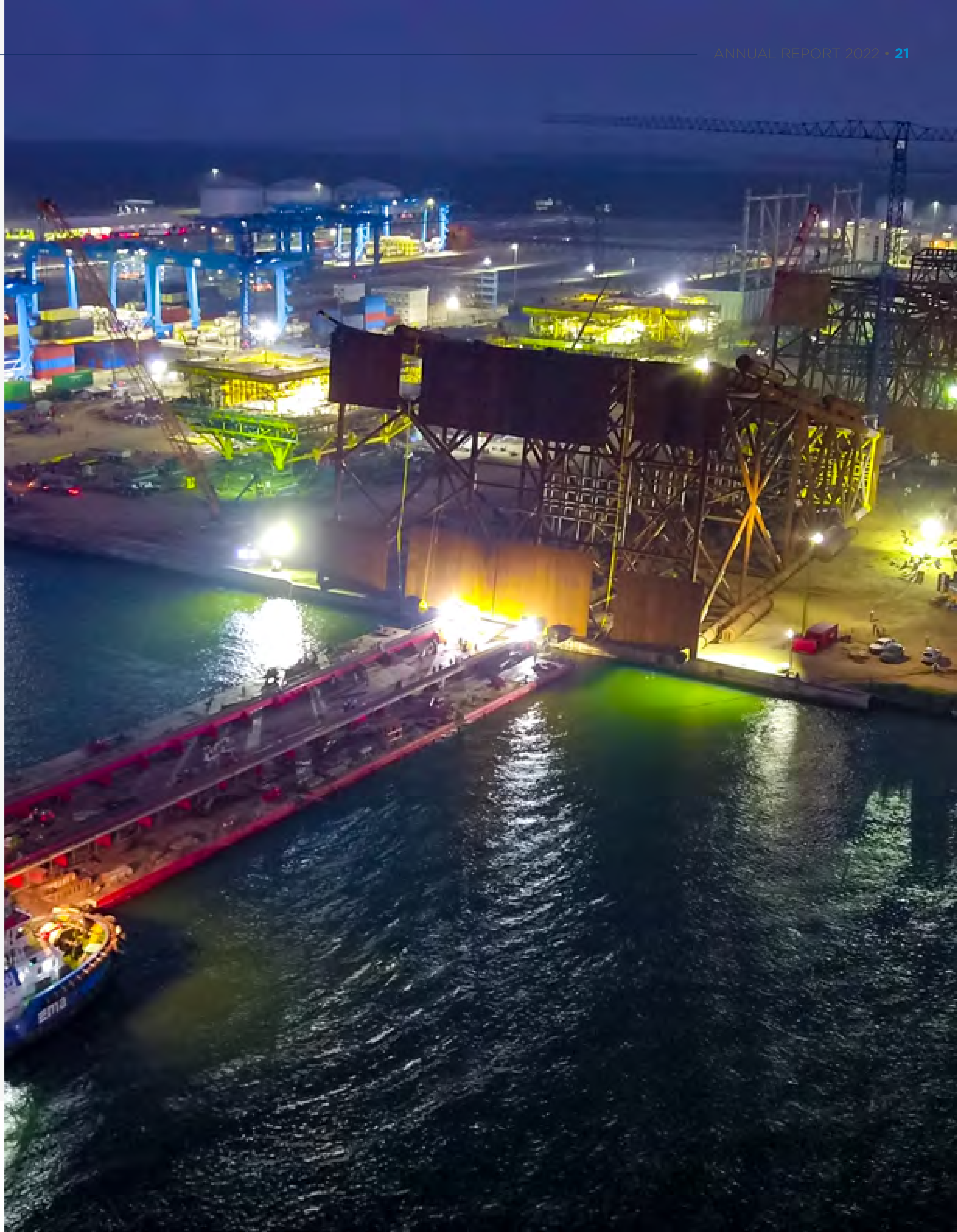
The situation of Grupo Carso continues to be solid. The net cash flow from operating activities was $16,532 million pesos and the 12-month net debt to EBITDA ratio was 1.11. The investments in fixed assets went from $1,432 to $5,236 million pesos in 2022. The payment of a $1.00 peso per share dividend was decreed and the price of the GCARSO series A-1 share increased by 23.5% from $66.2 to $81.8 pesos on December 31 with a high liquidity value and forming a part of the IPC/S&P Bid and Offer Index of the Mexican Stock Exchange.

In respect to sustainability, Grupo Carso carried out a materiality study, soon to be published in a report in which the opinions of the various stakeholders will be made known. Although this is not the first step we have taken in this respect, it is very important in terms of the standardization of metrics in regard to the alignment of environmental, social and corporate governance matters with the Group's forward-looking strategy.

Finally, in the name of the Board of Directors, I thank the shareholders, clients and suppliers for the confidence they have shown in us. Besides extending my thanks to all our employees, I invite them to join us in our commitment to our objectives, making it possible for Grupo Carso to surpass our goals and continue to contribute to the development of our country.

Sincerely,

Lic. Carlos Slim Domit
Chairman of the Board of Directors



Management´s Discussion and Analysis to the Board of Directors regarding the Results of the 2022 Fiscal Year

The consolidated sales of Grupo Carso reached the sum of $181,539 million pesos, an increase of 45.7% in respect to 2021, in which this amount was $124,573 million pesos. This increase was explained mainly by the inclusion of the amounts from a new business named Elementia, which was acquired in May of 2022. Without the inclusion of Elementia, the annual sales were $157,424 million pesos, representing a growth of 26.4%.

By subsidiary, Carso Infraestructura y Construcción contributed 21.4% of the total revenue with an increase of 52.4% in the volumes of its various projects, mainly those related to the installation of pipelines and buildings for the private sector. Grupo Sanborns, which represented 35.7% of the total revenues, increased its earnings by 22.4%, benefitting from a better performance of Sears and Sanborns. Grupo Condumex showed an improvement in the volume of cables and automotive harnesses, as well as in the exportation of telecom cables, which represented 27.3% of total revenue, while increasing its sales by 12.1%. The Carso Energy division, which represented 2.3% of the company's total income, grew by 37.4% because of the greater volumes in the two hydroelectric plants in Panama and in the transmission of gas in the Samalayuca-Sásabe pipeline. In addition to the above, Elementia contributed $24,115 million pesos, or 13.3% of the total sales, counted from May of 2022.

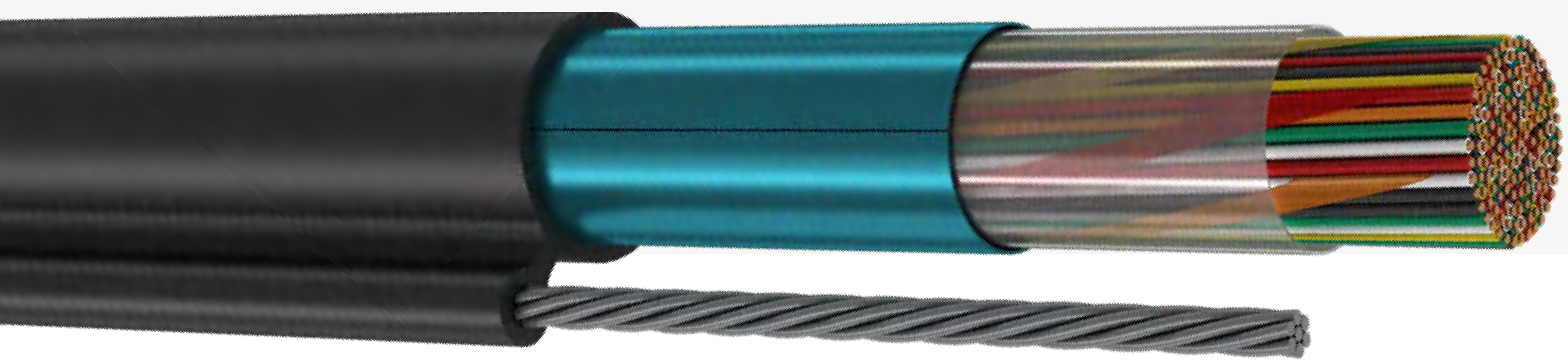
The operating income increased by 102.0%, from $12,857 million pesos in 2021 to $25,965 million in 2022. The principal increase in profitability came from Grupo Condumex because of the recognition of the incorporation of Elementia and Fortaleza in this fiscal year (PPA), as well as because of the mixture of sales and costs, and controlled expenses. Without the inclusion of Elementia, the annual operating income was $23,742 million pesos and a growth of 84.7%. Carso Infraestructura y Construcción improved by 255.4%, showing a favorable comparison versus 2021. Grupo Sanborns improved its profitability by 88.1% from the sales mix within its commercial formats. Carso Energy went from a gain of $1,901 million pesos to $3,002 million pesos.

> “THE OPERATING INCOME INCREASED 102.0%, FROM $12,857 MILLION IN 2021 TO **$25,965 MILLION PESOS IN 2022**.”

The accumulated EBITDA totaled $27,478 million pesos, increasing by 74.8%. Without the inclusion of Elementia, the accumulated EBITDA totaled $23,556 million pesos, with a margin of 15.0%. For the calculation of this indicator extraordinary items and items that do not imply a cash flow are not considered, such as the revaluation of investment properties. The EBITDA margin corresponding to 2022 was 15.1%, compared to 12.6% in 2021.

The comprehensive financing result was an expense in the amount of $3,149 million pesos, which was greater than the financing expense of $751 million for the previous year. This was because of the greater net interest paid, added to an Exchange rate loss rather than the Exchange rate gain of the previous year.

Due to the better operating results mentioned above, the net controlling income was $19,062 million pesos in 2022, an increase of 69.0% compared to the net controlling income of 2021, which was $11,282 million pesos.



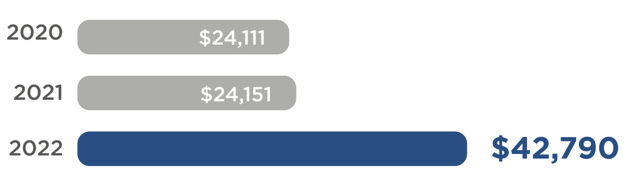
The total debt increased by 77.2%, going from $24,151 million pesos at the end of December of 2021 to $42,790 million pesos at the end of December 31, 2022. This increase is basically due to the debt of $17,037 million pesos owed by Elementia, incorporated into the Group during the year.

The net debt was in the amount of $30,496 million pesos, compared to a net debt of $12,954 million pesos on December 31 of 2021. The amount of cash and cash equivalents totaled $12,295 million pesos, which includes $3,440 million pesos in cash and cash equivalents from Elementia, compared to $11,198 million pesos at the end of December of 2021. The 12-month net debt to EBITDA ratio was 1.11, compared to 0.71 without including Elementia and 0.82 at the end of 2021.

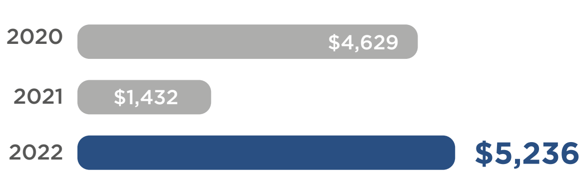
The Grupo Carso financial statement recorded a 12-month net debt to EBITDA ratio of 1.11, compared to 0.82 in 2021. The coverage of interest, measured as Interest Paid/EBITDA, was 0.14.

At the present time the Company has two current bond certificates: the GCARSO 20, for $3,500 million pesos, issued on March 13, 2020 with a term of 3 years, and the FORTALE 22, for $2,000 million pesos, issued on May 18 of 2022 with an expiration period of 2 years.

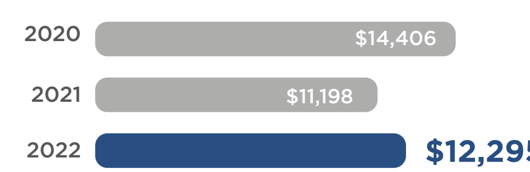
Total Debt
(Million Pesos)



Capital Expenditures (CapEx)
(Million Pesos)

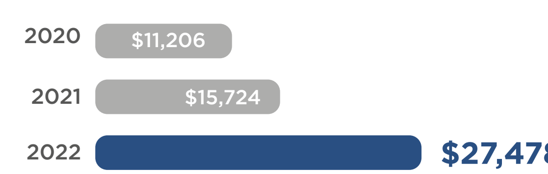


Cash and Equivalents
(Million Pesos)



Net Debt/12 month EBITDA
(Times)

Net Debt
(Million Pesos)



BUSINESS DIVISIONS

COMMERCIAL AND CONSUMER DIVISION

GRUPO SANBORNS

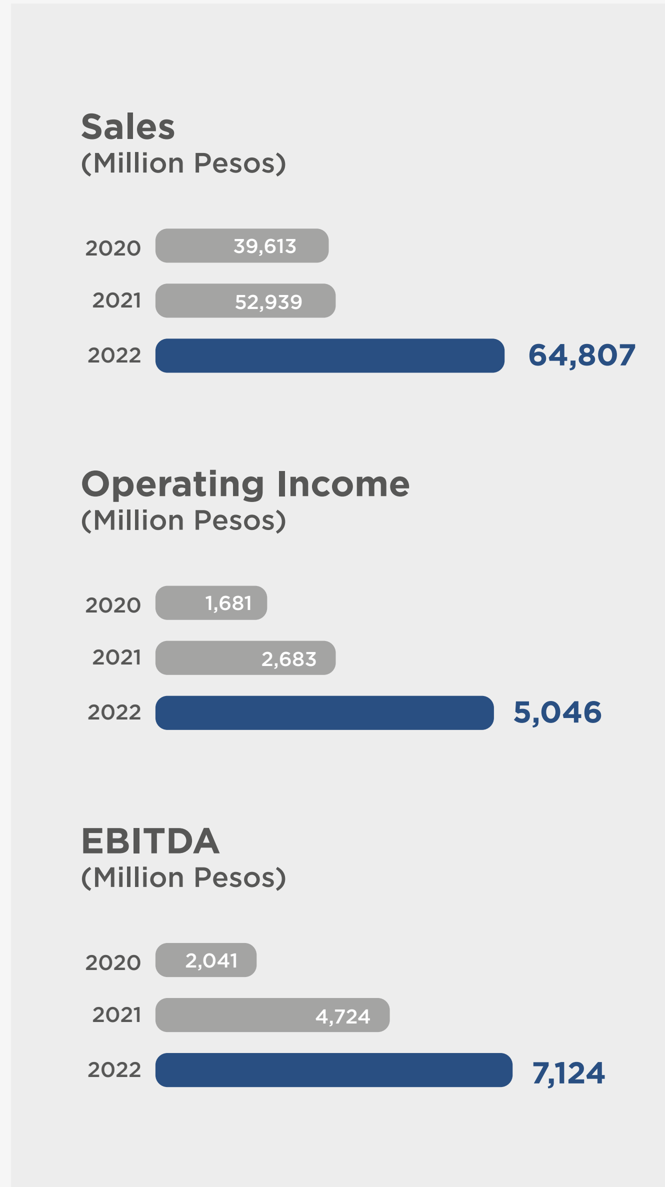
During 2022 the commercial and consumer division sales totaled $64,807 million pesos, which was $11,868 million pesos more than in 2021. In Sears, Sanborns and Promotora Musical (iShop/Mix-Up), a recovery with higher numbers of customers in the commercial shopping centers and in department stores was observed. The remodeling of stores continued during the year and four iShops and four Dax stores were opened, as well as a Sears store in Plaza Tepeyac.

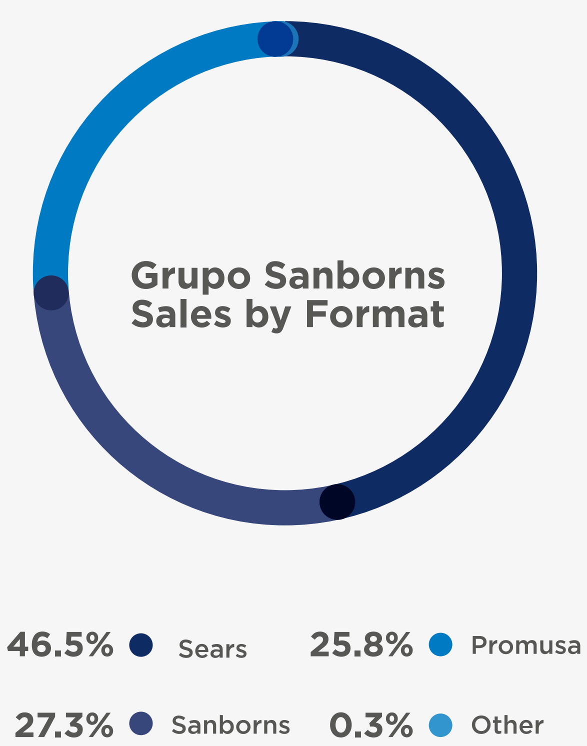
The operating income reached $5,046 million pesos for the year, attributed to the mix of products with a greater margin of profit and an increase in credit revenue.

The annual EBITDA of Grupo Sanborns increased from $4,724 million in 2021 to $7,124 million in 2022, with an EBITDA margin on sales that improved from 8.9% to 11.0%.

The controlling net income of Grupo Sanborns totaled $4,010 million pesos, compared to $1,819 million pesos in 2021. This was due to the better operating results previously mentioned, added to a positive comprehensive financial result.

Grupo Sanborns capital investments totaled $859 million pesos. At the end of December there were 440 units of the various formats in operation, with a sales floor area of 1,187,841 square meters.



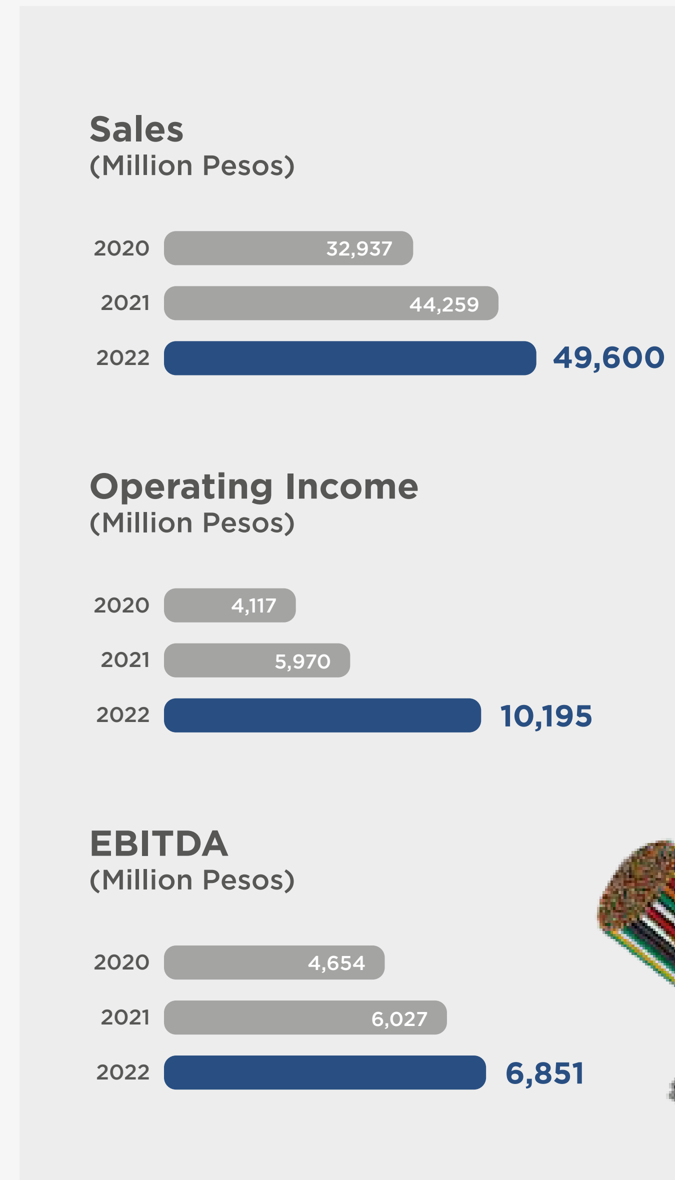


THE INDUSTRIAL AND MANUFACTURING DIVISION

GRUPO CONDUMEX

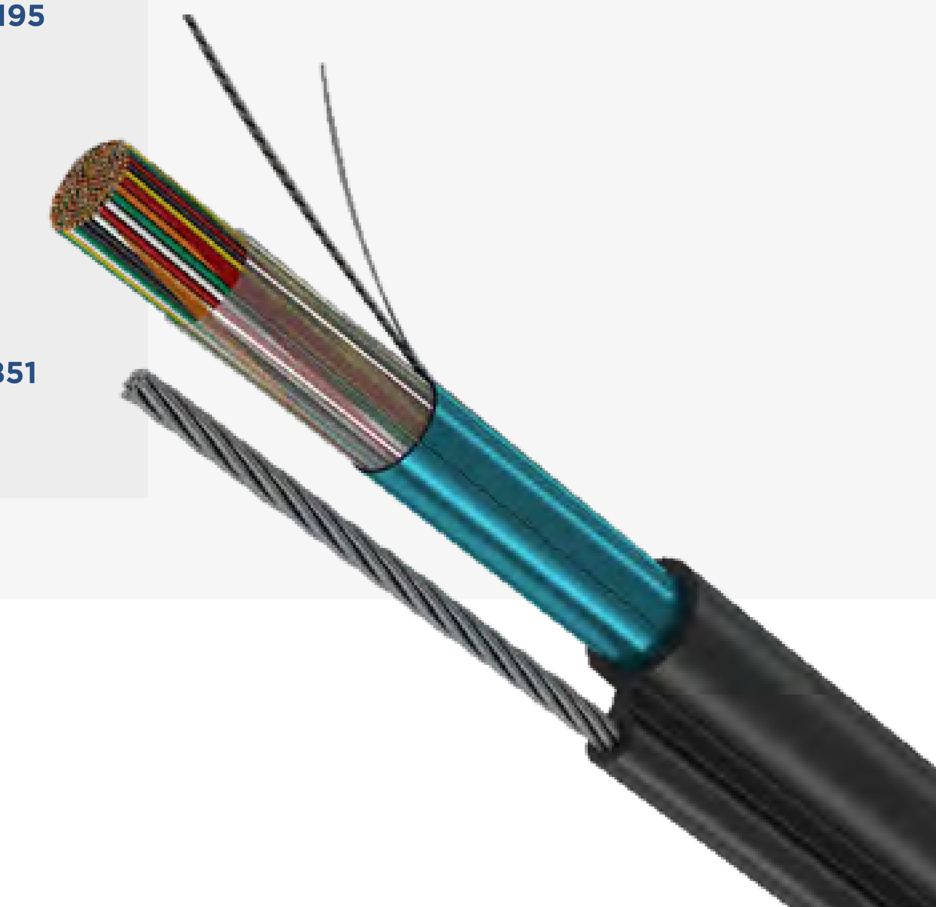
During 2022 the sales of Grupo Condumex totaled $49,560 million pesos, due mainly to a greater volume in several of our national and exportation markets.

The operating income totaled $10,195 million pesos, which represents an increase of 70.8% and that takes into consideration the one-time effect from the recognition of the incorporation of Elementia and Fortaleza into the Group (PPA) in the second quarter, as well as from the mix of sales and the strict control of costs and expenditures. The EBITDA totaled $6,851 million pesos.



The net controlling income of Grupo Condumex improved by 62.1% to a total of $8,699 million pesos, in which the one-time effect mentioned in the preceding paragraph is included, compared to $5,366 million pesos in 2021.

The capital investments by Grupo Condumex during the year totaled $341 million pesos and they were made mainly for the purpose of maintaining the Group's industrial plant in an optimal condition and to keep its technological processes up to date.

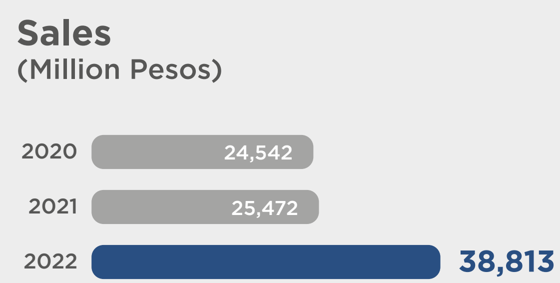


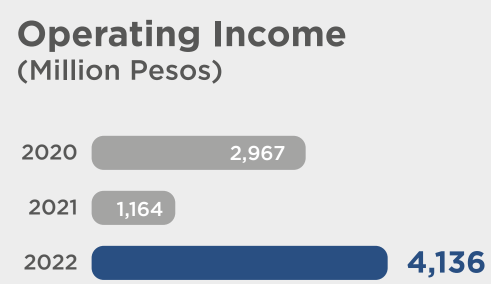
THE INFRASTRUCTURE AND CONSTRUCTION DIVISION

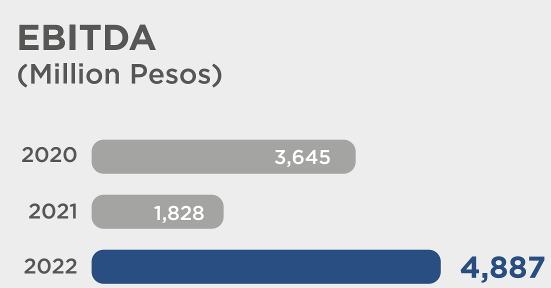
CARSO INFRAESTRUCTURA Y CONSTRUCCIÓN

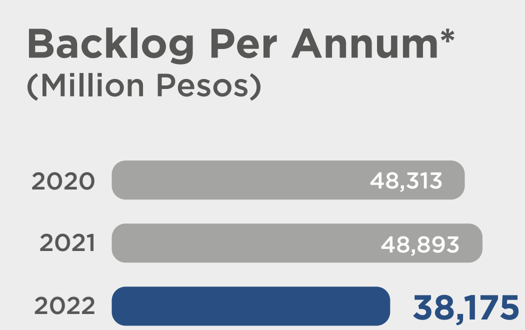
Carso Infraestructura y Construcción's sales in 2022 were in the amount of $38,813 million pesos. This is attributed mainly to greater volumes executed in all our projects, especially those related to the installation of pipelines and structures for the private sector, which also explains the higher profitability of this division.

The operating income and EBITDA were 10.7% and 12.6% of sales, respectively.









* Number of projects contracted in the pipeline, where work has not started.

The controlling net income was $2,902 million pesos.

At the close of 2022, Carso Infraestructura had a backlog of $38,175 million pesos.

The investments in fixed assets by Carso Infraestructura y Construcción during 2022 were in the amount of $2,420 million pesos.

THE ENERGY DIVISION

CARSO ENERGY

Sales by Carso Energy were in the amount of $4,115 million pesos, an increase of 37.4% over the $2,994 million pesos attained in the previous year. This increase was due mainly to the income from the two hydroelectric plants in Panama which had an increase in generation of 45% in respect to 2021 because of the weather effect of "El Niño", added to the increase of fuel prices and their consequential spot price. We continue to perform gas transmission services in the Samalayuca-Sásabe pipelines located in Chihuahua and Sonora (100% owned by the Group), as well as in the Waha-Presidio and Waha-San Elizario pipelines, both of which are 51% owned by the Grupo) and which are in the State of Texas, U.S.A.

The increase in income mentioned was reflected in the improvement in operating results, which went above the amount of $1,901 million pesos in 2021 to $3,002 million pesos in 2022. The accumulated EBITDA improved by 48.2%.

The net results of the energy sector were in the amount of $2,775 million pesos compared against the $2,050 million in 2021, due to the reasons mentioned above.

In 2022 the construction of the compression station of the Samalayuca-Sásabe pipeline was initiated, and it will go into operation in the second half of 2023.

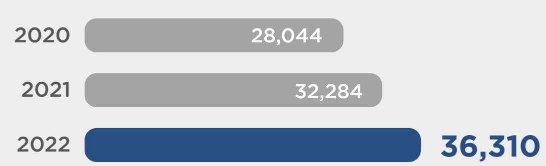
ELEMENTIA/FORTALEZA DIVISION

Since May, a new business unit named Elementia/Fortaleza was incorporated into the Group, contributing 13.3% of accumulated sales, reporting $24,115 million pesos in sales and $2,223 million pesos of operating income for the May-December period of 2022.

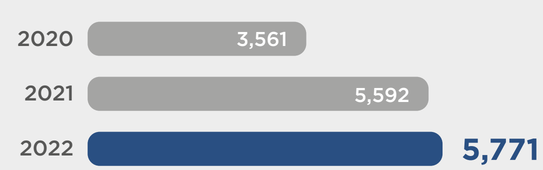
The accumulated operating income (12 months) of these two companies was $3,328 million pesos in 2022, principally from the effect of the business mix during that period. Their combined EBITDA was in the amount of $5,771 million pesos.

The net results of this division were in the amount of $1,005 million pesos, compared to the amount of $2,264 million for the previous year.

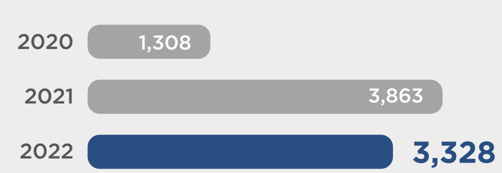
Sales
(Million Pesos)



EBITDA
(Million Pesos)



Operating Income
(Million Pesos)



ASSOCIATED COMPANIES

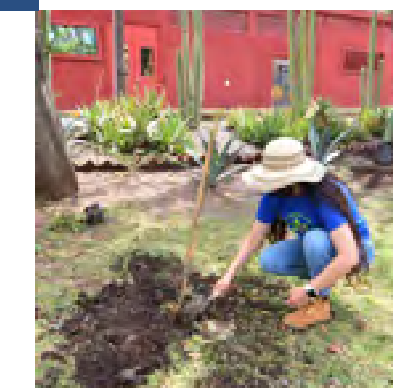
Grupo Carso maintains significant investments in companies in various economic categories, such as in the case of GMéxico Transportes, S.A.B. de C.V. (railroad), 15.1%; Infraestructura y Transportes México, 16.7%; as well as 51% in Transpecos Pipeline L.L.C., and Comanche Trail Pipeline L.L.C., which manage the Waha–San Elizario and Waha–Presidio pipelines in Texas, USA; and an investment of 14% in Inmuebles SROM, S.A. de C.V., which is a real estate company that owns commercial strips in Mexico. The book or market value of these investments, as the case may be, is $36,755 million pesos. Our participation in these associated companies or the income from dividends is recognized in our Income Statement.

The sales and EBITDA of these companies in 2022 that would proportionately correspond to Grupo Carso were $8,544 y $3,868 million pesos.

Sincerely,

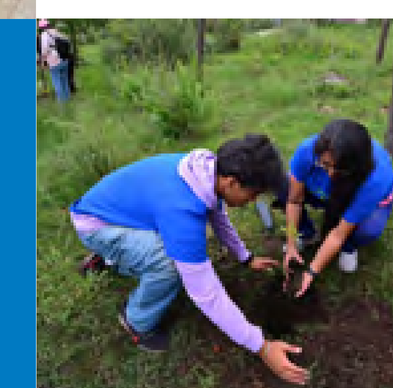
Mr. Antonio Gómez García
Chief Executive Officer

PREVENTION AND HEALTH **CARE ACTIONS**



With the support of the Carlos Slim Foundation, health care actions to treat and minimize the effects of the COVID-19 pandemic were continued, such as prevention, containment, supervision and continuous improvement. During 2022, self-care actions and the application of vaccinations were increased. The application of COVID-19 tests to the Group's personnel who were experiencing symptoms and as a preventive measure was continued in various workplaces. Weekly tests for the detection of asymptomatic cases and sequential contagion were carried out. Additionally, the vaccination against the flu was promoted and facilitated for our employees in the various workplaces, with the support of the IMSS (Mexican Social Security Institute). With these actions, safe working and shopping spaces were provided for our customers, providers and employees.

During 2022 a strict control was maintained over the protocol, and the principal focus with our employees was to promote the application of the COVID-19 and flu vaccinations. One sector of our employees was evaluated through the MIDO and Preventive Health Strategy programs. With the application of the MIDO program we were able to establish various health parameters for our employees. For example, it was determined that 27% of the overall population were smokers, 38% were overweight; 28% were obese; 17% had high blood pressure, and 6% were diabetic. With the above-listed actions the requirements of various authorities are amply satisfied and a safe workplace has been provided for our employees.



ENVIRONMENTAL PERFORMANCE

GRUPO SANBORNS

Grupo Sanborns is known as a Company that scrupulously complies with its environmental standards. In every one of the units or sectors in which it operates, the applicable environmental requirements and standards are met and the corresponding authorizations have been obtained, especially in regard to the control and management of residual waters, emissions into the atmosphere and the handling and final disposal of solid residues and dangerous materials whenever the business generates them. Towards those purposes, the services of companies duly authorized by the corresponding sanitary or environmental authorities are contracted. In this sector the Company has a low environmental impact.

ENVIRONMENTAL ACTIVITIES 2022, GRUPO SANBORNS

Concept	Measurement Units	2021	2022	Dif.	Var. %
Reutilized or treated water	m³	6,410.0	18,407.0	11,997.0	187.2%
Residues requiring special handling: burned comestible oil	Ton	1.2	2.9	1.7	147.9%
Energy savings*	kw-hr	19,715.2	10,209.0	-9,506.2	-48.2%
LP Gas savings*	Lts	329,107.0	190,150.1	-138,957.0	-42.2%
Natural Gas savings*	m³	7,458.0	4,800.0	-2,658.0	-35.6%
Dangerous residues Recycled batteries	Ton	180.0	523.0	343.0	190.6%
Emissions avoided	Ton CO_2	1,980.0	1,085.0	-895.0	-45.2%

*Note: During 2021 the increases or decreases were due to shutdowns caused by the COVID-19 pandemic. There were no savings, but rather expenditures avoided.

GRUPO CONDUMEX

During the year of 2022, as a result of the application of the Corporate Policy of Environmental Protection, the Grupo Condumex companies, consisting of the Cables and Automotive Parts Sector and 18 work centers, have maintained a certification in the ISO 14001:2015 standard. The Grupo Condumex plants carry out procedures in which they take advantage of the various technological advances in the use and care of natural resources that provide substantial savings in water and energy.

Throughout the year, the work centers recorded a total consumption of energy of 145,841,345 kWh, in which the consumption of clean energy was 87,646,720 kWh and in which the self-supply of renewable energy from solar panel systems was 1,915,534 kWh. In the twenty-five (25) work centers the total consumption of water recorded was 392,673 m^3.

In the same manner, during 2022 the reutilization and recycling of residues in the Cables and Automotive Parts sector was continued, with a total of 6,937,488.23 kilograms of special-handling residues collected and recycled and with some of the largest work centers propitiating the recycling of 1,065,943.16 Kg of paper and cardboard. In the CIDEC Jurica 894 Kgs of Special-Handling residues were sent to be recycled and 860.5 Kgs of dangerous residues were collected and sent for recycling. In the CIDEC CT 780 Kg of Special-Handling Residues were generated and sent for final disposal and 9.4 Kgs. of dangerous residues were generated and sent for final disposal. In the automotive parts and cables sectors 666,116.35 Kgs. of dangerous residues were sent for treatment and final disposal. These actions were all in compliance with the provisions established in the General Law for the Prevention and Comprehensive Management of Residues (LGPGIR).

IN THE CIDEC CT 780 KG OF SPECIAL-HANDLING RESIDUES WERE GENERATED AND SENT FOR FINAL DISPOSAL AND **9.4 KGS. OF DANGEROUS RESIDUES WERE GENERATED AND SENT FOR FINAL DISPOSAL.**

For the eleventh consecutive year the Mexican Philanthropic Center (CEMEFI) awarded the Socially Responsible Company title to Grupo Condumex for its compliance with the standards established in the arena of socially responsible companies.

In 2022, in its commitment to environmental policies in the Cables Sector, the company Latincasa maintained a nursery in its facilities, with a total of 615 specimens of various species of flora, which were utilized in reforestation activities in the industrial zone of San Luis Potosi and in the company itself. The Companies NACEL Vallejo and Latincasa maintain their Clean Energy title for their adherence to the voluntary program for the improvement of the efficiency of their production processes, their compliance with national and international standards, and for good operational and engineering practices. The Condumex plant in Guadalajara maintains its Environmental Leadership Certificate granted by the Secretariat of the Environment and Territorial Development (SEMADET) of Jalisco for its high standards in the protection of the natural surroundings of Jalisco, and it is the only company with that distinction. Reforestation activities were carried out In the Automotive Parts and Cables Sectors in commemoration of the World Environment Day, during which 93 specimens of various species were planted with the participation of approximately 24 persons.

In the cables and automotive parts sectors, the "Recycling Against Cancer" campaign has been maintained in a permanent manner. During the year of 2022 the said campaign collected 2,219.39 Kgs. of plastic bottle caps, which sere donated to the "Banco de Tapitas A.C." Foundation, the "Mexican Association for Assistance to Children with Cancer I.A.P. (AMANC)," "Alianza Anticancer", "Complices A.C.", and to "DIF Apaseo el Grande," through which plastic bottle caps, PET and aluminum are collected and recycled, and from the economic resources thus obtained the said associations assist persons with cancer by providing information, orientation, medications and care. In the CIDEC CT 58.3 Kgs. of plastic caps were collected and donated to the "Banco de Tapitas A. C" Foundation.

Finally, with the objective of implanting an environmental culture in the various work centers of the cables and automotive parts sectors, 1,377 talks were held, recording an attendance of 34,701 employees, while in the CIDEC Jurica and CIDEC CT 56 environmental talks were held, with the attendance of 1,402 employees.

CARSO INFRAESTRUCTURA Y CONSTRUCCIÓN, S. A. DE C. V.

Carso Infraestructura y Construcción, S.A de C.V. and its subsidiaries comply with the provisions established in the corporate policy for the protection of the environment, and therefore persons experienced in environmental management matters are always present in the execution of all their projects. The Infrastructure and Pipelines sectors have maintained their environmental certification in the ISO 14001:2015 international standard since 2021 and they are valid until August 02 of 2024 and December 17, 2024, respectively.

For the twelfth consecutive year the Mexican Philanthropic Center (Cemefi) awarded the Socially Responsible Company title to Carso Infraestructura y Construcción, for its application of actions for the care and protection of the environment and for its contributions to society and to its employees with its business ethics.

In 2022 Carso Infraestructura y Construcción continued with the implementation of the Management of Residues Plan in the infrastructure, pipelines, building and central sectors. This plan allowed the efficient management of residues and to complement the environmental awareness campaigns with actions by the personnel from the various sectors. The activities for the reutilization and recycling of special-handling and dangerous residues were continued, and a total of 1,030,088.71 Kgs. of those residues were withheld from disposal in sanitary landfills, with diverse environmental benefits, including the recycling of 13,775.1 Kgs. of paper and cardboard. Regarding dangerous residues, during 2022 in the Pipelines, Infrastructure and Civil Construction projects, 364,609.56 Kgs. of dangerous residues were disposed of in an environmentally adequate manner. These were some of the actions carried out in compliance with the provisions established in the General Law for the Comprehensive Management of Residues (LGPGIR).

During the year of 2022, the participation in the "Recycle Against Cancer" campaign by the personnel in the Pipelines, Construction, Infrastructure and Central sectors was encouraged, along with the participation by their friends and family. In this campaign plastic bottle caps are collected and recycled for donation to the

"Alianza Anticancer, A.B.P", "Banco de Tapitas" and "Ángeles en Libertad A.C." associations, all of whom have created an economic resource to support the treatment of persons with cancer and to cover their basic medical, psychological, and nutritional needs as well as other social assistance.

During the year of 2022 the "Pilotón" campaign, which is carried out in a constant manner year after year in the Pipelines, Construction, Infrastructure and Central sectors collected 61.71 Kgs. of used alkaline batteries, which were disposed of by the Company E-Weast, duly authorized for that purpose by the corresponding environmental authority.

During the year of 2022, programs for the rescue and relocation of flora and fauna were implemented and 32,185 specimens of flora and 373 individual specimens of fauna were rescued and relocated, among which 3,949 specimens of flora and 206 of fauna are classified in a protected status, according to the NOM-059-SEMARNAT-2010 standard.

In the matter of restoration of soil, in the Varas-Vallarta highway project the restoration of 16.6 hectares was carried out in the land bank of the community of Chula Vista, commune of Peñita Jaltemba, while at Km 81+400 in the Mitla-Tehuantepec highway project the restoration of 0.674 hectares of an oak-pine forest with shrub species was carried out.

In July, in coordination with the Secretariat of the Environment of the Government of the State of Mexico and through its department of General Coordination of Ecological Conservation, the Annual Reforestation Campaign was initiated, with the participation of 46 persons consisting of friends and family members of the Group's employees, an event propitiating family and worker fraternization. This annual reforestation event was realized with the support of the Sierra de Guadalupe State Park Director, and 112 trees of various species were planted (Tecoma stans, Eysenhardtia polystachya y Quercus sp.).

Finally, with the objective of instilling an environmental awareness in the Infrastructure, Pipelines, Construction and Central sectors, 564 talks on various environmental themes were held in 2022, with the recorded attendance of 41,520 persons.

For greater details on the environmental activities of Condumex and Carso Infraestructura y Construcción please refert to the 2022 report in:

https://www.eng.carso.com.mx/sustainability/

LABOR, HEALTH AND SAFETY PERFORMANCE

Grupo Carso is the source of permanent and part-time employment for 90 thousand persons in Mexico, Latin America and some countries in Europe. In 2022 the number of jobs increased by 17.5% compared to the previous year. The Group's employees enjoy salaries that are in accordance with the laws, the market, the employee's performance and the level of responsibility associated to the employee's position.

	2020	2021	Var% 2022-2021
Employees	76,161	94,827	17.5%

COURSES IN TECHNICAL, OPERATIONAL, DEVELOPMENT AND SAFETY AND HEALTH TRAINING

During the year of 2022 a total of 22,752 consolidated courses were delivered with 984,110 graduates from Carso Infraestructura, Condumex, Sears, Sanborns, Promotora Musical and Dax.

TRAINING COURSES	COURSES	PARTICIPANTS
2021	15,899	811,703
2022	22,752	984,110
Var%	43.10%	21.24%

GRUPO SANBORNS

		Training (1)		Civil Protection	ASUME			Social Wellbeing (2)	
Company	No. of Employees at 31/Dec/2022	# of Courses	# of Participants	Trained Brigade members	# of Groups	# of Participants	# of Facilitators	# of Collaborators	# of Family members
Sanborns	20,463	10,130	246,606	2,365	2	1,171	70	123,467	2,179
Sears	18,311	4,515	158,594	2,613	64	1,988	60	135,078	4,582
Dax	1,005	167	6,283	313	36	40		12,455	605
Claro Shop and Claro Pagos	156	466	102						
Mix Up	2,390	78	4,459	370	102	3,199	130	188	7,366
Total Grupo anborns	42,325	15,356	416,044	5,661	204	6,398	260	271,188	14,732

The integration and accompaniment program for the Sanborns, Dax, Sears and ClaroShop companies was consolidated, in which we ensure that new personnel will adapt to the Company in a simple and rapid manner and will learn their principal functions quickly. The courses for the knowledge of products were continued and programs for sales specializations were established for each department.

Programs on customer service and special sales skills were established, to achieve a better development and to ensure a satisfactory shopping experience in customers. For the Sanborns restaurants the training was focused on the serving of food and beverages and the development of personal abilities in the serving and decoration of pastries. In Sears the training was on innovative processes for electronic commerce, focusing on the creation of gifts and multi-channel sales and customer services. Additionally, the sales floor personnel were trained in the use of the new Sears digital sales App, Sears.com, in order to promote it to customers. The training program for the technical service areas was reinforced for the purpose of offering a differentiated service of high quality. Constant training is carried out for the purpose of updating the inventory systems and sales points in order to expedite the service. In developmental matters the talent base of sales managers and supervisors is constructed with training in sales, administration, and the marketing of products-, with orientation based on results and teamwork abilities. In the *Capacitate Carso* platform courses continue to be created and delivered for the integration of new employees into the Company and to develop their abilities and knowledge in order to improve their performance and thereby complete their development within the Company. 297 courses were created for Sanborns-Dax and 132 courses for Sears. In 2022 specialized training was provided on the various products found in the Mixup and iShop stores, as well as in regard to the updating of inventory systems and e-commerce systems in order to better control the stocking of merchandise. The subjects of sales consultation technology, books, Apple products and leadership were addressed, along with other matters. This training was carried out physically as well as online by means of Zoom, Meet, Webex and Teams.

CONDUMEX AND CARSO INFRAESTRUCTURA Y CONSTRUCCIÓN

In 2022, courses on the improvement of processes, innovation, human development, and health were delivered in Condumex and Carso Infraestructura y Construcción, with a total of 7,396 courses delivered to 568,066 participants.

CIVIL PROTECTION PROGRAM

The training of 5,661 brigade members of Sears, Sanborns and Promotora Musical was carried out in 2022, which was an increase of 92.8% compared to the 2,936 brigade members trained in the previous year. This training was carried out through the internal Civil Protection unit for the purpose of instructing the participants on the actions and functions that should be carried out in the event of emergencies.

THE ASUME PROGRAM (Association for the Progress of Mexico)

This program had a scope of 220 groups and 6,641 collaborators, graduated from Grupo Carso companies.

FOR CONDUMEX AND CICSA THE NUMBERS WERE 16 GROUPS AND **243 PARTICIPANTS IN ASUME**

ASUME	GROUPS	PARTICIPANTS	FACILITATORS
2021	108	3,192	181
2022	220	6,641	260
Var%	103.7%	108.0%	43.6%

FOR GRUPO SANBORNS THE NUMBERS WERE 204 GROUPS, **6,398 PARTICIPANTS AND 260 FACILITATORS IN ASUME**

THE SOCIAL WELLBEING PROGRAM

The program consisted of 3 fundamental aspects: Training, Health, and Culture and Recreation. Virtual conferences were held, with a scope on a national level, reaching 311,050 persons, including family members of Grupo Carso employees, Among the subjects addressed was the answer to questions and concerns from the participants and the sharing of experiences with the specialists who dealt with those matters.

IN THIS PROGRAM THERE WERE 271,188 EMPLOYEES FROM GRUPO SANBORNS AND **14,732 FAMILY MEMBERS, FOR A TOTAL OF 285,920 PARTICIPANTS.**

SOCIAL WELLBEING	EMPLOYEES AND THEIR FAMILIES
2021	204,138
2022	311,050
Var%	52.37%

FOR CICSA AND CONDUMEX THERE WERE 216 EVENTS, WITH 24,884 EMPLOYEES AND **246 FAMILY MEMBERS, FOR A TOTAL OF 25,130 PARTICIPANTS.**

THE “TRAIN YOURSELF FOR A JOB” PLATFORM

In the Carlos Slim Foundation’s “Train Yourself for a Job” platform, work was continued, both as a means of attracting new talent as well as in the training of operational, maintenance, and sales personnel for Sears. In the case of Condumex and Carso Infraestructura y Construcción 158 courses were delivered and a total of 21,884 persons completed the course.

The Mexican Philanthropic Center (Cemefi) awarded the Socially Responsible Company title to Carso Infraestructura y Construcción for the tenth consecutive year.

COMPANIES WITH THE SOCIALLY RESPONSIBLE
CONDUMEX: 11 CONSECUTIVE YEARS
CICSA: 12 CONSECUTIVE YEARS

LARGE COMPANIES: 2022	ACKNOWLEDGMENT	PYME COMPANIES 2022	
Concensol, S.A de C.V	11 years	Servicios Integrales GSM, S. de R.L de C.V. Conticon, S.A de C.V.	11 years
Cordaflex S.A, de C.V	11 years	Conalum, S.A de C.V.	11 years
Condumex, S.A de C.V	11 years	GSM Bronco	12 years
Carso Infraestructura y Construcción, S.A de C.V			
Arneses Eléctricos Automotrices, S.A de C.V			
Arcomex, S.A de C.V	11 years		
Arneses Electrónicos Arnelec, S.A de C.V	11 years		

COMPANIES WITH THE SOCIALLY RESPONSIBLE
CARSO INFRAESTRUCTURA Y CONSTRUCCIÓN
12 CONSECUTIVE YEARS

LARGE COMPANIES: 2022	ACKNOWLEDGMENT
Operadora Cicsa, S.A de C.V	11 years
Carso Infraestructura y Construcción	11 years

YAMMER

The principal benefits from the use of the "Yammer" tool are in the development of a culture of digital transformation, providing fluid and spontaneous communication in real time, as well as the integration between employees and work centers. In 2022 Carso Infraestructura y Construcción and Condumex distributed 218 Corporate Communications and Publications flyers/videos through Yammer, with 47,112 viewers.

47,112 VIEWERS THROUGH YAMMER

FLEXIBLE HOURS
THE HOME OFFICE PROGRAM

In Carso Infraestructura and Condumex 2,647 employees benefitted from the Home Office program in 2022, the same as during the previous year.

2,647 EMPLOYEES BENEFITTED

GRUPO SANBORNS SOCIAL ACTIONS

The Company encourages worker inclusion, and therefore intellectually impaired persons are hired through the "Best Buddies" Organization. Additionally, in Mixup we are committed to the assistance of children with hearing problems through the "¡Oye! tú que oyes!" Campaign, urging people to help in the education of hearing-impaired children. For many years we have urged the customers in our Mixup stores and in https://www.mixup.com/ as well as in social networks to make donations, beginning with $10.00 pesos. Promotora Musical also participates in the Campaign and the amounts collected are delivered to the Pedagogic Institute for Language Problems, I.A.P. (IPPLIAP), in which teachers and family members are taught to use sign language. Primary and elementary classes are held for deaf children to help their integration into society.

BOARD OF DIRECTORS

BOARD MEMBERS

CARLOS SLIM HELÚ

Years as Board Member:** Twenty-Two

Position*:

- **COB –** Carso Infraestructura y Construcción
- **COB –** Minera Frisco
- **Honorary Life COB:**
  - Grupo Carso
  - Teléfonos de México
  - América Móvil

CARLOS SLIM DOMIT

Years as Board Member:** Thirty-Two

Position*:

- **COB –** Grupo Carso
- **COB –** Grupo Sanborns
- **COB –** América Móvil
- **COB –** Teléfonos de México

Type of Member*** PATRIMONIAL INDEPENDENT

ANTONIO COSÍO ARIÑO

Years as Board Member:** Thirty-Two

Position*:

- **CEO –** Cía. Industrial de Tepeji del Río

ARTURO ELÍAS AYUB

Years as Board Member:** Twenty-Five

Position*:

- **Director of Strategic Alliances, Communication and Institutional Relations –** Teléfonos de México
- **CEO –** Fundación Telmex

CLAUDIO X. GONZÁLEZ LAPORTE

Years as Board Member:** Thirty

Position*:

- **COB –** Kimberly Clark de México

* Based on Board of Directors information.

** The seniority of the Board members was considered to begin in 1990, on the date in which the stock of Grupo Carso, S.A.B. de C.V. was first listed in the Mexican Stock Market.

*** Based on board of directors information. The term "Independent Board Members" is in accordance with the definition of the term in the Mexican Stock Market Law.

CEO: Chief Executive Officer.

COB: Chairman of the Board.

DANIEL HAJJ ABOUMRAD

Years as Board Member** Twenty-Eight

Position*

- **CEO –** América Móvil

DAVID IBARRA MUÑOZ

Years as Board Member** Twenty-One

Position*

- **CEO –** Despacho David Ibarra Muñoz

RAFAEL MOISÉS KALACH MIZRAHI

Years as Board Member** Twenty-Nine

Position*

- **COB and CEO –** Grupo Kaltex

VANESSA HAJJ SLIM

Years as Board Member** Two

Position*

- **Analyst –** Inmuebles Carso

* Based on Board of Directors information.

** The seniority of the Board members was considered to begin in 1990, on the date in which the stock of Grupo Carso, S.A.B. de C.V. was first listed in the Mexican Stock Market.

*** Based on board of directors information. The term "Independent Board Members" is in accordance with the definition of the term in the Mexican Stock Market Law.

CEO: Chief Executive Officer.

COB: Chairman of the Board.

PATRICK SLIM DOMIT

Years as Board Member** Twenty-Seven

Position*

- **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

Years as Board Member** Thirty-Two

Position*

- **COB –** Grupo Financiero Inbursa
- **COB –** Inversora Bursátil
- **COB –** Seguros Inbursa
- **COB –** Impulsora del Desarrollo y el Empleo en América Latina

Type of Member*** PATRIMONIAL INDEPENDENT PATRIMONIAL RELATED

ALTERNATE BOARD MEMBERS

ANTONIO COSÍO PANDO
Years as Board Member** Twenty-One
Position*
- **General Manager –** Cía. Industrial de Tepeji del Río

ALFONSO SALEM SLIM
Years as Board Member** Twenty-Two
Position*
- **Vice-Chairman –** Impulsora del Desarrollo y el Empleo en América Latina
- **COB –** Inmuebles Carso

ANTONIO GÓMEZ GARCÍA
Years as Board Member** Nineteen
Position*
- **CEO –** Grupo Carso
- **CEO –** Carso Infraestructura y Construcción
- **COB and CEO –** Grupo Condumex

FERNANDO G. CHICO PARDO
Years as Board Member** Thirty-Three
Position*
- **CEO –** Promecap
- **COB –** Grupo Aeroportuario del Sureste

Type of Member*** RELATED INDEPENDENT

ALEJANDRO ABOUMRAD GABRIEL
Years as Board Member** Thirty-Two
Position*
- **COB –** Grupo Proa

TREASURER

ARTURO SPÍNOLA GARCÍA
Years as Board Member** Nine
Position*
- **CFO and Administration Director –** Carso Infraestructura y Construcción and Grupo Condumex

SECRETARY

ARTURO MARTÍNEZ BENGOA
Years as Board Member** One
Position*
- **Corporate Legal Director –** Grupo Condumex

PRO-SECRETARY

JOSUÉ RAMÍREZ GARCÍA
Years as Board Member** One
Position*
- **Corporate Legal General Manager –** Grupo Condumex

* Based on Board of Directors information.

** The seniority of the Board members was considered to begin in 1990, on the date in which the stock of Grupo Carso, S.A.B. de C.V. was first listed in the Mexican Stock Market.

*** Based on board of directors information. The term "Independent Board Members" is in accordance with the definition of the term in the Mexican Stock Market Law.

CEO: Chief Executive Officer.

COB: Chairman of the Board.

REPORT BY THE BOARD **OF DIRECTORS**

Reports by the Board of Directors of Grupo Carso, S.A.B. de C.V. on the principal accounting and information policies and criteria followed in the preparation of the Company's financial statements and on the operations and activities in which it engaged, in conformance with Article 28, fraction IV, subparagraphs d) and e) of the Securities Law.

Principal accounting and information policies and criteria followed in the preparation of the financial statements.

The Board of Directors has reviewed and approved, with the prior favorable opinion of the Company Practices and Audits Committee, the accounting and information policies and criteria that were utilized in the preparation of the consolidated financial statements of Grupo Carso, S.A.B. de C.V. and its subsidiaries up to December 31 of 2022, and that are referenced to the following aspects, among others:

1. Activities
2. Significant events
3. Combined businesses
4. Consolidated subsidiaries
5. Cash and cash equivalents
6. Securities held at maturity
7. Accounts receivable
8. Net investment in leased assets
9. Recoverable taxes
10. Inventories
11. Rights of use assets
12. Lease liabilities
13. Administration of financial risks
14. Financial instruments
15. Derivative financial instruments
16. Real estate, machinery and equipment
17. Investment properties
18. Investments in associated companies stock, joint businesses and other
19. Other assets
20. Intangible assets
21. Short- and long-term debt
22. Other accounts payable and accumulated liabilities
23. Reserve accounts
24. Employee retirement benefits
25. Accounting capital
26. Balances and transactions with related parties
27. Income
28. Costs and expenses by classification
29. Other (income) expenses, Net
30. Tax on profits
31. Commitments
32. Contingencies
33. Information by segments
34. Adoption of the New and Revised International Financial Information Standards
35. Principal accounting policies
36. Critical accounting judgments and key sources of uncertainty in the estimates.
37. Transactions that did not produce cash flow
38. Authorization for the issuance of the consolidated financial statements

The details and scope of the accounting and information policies and criteria indicated above are contained in Note No. 35, Principal accounting policies of the said financial statements, and their respective texts are considered to be reproduced here as if they actually were.

Matters established in the Securities Law

During the fiscal year of 2022 and up to the present date, the Board of Directors of Grupo Carso, S.A.B. de C.V. held several meetings in which the information related to the results and operations of the Company and its subsidiaries, as well as its consolidated and unconsolidated financial statements were submitted to the directors. In the said meetings the directors dealt with various matters, among which were those matters established in the Securities Law, and they approved, with the prior positive opinión of the Company Practices and Audits Committee the following subjects:

1) The operations with related parties, successively executed by some of the Grupo Carso, S.A.B. de C.V. subsidiaries, each of whom represents more than one percent of the company's consolidated assets, in conformance with the following:

a. Transactions carried out for 10,119,963 thousands of pesos between Empresa de Servicios y Soporte Integral GC, S.A.P.I. de C.V. and (i) Carso Infraestructura y Construcción, S.A. de C.V. ("Cicsa") and some of its subsidiaries: fiber optic downspouts (from the post to the well); installation of cameras (Ciudad Segura); installation of fiber optics (external); engineering works (design of the telephony and internet connectivity network for Telmex companies; (ii) Grupo Condumex, S.A. de C.V. ("Grupo Condumex") and some of its subsidiaries: Installation of fiber optics; high zero wiring; reel cables; aerial cable; telephonic cable; fiber optic cable, and electronic cable, in addition to building the structures through which the fiber optic passes; and (iii) other works.

b. Transactions carried out for 4,054,046 thousands of pesos between Red Nacional Última Milla, S.A.P.I. de C.V. and (i) Grupo Condumex and some of its subsidiaries: sale of telephone wire; (ii) Cicsa and some of its subsidiaries: downspouts; high zero; maintenance and duct work; (iii) Carso Eficentrum, S.A. de C.V.: commission for mediation; (iv) Elementia Materiales, S.A.P.I. de C.V.: Scrapping of cable for recovery of copper; and (v) other works.

c. Transactions carried out for 3,414,430 thousands of pesos between Aptiv Services US LLC and other companies and Grupo Condumex and some of its subsidiaries: sale of harnesses, cable and automotive engineering services.

d. Transactions carried out for 2,660,277 thousands of pesos between Autovía Mitla Tehuantepec, S.A. de C.V. and Cicsa and some of its subsidiaries: construction.

All the operations with related parties were reviewed by Galaz, Yamazaki, Ruiz Urquiza, S.C., and a summary of their review is found in Note No. 26 of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries up to December 31 of 2022.

2) The ratification of the public accounting firm of Galaz, Yamazaki, Ruiz Urquiza, S.C. to perform the external auditing services of the consolidated financial statements of Grupo Carso, S.A.B. de C.V. and its subsidiaries up to December 31 of 2022, as well as the ratification of its fees.

3) The consolidated financial statements of Grupo Carso, S.A.B. de C.V. and its subsidiaries up to December 31 of 2022, to be submitted to the consideration of the Company's annual general ordinary shareholders' meeting.

Chairman of the Board of Directors

Lic. Carlos Slim Domit

COMPANY PRACTICES
AND AUDITS COMMITTEE OF GRUPO CARSO, S.A.B. DE C.V.

C.P.A. Rafael Moisés Kalach Mizrahi **Chairman**

Engr. Antonio Cosío Ariño

Lic. David Ibarra Muñoz

ANNUAL REPORT

To the Board of Directors:

In my capacity as Chairman of the Company Practices and Audits Committee of Grupo Carso, S.A.B. de C.V. (the "Committee"), I am hereby submitting the following annual report of activities for the fiscal year of 2022.

Functions of Company Practices and of Evaluation and Compensation

The Director General of Grupo Carso, S.A.B. de C.V. (the "Company") and the corresponding directors of the juridical persons controlled by the Company have satisfactorily met their responsibilities and carried out the objectives assigned to them.

The operations with related parties that were submitted to the consideration of the Committee were approved. Among those operations, each of which represents more than one percent of the Company's consolidated assets and which were executed in the order listed, are the following:

"Empresa de Servicios y Soporte Integral GC, S.A.P.I. de C.V. for the concept of fiber optic downspouts (from the post to the well); installation of cameras (Ciudad Segura); installation of fiber optics (external); engineering works (design of the telephony and internet connectivity network for Telmex companies; Installation of fiber optics; high zero wiring; network cables; aerial cable; telephonic cable; fiber optic cable, and electronic cable; building the structures through which the fiber optic passes; Red Nacional Última Milla, S.A.P.I. de C.V. for the concept of sale of telephone cable; downspouts; high zero; maintenance and duct work; commission for mediation services; scrapping of cable for recovery of copper; Aptiv Services US LLC and other Grupo Aptiv companies, for the concept of sales of automotive harnesses, cables and automotive engineering services; and Autovia Mitla Tehuantepec, S.A. de C.V. for the concept of construction."

All the operations with related parties were carried out at market prices and were reviewed by the accounting firm Galaz, Yamazaki, Ruiz Urquiza, S.C. (the "Office"), the juridical person that carried out the audit of the Grupo Carso, S.A.B. de C.V. and subsidiaries financial statements up to December 31 of 2022 as well as of the majority of its subsidiaries, and a summary of those audits can be found in a note of the said financial statements.

The director general of the Company does not receive any remuneration for the performance of his functions as such. The Company does not have any employees, and in regard to the comprehensive remuneration of the directors of the companies controlled by the Company, we have ascertained that they are complying with the policies that were approved by the Board of Directors to that effect.

The Company's Board of Directors has not granted any dispensation that would allow any member of the Board of Directors or any other person in a position of authority to take advantage of business opportunities corresponding to the Company or the juridical persons controlled by the Company or in which it has a significant influence for his own benefit or for the benefit of a third party. Nor has the Committee granted any dispensation for the transactions referred to in subparagraph c), Fraction III of Article 28 of the Securities Market Law.

Auditing Functions

We have submitted to the consideration of the Company's Board of Directors the ratification of Galaz, Yamazaki, Ruiz Urquiza, S.C. to carry out the external audit of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries up to December 31 of 2022 and of the majority of its subsidiaries (the "Audit"), as well as the ratification of its remuneration for that service, having taken into account that the resources proposed by the said accountants for the execution of the auditing program were reasonable, considering the scope of the said audit, the Company's structure and the nature and complexity of its operations. We also reviewed the terms of the auditing firm's task.

We evaluated the compliance by the Office and by the Independent External Auditor with the personal, professional and Independence requirements referred to in Article 6 of the provisions of a general nature applicable to the entities and issuers supervised by the National Banking and Securities Commission who contract external auditing services for basic financial statements (the "External Auditors Circular"), and we determined that both the Office as well as the External Independent Auditor were in satisfactory compliance with the said requirements.

We did not find it necessary to take any measures to ensure the Independence of the Office and of the Independent External Auditor or of the personnel who participated in the Audit.

We obtained from the Office the declaration referred to in Fraction II of article 20 of the External Auditors Circular in regard to the compliance with the quality control standard for the performance of the auditing services.

We carried out a punctual monitoring of the auditing activities realized by the Office and kept the Board of Directors informed in that regard. We also monitored the activities of the External Independent Auditor, who kept us informed of his activities and the development of the Audit.

As a result of the review of the opinion and of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries up to December 31 of 2022, there were no relevant adjustments to the audited numbers or caveats to be expressed in the said statements.

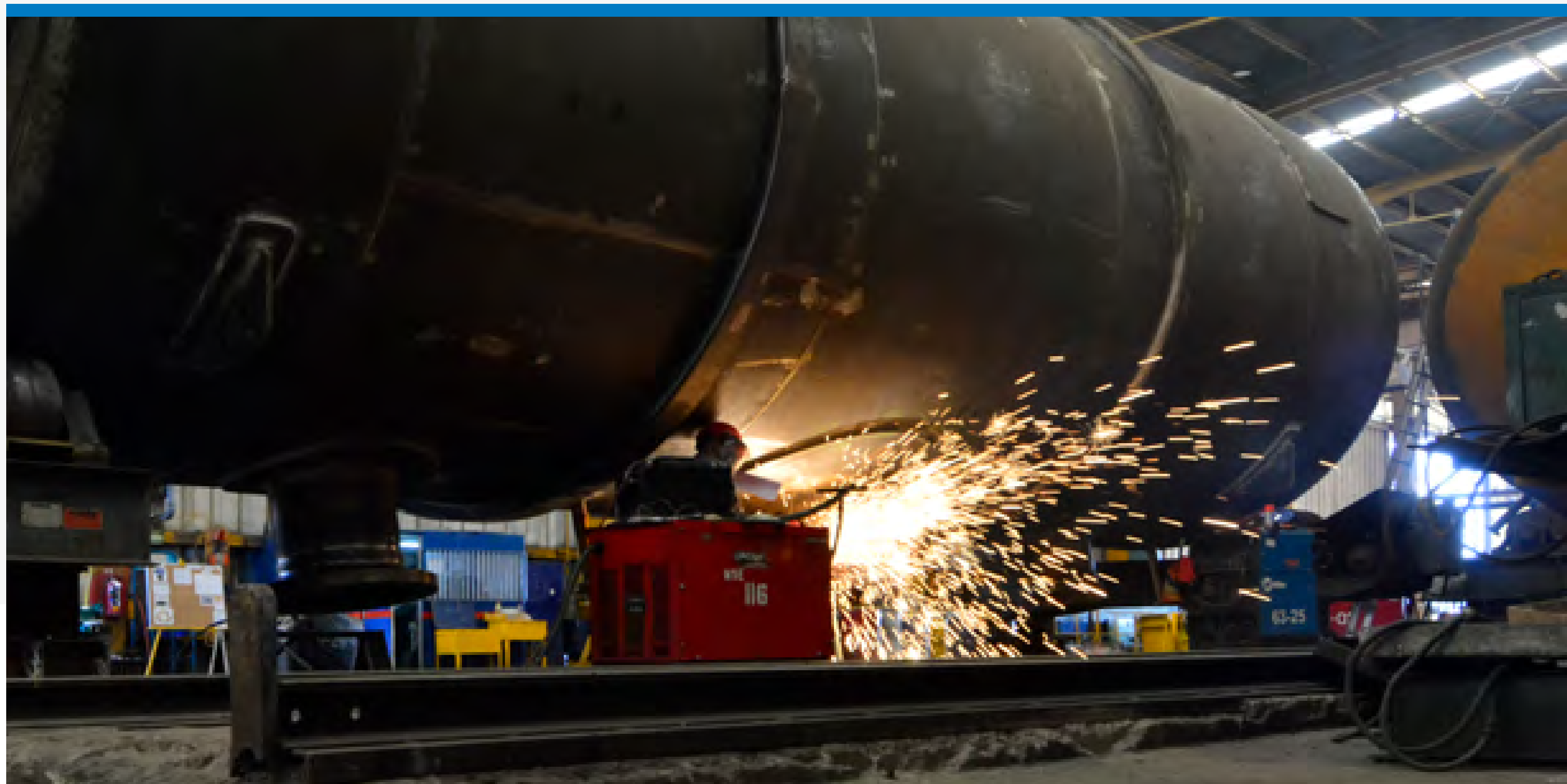
As a result of the review of the letter of observations by the Independent External Auditor established in Fraction I of Article 15 of the External Auditors Circular (the "Letter of Observations") in regard to the substantive procedures, the evaluation of the internal control and the relevant matters that the External Independent Auditor provided to the Company, we found various observations regarding the issuer and its subsidiaries. In that regard, the Company's Administration informed us that it is preparing a plan of action with the preventive and corrective measures and the period of time to address the said observations, in conformance with the indications in the applicable legal provisions.

We had no knowledge of any important breach of the guidelines and operating policies or recording of accounting information 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 audit by the Office and by the External Independent Auditor was as expected and the objectives that were established when they were contracted were accomplished. Also, the quality of the opinion of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries up to December 31 of 2022 was satisfactory.

The internal control, internal auditing and external audit opinion of Grupo Carso, S.A.B. de C.V. and of the juridical persons it controls are satisfactory and meet the guidelines approved by the Board of Directors, as can be gathered from the information provided to the Committee by the Board of Directors and by the persons responsible for the internal audit, both in regard to Grupo Carso, S.A.B. de C.V. and in regard to Grupo Sanborns, S.A.B. de C.V. in respect to the activities they carried out in compliance with their internal auditing plan and in their follow-up on the principal findings they discovered during the fiscal year of 2022 or that they had previously reported.

In conformance with the information that was reported to us by the Board of Directors and gathered in the meetings we had with the external and internal auditor, without the presence of Company officials, and as far as we know there were no significant observations made by shareholders, councilors, directors, employees or any third party in general in regard to the accounting, internal controls and subjects related to the internal or external audit. Nor were there any denunciations by those persons in regard to irregular acts in the administration of the Company and of the juridical persons it controls.



During the period that is reported we ascertained that due compliance with the accords adopted in shareholder meetings and by the Company's Board of Directors had been carried out. Also, in accordance with the information provided to us by the Board of Directors, we verified that the said Board has control systems that allow it to determine that it is in compliance with the applicable provisions in regard to the securities market and that the legal department reviews that compliance at least once a year, and we found no observations or any adverse change in the legal situation in that regard.

In regard to the financial information that the Company prepares and presents to the Bolsa Mexicana de Valores, S.A.B. de C.V. and to the National Banking Commission, we ascertained that the said information is elaborated under the same accounting policies, criteria and practices with which the annual information is elaborated.

Functions of Finances and Planning

The Company and the juridical persons it controls continued their investments in 2022. In regard to those investments we ensured that their financing had been carried out in a manner that was consistent with the Company's medium- and long-term strategic plan. Additionally, we periodically ensured that the Company's strategic position was in concordance with that plan. We also reviewed and evaluated the Budget for the fiscal period of 2023, along with the financial projections that were taken into account for the elaboration thereof, which included the Company's principal investments and financing transactions, which we considered to be viable and consistent with the Company's investment and financing policies and its strategic vision.

For the elaboration of this report, the Company Practices and Audits Committee drew on the information that was provided to it by the Director General of the Company, the relevant directives from the juridical persons it controls and the external auditor.

Mexico City, January 30, 2023

Chairman

C.P.A. Rafael Moisés Kalach Mizrahi

CONSOLIDATED **FINANCIAL STATEMENTS**

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020, AND INDEPENDENT AUDITORS' REPORT DATED MARCH 31, 2023

INDEPENDENT AUDITORS' REPORT

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

(Amounts 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, 2022, 2021 and 2020, 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, together with the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements fairly present, in all material respects, the consolidated financial position of Grupo Carso, S. A. B. de C. V. and subsidiaries as of December 31, 2022, 2021 and 2020, together with its consolidated financial performance and consolidated cash flows for the years then ended, in accordance with the 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 2022 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.

1. *Acquisition of Elementia (see Note 3a)*

   As mentioned in Note 3a, on March 22, 2022, a purchase agreement was signed for Elementia Materiales, S.A.B. de C.V. (ELEMAT) and Fortaleza Materiales, S.A.B. de C.V. (FORTALE) (collectively, Elementia). The acquisition and control was completed after all necessary regulatory approvals were obtained on May 6, 2022. The purchase price amounted to $758,447. The acquisition is accounted for as a business combination in accordance with IFRS 3, Business Combinations (IFRS 3) and includes a number of significant and complex judgments in determining the fair value of the assets and liabilities acquired, this required a high audit effort including the need to incorporate our fair value specialists, therefore, this transaction was considered a key audit matter.

   Our audit procedures included, but were not limited to:

   i. We review the authorization of the Entity related to the acquisition and corroborate the consideration paid.
   ii. We read the agreements of shareholders of sale.
   iii. We involved our specialist to evaluate the assumptions and methodologies used for the allocation of values, as well as the correct application of IFRS 3.
   iv. We challenge the reasonableness of the assumptions and methodologies of the valuation: Estimates of cash flows, projection period, remaining useful life, and other relevant ones that were used and recognized to value assets of similar characteristics in the industry.
   v. We assess whether disclosures are in accordance with IFRS 3

2. *Impairment of long-lived assets including goodwill and intangible assets (see Note 3a, 16 and 20)*

   The Entity has identified the cash-generating units, on which an impairment analysis study is carried out each year as established by International Accounting Standard 36 "Impairment of assets", in which discounted future cash flows are calculated to determine if the asset value has deteriorated. We focused on the determination of the impairment due to the materiality of the balances of long-lived assets of the commercial segment and of the intangible assets and goodwill of Elementia as of December 31, 2022, since there is a risk that the determination of the assumptions used by the management to calculate future cash flows, are not reasonable based on current and foreseeable future conditions.

   The most significant assumptions refer to the discount rate applied and the assumptions that support future cash flows, in particular the growth rate of revenues and projected cost and expense ratios. Our audit procedures to hedge the risk in relation to the impairment of long-lived assets included, among others:

   i. We review the impairment models carried out by the administration, for those UGE whose book values are subject to significant judgment.
   ii. We have discussed key management assumptions regarding cash flow forecasts, discount rates, and long-term growth rates based on our knowledge of the business, industry, and audited historical information.
   iii. We involve our specialists to challenge the assumptions used by management to validate the reasonableness of the information with the behavior of the business and industry market, including the current business situation.

Other matter

The accompanying 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 included 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 Stock Market Participants in Mexico and the Instructions accompanying these provisions (the Provisions). The Annual Report is expected to be available for our reading after the date of this audit report; and ii) the other additional information, which is not required by IFRS, but has been included so as to assess the performance of each operating segment as regards the Entity's Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA); this information is presented in Note 33.

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

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 the knowledge we obtained during the audit, or which appears to contain material misstatement. When we read the Annual Report, we will issue a legend in this regard, as required by Article 33 Section I, subsection b) number 1.2. of the Provisions. Similarly, as regards our audit of the consolidated financial statements, our responsibility is to read and recalculate the other information, which is not required by IFRS and, when doing so, consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with the knowledge we obtained during the audit, or which appears to contain a material misstatement. If, based on the work we have performed, we conclude that the other information contains material misstatement, we would report this fact. However, we have nothing to report concerning this 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 deemed necessary by management to enable the preparation of consolidated financial statements that are free of 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, taken as a whole, are free of 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 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 performed in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of the material misstatement of the consolidated financial statements due to fraud or error, design and perform audit procedures to respond to those risks, and obtain sufficient, appropriate audit evidence 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 fairness 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 relevant transactions and events in a manner that achieves a fair presentation.

- Obtain sufficient, 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2022 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. ERIK PADILLA CURIEL
Mexico City, Mexico
March 31, 2023

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2022, 2021 AND 2020

(In thousands of Mexican pesos)

Assets	Notes	2022	2021	2020
Current assets:				
Cash and cash equivalents	5	$ 12,294,643	$ 11,197,642	$ 11,764,102
Investments in securities held to maturity	6	–	–	2,642,169
Accounts receivable	7	39,207,963	28,394,607	22,525,829
Due from related parties	26	7,656,579	5,237,509	5,187,980
Recoverable taxes	9	5,604,642	5,286,742	4,324,177
Inventories	10	27,143,539	20,141,355	16,020,744
Prepaid expenses		2,316,335	2,782,021	2,111,152
Derivative financial instruments	15	225,413	85,809	12,255
Total current assets		94,449,114	73,125,685	64,588,408
Non-current assets:				
Net investment in leased asset	8	15,144,293	16,029,400	–
Long-term accounts receivable		1,443,567	1,166,250	1,300,714
Real estate inventories		971,283	987,265	987,265
Property, plant and equipment	16	61,528,795	32,505,782	50,177,463
Right-of-use assets	11	6,202,705	5,631,826	4,955,605
Investment properties	17	4,766,120	4,601,226	3,392,635
Investment in associated entities, joint ventures and other	18	36,755,235	42,794,747	36,399,802
Employee retirement benefits	24	1,569,939	906,654	820,955
Derivative financial instruments	15	795,935	–	–
Intangible assets	20	9,382,982	2,374,620	1,459,712
Deferred income tax asset	30	5,815,525	5,216,710	5,354,451
Other assets	19	556,609	433,088	389,589
Total non-current assets		144,932,988	112,647,568	105,238,191
Total assets		$ 239,382,102	$ 185,773,253	$ 169,826,599

The accompanying notes are part of the consolidated financial statements.

Liabilities	Notes	2022	2021	2020
Current liabilities:				
Loans payable to financial institutions	21	$ 14,001,306	$ 5,126,132	$ 113,436
Current portion of long-term debt	21	1,583,229	394,614	3,177,531
Current lease obligation	12	1,952,727	1,671,517	1,262,736
Trade accounts payable		17,214,822	12,860,801	11,623,855
Accounts payable to related parties	26	889,295	836,946	710,794
Other accounts payable and accrued liabilities	22	11,846,623	5,902,173	6,962,741
Provisions	23	9,378,721	8,017,045	5,609,257
Direct employee benefits		1,976,579	1,102,513	841,370
Derivative financial instruments	15	1,753	2,127	263,620
Contractual liabilities – customer advances		2,527,989	3,628,795	4,359,491
Total current liabilities		61,373,044	39,542,663	34,924,831
Non-current liabilities:				
Long-term debt	21	27,205,815	18,630,729	20,820,230
Lease obligation	12	4,572,724	4,871,375	4,553,355
Deferred income taxes	30	9,683,676	6,552,037	5,815,822
Other long-term liabilities		769,432	881,219	940,533
Employee retirement benefits	24	923,168	348,351	625,493
Derivative financial instruments	15	–	872,232	1,431,492
Total non-current liabilities		43,154,815	32,155,943	34,186,925
Total liabilities		104,527,859	71,698,606	69,111,756
Stockholders' equity	25			
Capital stock		2,527,195	2,528,663	2,531,579
Net stock issuance premium		2,392,896	2,392,896	2,392,896
Retained earnings		105,528,869	92,166,341	83,757,218
Accumulated other comprehensive income		10,439,410	7,926,204	3,696,994
Controlling interest		120,888,370	105,014,104	92,378,687
Non-controlling interest		13,965,873	9,060,543	8,336,156
Total consolidated stockholders' equity	25	134,854,243	114,074,647	100,714,843
Total liabilities and stockholders' equity		$ 239,382,102	$ 185,773,253	$ 169,826,599

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

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

AS OF DECEMBER 31, 2022, 2021 AND 2020

(In thousands of Mexican pesos, except for the basic profit per share, which is expressed in pesos)

	Notes	2022	2021	2020
Income	27	$ 181,538,679	$ 124,572,789	$ 94,684,370
Cost of sales	28	137,178,732	93,948,766	70,955,415
Gross operating income		44,359,947	30,624,023	23,728,955
Sales expenses	28	15,649,247	12,580,040	10,912,640
Administrative expenses	28	5,484,535	4,730,344	4,857,215
Statutory employee profit-sharing		679,193	363,942	190,805
Other (income) expenses, net	29	(3,418,124)	92,712	(1,147,964)
Interest expense		3,791,729	1,684,778	2,272,753
Interest income		(1,339,194)	(571,524)	(1,269,193)
Exchange gain		(1,566,338)	(3,696,391)	(6,302,703)
Exchange loss		2,615,376	3,653,161	5,488,139
Effects of valuation of derivative financial instruments		(352,602)	(319,373)	397,890
Equity in results of associated entities, joint ventures and other	18	(1,303,405)	(2,826,115)	(757,815)
Income before income taxes		24,119,530	14,932,449	9,087,188
Income taxes	30	3,685,952	2,604,486	2,639,419
Consolidated net income of the year		$ 20,433,578	$ 12,327,963	$ 6,447,769
Other comprehensive income, net of income tax				
Items that will not be reclassified to results:				
Gain (loss) from cumulative translation adjustment		$ (1,567,616)	$ 89,612	$ (288,373)
Gain (loss) from derivative financial instruments valuation	15	1,001,567	336,106	(498,937)
Gain (loss) in the fair value of equity financial instruments, net of deferred taxes	15	1,689,189	2,459,818	1,922,915

The accompanying notes are part of the consolidated financial statements.

	Notes	2022	2021	2020
Items that will not be reclassified to results:				
Actuarial gains (losses)		706,433	340,225	(78,337)
Losses on financial assets at fair value		(104,838)	–	–
Other items		287	372	426
Equity in other comprehensive income of associated entities and joint ventures		412,469	1,082,792	(243,618)
Total other comprehensive income		2,137,491	4,308,925	814,076
Consolidated comprehensive income of the year		$ 22,571,069	$ 16,636,888	$ 7,261,845
Consolidated net income attributable to:				
Controlling interest		$ 19,061,904	$ 11,282,039	$ 5,706,408
Non-controlling interest		1,371,674	1,045,924	741,361
		$ 20,433,578	$ 12,327,963	$ 6,447,769
Basic profit per ordinary share attributable to controlling interest:				
Basic profit per ordinary share		$ 8.466	$ 4.975	$ 2.507
Weighted average number of outstanding shares ('000)		2,251,633	2,267,648	2,276,143
Consolidated comprehensive income attributable to:				
Controlling interest		$ 21,575,110	$ 15,511,249	$ 6,586,273
Non-controlling interest		995,959	1,125,639	675,572
		$ 22,571,069	$ 16,636,888	$ 7,261,845

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(In thousands of Mexican pesos)

					Accumulated other comprehensive income of controlling interest								
	Capital stock	Net stock issuance premium	Retained earnings	Gain (losses) in translation effects of foreign operations	(Losses) gain in valuation of derivative financial instruments	Actuarial (losses) gain	Gain in valuation of capital financial instruments	(Losses) gains on financial assets at fair value	Equity in other comprehensive income	Equity in other comprehensive income of associated entities	Total controlling interest	Non-controlling interest	Total stockholders' equity
Consolidated balances as of December 31, 2020	$ 2,534,392	$ 2,392,896	$ 78,277,075	$ 304,123	$ (417,384)	$ (1,225,154)	$ 5,319,446	$ –	$ (868,357)	$ (7,674)	$ 86,309,363	$ 8,335,197	$ 94,644,560
Repurchase of own shares	(2,813)	–	(572,449)	–	–	–	–	–	–	–	(575,262)	–	(575,262)
Dividends declared to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(788,217)	(788,217)
Decrease in repurchase of shares of subsidiary	–	–	(13,533)	–	–	–	–	–	–	–	(13,533)	(50,487)	(64,020)
Restructuring effect on associated entity	–	–	141,539	–	–	–	–	–	–	(287,871)	(146,332)	(631)	(146,963)
Acquisition of non-controlling interest of subsidiaries	–	–	218,178	–	–	–	–	–	–	–	218,178	164,722	382,900
Balances before comprehensive income	2,531,579	2,392,896	78,050,810	304,123	(417,384)	(1,225,154)	5,319,446	–	(868,357)	(295,545)	85,792,414	7,660,584	93,452,998
Consolidated comprehensive income of the year	–	–	5,706,408	(277,095)	(480,097)	(61,523)	1,928,030	–	415	(229,865)	6,586,273	675,572	7,261,845
Consolidated balances as of December 31, 2020	2,531,579	2,392,896	83,757,218	27,028	(897,481)	(1,286,677)	7,247,476	–	(867,942)	(525,410)	92,378,687	8,336,156	100,714,843
Repurchase of own shares	(2,916)	–	(751,438)	–	–	–	–	–	–	–	(754,354)	–	(754,354)
Cash dividends declared	–	–	(2,167,121)	–	–	–	–	–	–	–	(2,167,121)	–	(2,167,121)
Dividends declared to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(243,473)	(243,473)
Decrease in repurchase of shares of subsidiary	–	–	(81,469)	–	–	–	–	–	–	–	(81,469)	(163,473)	(244,942)
Acquisition of non-controlling interest of subsidiaries	–	–	127,112	–	–	–	–	–	–	–	127,112	5,694	132,806
Balances before comprehensive income	2,528,663	2,392,896	80,884,302	27,028	(897,481)	(1,286,677)	7,247,476	–	(867,942)	(525,410)	89,502,855	7,934,904	97,437,759
Consolidated comprehensive income of the year	–	–	11,282,039	85,381	320,466	322,808	2,458,467	–	330	1,041,758	15,511,249	1,125,639	16,636,888
Consolidated balances as of December 31, 2021	2,528,663	2,392,896	92,166,341	112,409	(577,015)	(963,869)	9,705,943	–	(867,612)	516,348	105,014,104	9,060,543	114,074,647
Repurchase of own shares	(1,468)	–	(442,944)	–	–	–	–	–	–	–	(444,412)	–	(444,412)
Dividends declared to non-controlling interest	–	–	(2,250,304)	–	–	–	–	–	–	–	(2,250,304)	–	(2,250,304)
Decrease in repurchase of shares of subsidiary	–	–	–	–	–	–	–	–	–	–	–	(93,976)	(93,976)
Restructuring effect on associated entity	–	–	5,693	–	–	–	–	–	–	–	5,693	(14,202)	(8,509)
Acquisition of non-controlling interest of subsidiaries	–	–	(3,011,821)	–	–	–	–	–	–	–	(3,011,821)	4,017,549	1,005,728
Balances before comprehensive income	2,527,195	2,392,896	86,466,965	112,409	(577,015)	(963,869)	9,705,943	–	(867,612)	516,348	99,313,260	12,969,914	112,283,174
Consolidated comprehensive income of the year	–	–	19,061,904	(956,941)	848,164	649,166	1,684,932	(98,347)	(1,057)	387,289	21,575,110	995,959	22,571,069
Consolidated balances as of December 31, 2022	$ 2,527,195	$ 2,392,896	$ 105,528,869	$ (844,532)	$ 271,149	$ (314,703)	$ 11,390,875	$ (98,347)	$ (868,669)	$ 903,637	$ 120,888,370	$ 13, 965,873	$ 134,854,243

The accompanying notes are part of the consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(In thousands of Mexican pesos)

	2022	2021	2020
Cash flows from operating activities:			
Consolidated net income of the year	$ 20,433,578	$ 12,327,963	$ 6,447,769
Adjustments from:			
Income tax recognized in results	3,685,952	2,604,486	2,639,419
Depreciation and amortization	5,033,539	3,476,297	3,442,981
(Gain) loss on sale of property, plant and equipment and other assets	(22,607)	(14,298)	(6,968)
Impairment of property, plant and equipment	420,063	89,745	(20,855)
Impairment of capitalized exploration expense	–	–	371,998
Gain from change in fair value of investment property	(193,348)	(867,066)	(115,708)
Equity in profits of associated entities and joint ventures	(1,303,405)	(2,826,115)	(757,815)
Stock valuation Effect	(3,809,962)	–	–
Interest income	(5,174,607)	(3,662,353)	(4,856,056)
Interest expense	3,791,729	1,684,778	2,272,753
Effect from restatement of employment obligations	83,174	(78,561)	(1,410,828)
Dividends received from associated entities measured at fair value	(1,309,388)	(945,220)	(651,900)
Other items	(65,078)	(53,322)	304,030
	21,569,640	11,736,334	7,658,820
Items related to operating activities:			
(Increase) decrease in:			
Accounts receivable	(3,734,651)	(4,179,560)	1,062,936
Interest income	3,744,734	3,075,021	3,654,537
Other accounts receivable	(1,311,731)	368,931	273,439
Due from related parties	(2,419,070)	(49,529)	(233,387)
Recoverable taxes	1,175,885	(100,126)	(779,570)
Inventories	(1,017,963)	(4,120,611)	1,660,297
Prepaid expenses	1,206,154	(670,869)	(905,795)
Account receivable of the leased asset	220,040	–	–
Long-term accounts receivable	(277,317)	134,464	(53,392)
Real estate inventories	15,982	–	6,189
Other assets	(961,219)	(381,676)	(455,628)
(Decrease) increase in:			
Trade accounts payable	(417,114)	1,236,946	711,443
Accounts payable to related parties	52,349	126,152	83,945
Other accounts payable and accrued liabilities	2,830,257	550,631	(1,436,217)
Provisions	1,361,610	2,386,923	1,865,395
Direct employee benefits	874,066	261,143	(158,760)
Advances from customers	(1,100,806)	(2,111,855)	711,409

The accompanying notes are part of the consolidated financial statements.

	2022	2021	2020
Other long-term liabilities	(1,743,574)	(59,314)	(520,328)
Employee retirement benefits	144,173	60,999	(66,638)
Income taxes paid	(2,872,336)	(4,588,835)	(2,956,176)
Derivative financial instruments	(806,578)	(558,201)	600,576
Net cash flows from operating activities	16,532,531	3,116,968	10,723,095
Cash flows from investment activities:			
Acquisition of investments in securities	–	(6,581,012)	(5,611,761)
Sale of investments in securities held-to-maturity	–	9,223,181	5,053,892
Purchase of property, plant and equipment	(5,236,120)	(1,431,770)	(4,628,626)
Proceeds on disposal of property, plant and equipment	74,062	86,922	47,561
Investment in exploration expenses	(387,880)	(1,011,224)	(207,030)
Interest received	1,345,380	569,809	1,269,193
Dividends received	1,756,796	1,953,875	2,069,650
Acquisition of investment properties	–	(6,325)	(600)
Acquisition of Ideal Panama	1,400,515	–	(174,185)
Contribution and/ or acquisition of the shares of subsidiaries, associated entities and joint ventures	(7,679,497)	(410,000)	(39,692)
Sale of shares of associates	301,491	–	–
Financial assets at fair value	(104,551)	–	–
Other movements of participation in associates	–	132,821	–
Net cash flows (used in) provided by investment activities	(8,529,804)	2,526,277	(2,221,598)
Cash flows from financing activities:			
Loans obtained from financial and other institutions	43,023,117	17,410,960	11,314,723
Payment of loans and other long-term debt contracted with financial institutions	(41,599,721)	(17,370,682)	(10,462,708)
Interest paid	(3,261,517)	(1,258,903)	(1,760,296)
Payment of lease liabilities	(1,935,324)	(1,121,209)	(1,162,544)
Dividends paid	(2,511,761)	(2,371,302)	(788,217)
Repurchase of own shares	(444,412)	(754,352)	(575,262)
Repurchase of shares of subsidiary	(8,509)	(244,942)	(64,020)
Net cash flows used in financing activities	(6,738,127)	(5,710,430)	(3,498,324)
Cash flow adjustments due to exchange rate variances	(167,599)	(499,275)	(1,396,976)
Net increase(decrease) in cash and cash equivalents	1,097,001	(566,460)	3,606,197
Cash and cash equivalents at the start of the year	11,197,642	11,764,102	8,157,905
Cash and cash equivalents at the end of the year	$ 12,294,643	$ 11,197,642	$ 11,764,102

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

1. NATURE OF BUSINESS

Grupo Carso, S. A. B. de C. V. and Subsidiaries (the Entity or Grupo Carso), with domicile at Lago Zurich No. 245 Edificio Frisco Piso 2, Col. Ampliación Granada in Mexico City, ZIP Code 11529, is a Public Stock Company incorporated in Mexico, which holds the shares of a group of companies that primarily operate in the commercial, industrial, infrastructure and construction and energy segments (see Note 4).

2. SIGNIFICANT EVENTS

a. On December 25, 2022, Grupo Carso made a public offer in order to acquire all of the shares of Sanborns listed on the Mexican Stock Exchange ("BMV"). As of December 31, 2022, most of these shares have been acquired, therefore the Entity's participation increased by 13.11%. The amount paid for said shares was $7,656,936, which generated an excess cost over book value in the purchase of said shares, which was $2,811,185, an amount that is recorded in retained earnings as a capital distribution.

b. In March 2022, the companies Fortaleza Materiales S.A.P.I. de C.V. (ELEMAT) and Elementia Materiales, S.A.P.I. de C.V.(ELEMAT) (as a whole Elementia), made a public offer in order to acquire all the shares that are placed among the general investing public and that are different from those that are directly or indirectly owned by the group of control of Fortaleza and Elementia, derived from said operations Grupo Carso through its subsidiary Condumex, S.A. de C.V., increased its participation in said companies by 8.15% and 8.17%, respectively, as a consequence of the foregoing and derived from the valuation of said operation, a profit was obtained at fair value of $3,809,962, which was recognized as a profit in the result of the year, within Other (income) expenses, net. (see note 29).

c. Collaboration agreement

On October 20, 2021, the Entity through its subsidiary Carso Infraestructura y Construcción, S. A. de C. V. ("CICSA") entered into a collaboration agreement and a reparation agreement with the Government of Mexico City ("GCDMX") and the Collective Transportation System ("STC-Metro") to carry out, under CICSA, rehabilitation and reinforcement works of the elevated metallic section of Line 12 of the Mexico City subway.

Rehabilitation Works: The works cover (1) the repair of the section that collapsed last May between the "Olivos-Tezonco" stations and (2) the reinforcement of the elevated metallic section built by CICSA and delivered to the GCDMX since 2013. , so that said elevated section conforms to the new requirements of the Construction Regulations of Mexico City, modified in 2017, to implement more robust standards in structural safety due to the earthquake that occurred in September of that same year.

The design and executive project for the execution of these works will be the responsibility of the GCDMX and the Technical Advisory Committee made up of experts that the GCDMX selected for the design of the works.

Non-Responsibility Clause: CICSA did not cause nor is it responsible for the unfortunate event on May 3, 2021 on Line 12 of the metro. Line 12 is operated and supervised independently by the STC-Metro since the consortium between CICSA-ICA-Alstom delivered it to the satisfaction of the GCDMX in 2013.

Notwithstanding the foregoing and despite the substantial differences between the expert opinions and technical studies on the causes of this unfortunate event prepared at the request of CICSA and those carried out by the Mexico City Attorney General's Office ("Prosecutor's Office") In order not to prolong the rehabilitation and reinforcement of the elevated metallic section of Line 12 of the metro, CICSA has agreed to resolve in advance the legal procedures associated with this unfortunate event by signing the aforementioned conventional mechanisms. Likewise, CICSA informs that it has expressed to the Prosecutor's Office its interest in participating in the complementary compensation fund for victims announced in October 2021, by the Prosecutor's Office itself.

CICSA has reserved the rights to exercise legal actions to claim the payment of the amounts that it disburses due to the execution of the aforementioned agreements and legal acts against the corresponding third parties.

As of December 31, 2022, we are executing the rehabilitation works, which are subject to the design and executive project of the government of Mexico City and the rehabilitation is expected to be completed during 2023.

d. In August 2021, Elementia, S. A. B. de C. V. (the Associated Entity) recognized as an investment in an associate in Condumex, S. A. de C. V., issued a statement approving the spin-off of the Associated Entity, which took effect on September 1 of 2021 emerging immediately as a spun-off company Elementia Materiales, S. A. B. de C. V. The splitting Entity changes its name to Fortaleza Materiales, S. A. B. de C. V. In the share exchange, Condumex participates with 38.69% in each of the companies.

e. On April 15, 2021, the Samalayuca - Sásabe Gas Pipeline (the "Gas Pipeline") between the states of Chihuahua and Sonora was launched for the natural gas transportation service. The Gas Pipeline is 36" in diameter, with a total length of 625 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).

3. BUSINESS COMBINATION

Acquired Subsidiaries

a. On May 6, 2022, in compliance with the Shareholders Agreement of the companies Elementia Materiales, S. A. P. I. de C. V. (Elementia) and Fortaleza Materiales, S. A. P. I. de C. V. (Fortaleza), mentioned in their respective Public Offers for Acquisition on March 22, 2022, with which control of these is obtained, also acquired through its subsidiary Condumex, S. A. de C. V. , de Kaluz, S. A. de C. V. and related shareholders, a package of shares with which their shareholding exceeds 50% of participation in both companies. As background mentioned in Note 2 of significant events in subparagraph d, the Entity already had a participation percentage of 38.69%. The business acquisition carried out was recorded in accordance with the International Financial Reporting Standard reference to Business Combinations (IFRS 3). As of the acquisition date, a goodwill derived from said operation was obtained for $4,546,556. (see note 20). The fair value recognized in the first step of the purchase in stages, of the initial investment was $13,816,541, in addition a profit was obtained in this first valuation step as described in note 2b. The amount of the loss recognized in the result of the year amounted to $187,378, as a result of this valuation at the end of the year.

At the acquisition date, acquired assets and assumed liabilities are as follows:

	Book value	Fair value
Current assets:		
Cash and cash equivalents	$ 2,158,962	$ 2,158,962
Accounts receivable from customers	5,786,576	5,786,576
Inventories	5,984,221	5,984,221
Other current assets	1,085,653	1,085,653
Non-current assets		
Property, plant and equipment	28,787,047	28,787,047
Right-of-use assets	868,318	868,318
Other assets	1,360,154	1,360,154
Intangibles	3,956,196	2,468,262
Current liabilities:		
Debt	4,832,701	4,832,701
Account payable to suppliers and other accounts payable	7,645,774	7,645,774
Noncurrent liabilities:		
Debt	12,382,778	12,477,320
Other liabilities	2,471,019	2,471,019
Deferred taxes	2,755,469	2,848,305
Net assets acquired	$ 19,899,386	$ 18,224,074

The goodwill calculation as of December 31, 2022 is as follows:

	Fair value
Goodwill recorded in Elementia	$ 1,952,142
Recognized goodwill 2021	554,284
Recognized goodwill 2022	27,556
Initial stock valuation (note 29)	3,809,962
Effect from final assessment	(1,797,388)
	4,546,556

Net cash flows on the acquisition of subsidiaries

	2022
Consideration paid in cash	$ 758,447
Less: acquired balances of cash and cash equivalents	2,158,962
	$ (1,400,515)

Effect of acquisitions in the Entity's results

If the business combination had taken place as of January 1, 2022, the Entity's income from continuing operations would have amounted to $36,310,278, while the result for the year from continuing operations would have amounted to $706,727. The Entity's management believes that these "pro forma" figures represent an approximate measure of the performance of the combined Entity on an annualized basis and that they support a reference point of comparison for future periods.

b. On February 5, 2020, through its indirect subsidiary Carso Energy Corp., the Entity 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. (Ideal Panama), thus obtaining control of it. Ideal Panama's main activities consist of the generation and sale of electricity, as well as the operation and maintenance of hydroelectric plants. Ideal Panama currently operates two hydroelectric plants in Panama, since 2012, with a combined capacity of 145 MW.

The consideration consisted of a cash payment for USD $13,532 and a debt assignment for USD $137,196, for a total consideration of USD $150,728.

Assets acquired and liabilities assumed at the acquisition date in US dollars are presented below:

	Fair value	Fair value
Current assets:		
Cash and cash equivalents	$ 81,685	USD $ 4,320
Accounts receivable from customers and other accounts receivable	39,367	2,082
Inventories	28,646	1,515
Non-current assets		
Property, plant and equipment	10,619,316	561,616
Other assets	37,590	1,988
Deferred taxes	22,085	1,168
Current liabilities		
Account payable to suppliers and other accounts payable	50,164	2,653
Taxes and obligations payable	3,593	190
Account payable to related parties	39,292	2,078
Noncurrent liabilities:		
Deferred taxes	391,652	20,713
Other liabilities	6,391	338
Deferred taxes	7,487,558	395,989
Net assets acquired at fair value	$ 2,850,039	USD $150,728

Net cash flows on the acquisition of subsidiaries

	2020	2020
Consideration paid in cash	$ 255,870	USD $ 13,532
Less: acquired balances of cash and cash equivalents	81,685	4,320
	$ 174,185	USD $ 9,212

Effect of acquisitions in the Entity's results

If said business combination had taken place as of January 1, 2020, the Entity's income from continuing operations would have amounted to $977 million, while the result for the year from continuing operations would have amounted to $527 million. The Entity's management believes that these "pro forma" figures represent an approximate measure of the Entity's combined performance on an annualized basis and that they provide a benchmark for comparison for future periods.

4. CONSOLIDATED SUBSIDIARIES

The equity held by Grupo Carso in the common stock of its subsidiaries as of December 31, 2022, 2021 and 2020 is detailed below:

Subsidiary	Country of incorporation and operations	Activity	Ownership % December 31, 2022	2021	2020
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.	99.97	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 auto parts, mainly for the OEM industry, manufacture and sale of copper and aluminum products; manufacture and sale of transformers, lighting solutions, manufacture and sale of cement for the construction industry as well as lightweight construction and development of constructive and innovative solutions used in all stages of construction.	99.58	99.58	99.58

Subsidiary	Country of incorporation and operations	Activity	Ownership % December 31, 2022	2021	2020
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, coffee shops and management of shopping malls mainly through the following commercial brands: Sanborns, Sears, Saks Fifth Avenue, Mix-up, Claro Shop and iShop.	99.88	86.74	86.34
Carso Energy, S. A. de C. V. and Subsidiaries	Mexico, U.S., Colombia and Panama	Holding of the shares of companies engaged in exploration activities and the production of oil, gas and other hydrocarbons as well as electricity and gas transportation.	95.49	95.32	95.42

5. CASH AND CASH EQUIVALENTS

	2022	2021	2020
Cash	$ 5,172,342	$ 3,668,322	$ 5,825,556
Cash equivalents:			
Investments at sight	1,535,353	186,127	1,353,760
Bank paper	2,217,914	5,097,444	2,850,815
Government paper	1,150,615	2,005,145	130,661
Bonds	1,317,583	7,441	619,091
Demand deposits in U.S. dollars	891,573	233,095	973,191
Others	9,263	68	11,028
	$ 12,294,643	$ 11,197,642	$ 11,764,102

These items primarily consist of bank deposits in checking accounts and investments in highly-liquid, short-term securities that are easily convertible to cash or have a maturity of up to three months from the acquisition date and are not subject to significant risks of changes in value. Cash is presented at face value, while equivalents are valued at fair value; value fluctuations are recognized in the results of the period. Cash equivalents are represented by daily money market investments, mainly bank and government paper denominated in U.S. pesos and dollars.

6. INVESTMENTS IN SECURITIES HELD TO MATURITY

	2022	2021	2020
Bank paper	$ –	$ –	$ 1,449,094
Demand deposits in U.S. dollars	–	–	1,180,939
Government paper	–	–	12,136
	$ –	$ –	$ 2,642,169

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

7. ACCOUNTS RECEIVABLE

	2022	2021	2020
Customers	$ 30,089,771	$ 18,511,408	$ 16,412,232
Allowance for doubtful accounts	(1,399,039)	(1,111,141)	(951,044)
	28,690,732	17,400,267	15,461,188
Uncertified completed work	6,406,556	8,318,884	6,087,792
Current portion of the net investment in leased assets	2,732,605	2,067,538	–
Sundry debtors	725,810	325,426	672,180
Others	652,260	282,492	304,669
	$ 39,207,963	$ 28,394,607	$ 22,525,829

1. Accounts receivable do not accrue interest and generally have a period of between 30 to 90 days.
2. For the terms and conditions related to accounts receivable with related parties, please see Note 26.

As of December 31, 2022, 2021 and 2020, the maximum credit risk exposure for customers was as follows:

	Book value			Allowance for doubtful accounts		
Category	Dec 2022	Dec 2021	Dec 2020	Dec 2022	Dec 2021	Dec 2020
Nulo	$ 14,128,689	$ 4,395,177	$ 3,000,769	$ 188	$ 50	$ 250
Bajo	8,859,558	5,509,636	6,837,056	325,295	60,761	148,001
Moderado 1	3,537,912	1,285,177	2,614,944	326,473	190,067	62,351
Moderado 2	1,735,399	1,603,316	1,372,612	234,709	24,495	75,289
Alto 1	925,409	2,558,385	879,665	152,738	237,152	87,931
Alto 2	243,408	1,231,580	268,114	107,797	138,260	49,455
Crítico	659,396	1,928,137	1,439,072	251,839	460,356	527,767
	$ 30,089,771	$ 18,511,408	$ 16,412,232	$ 1,399,039	$ 1,111,141	$ 951,044

As of December 31, 2022, the book value of the most significant portfolio of the Entity corresponds to the Null segment, for $14,128,689; as of December 31, 2021, the book value of the most significant portfolio of the Entity corresponds to the Low segment, for $5,509,636, as of December 31, 2020 corresponds to the Low segment, which was $6,837,056, which is equivalent to 46.96%, 29.76% and 41.66%, of the total portfolio, respectively and at 0.01%, 5.47% and 15.56% of the estimated portfolio of uncollectible accounts recorded ($1,399,039 in 2022, $1,111,141 in 2021 and $951,044 in 2020). Due to the estimate of uncollectibles in the most significant segment is Moderate 1 with an amount of $326,473 and an amount of the estimate of uncollectibles of 23.34% in 2022, an amount of $460,356 and a percentage of the estimate of uncollectibles of 41, 43% in 2021, an amount of $527,767 and a percentage of the estimate of total bad debts of 55.49% in 2020.

The following summary indicates the Entity's customer credit risk exposure

	2022		2021		2020	
Item	No credit Impairment	With credit impairment	No credit impairment	With credit impairment	No credit Impairment	With credit impairment
Total client gross carrying amount	$ 14,829,089	$ 15,260,682	$ 4,749,505	$ 13,761,903	$ 3,693,390	$ 12,718,842
Allowance for credit losses	$ 188	$ 1,398,851	$ –	$ 1,111,341	$ –	$ 951,044

Constant reviews are carried out to adapt the model to any internal or external changes that could result in a calibration.

The Entity uses the estimated factors described above to determine the allowance for expected credit losses.

The model used to determine the customer credit risks of each of the Group's business units identifies each individual account receivable to ascertain its level of indebtedness, the customer's payment capacity, the principal payment amount, maturity and payment behavior to establish the respective risk level and the discount factor used for the impairment of the financial assets associated with credit granting.

The following table provides information on credit risk exposure and expected credit losses for customers as of December 31, 2022, 2021 and 2020.

	Book value			Allowance for doubtful accounts			Discount factor		
Concept	2022	2021	2020	2022	2021	2020	2022	2021	2020
Null	$ 14,128,689	$ 4,395,177	$ 3,000,769	$ 188	$ 50	$ 250	0.00%	0.00%	0.00%
Low	8,859,558	5,509,636	6,837,056	325,295	60,761	148,001	3.67%	0.66%	0.47%
Moderate 1	3,537,912	1,285,177	2,614,944	326,473	190,067	62,351	9.23%	1.87%	2.38%
Moderate 2	1,735,399	1,603,316	1,372,612	234,709	24,495	75,289	13,52%	1.53%	5.49%
High 1	925,409	2,558,385	879,665	152,738	237,152	87,931	16.50%	9.27%	10.00%
High 2	243,408	1,231,580	268,114	107,797	138,260	49,455	44.29%	11.23%	18.45%
Critical	659,396	1,928,137	1,439,072	251,839	460,356	527,767	38.19%	23.69%	36.50%
Total	$ 30,089,771	$ 18,511,408	$ 16,412,232	$ 1,399,039	$ 1,111,141	$ 951,044	4.65%	5.40%	7.41%

8. NET INVESTMENT IN LEASED ASSETS

Carso Gasoducto Norte, S. A. de C. V. (CGN) entered into contracts for the provision of natural gas transportation service with the Federal Electricity Commission ("CFE") on September 23, 2015, for which it is responsible for the construction and operation of the natural gas pipeline and transportation system and will provide transport services at the request of CFE from whom it will receive as consideration a single rate that includes all these concepts. CFE is the main carrier and has most of the pipeline's capacity; therefore, CGN determined that these agreements constitute a sale-type lease under IFRS 16. The contracts continue for a period of 25 years from the date of entry into service, which occurred on April 15, 2021. From the signing of the agreement, the CFE may terminate the contract in the event of an event of non-compliance in which CGN does not remedy within the corresponding period. In the event that the CFE terminates the contract, the CFE will demand the payment of the immediate and direct damages duly documented.

The lease is recorded in the balance sheet at the present value of future lease payments to be received, as determined by the service contracts, discounted at the annual interest rate implied in the lease, 13.70%. As the value of the investment in the lease and the value of the underlying asset were substantially equivalent, no gain or loss was recognized at the beginning of the lease.

CGN recognized $2,532,199 y $1,652,073 in interest income for the year ended December 31, 2022 and 2021, respectively, to view the receivable of the current portion see Note 7 and the long-term portion see Statement of Financial Position.

The following table shows the lease future minimum payments in USD that are expected to be received in the following 4 years and afterwards.

Maturity analysis	Revenues
Year 1	$ 126,089
Year 2	128,254
Year 3	127,249
Year 4	126,097
Year 5 and afterwards	1,692,566
	$ 2,200,255

9. RECOVERABLE TAXES

	2022	2021	2020
Recoverable value added tax	$ 2,646,672	$ 3,462,211	$ 3,379,482
Recoverable income tax	1,945,653	1,498,784	634,091
Other recoverable taxes	1,012,317	325,747	310,604
	$ 5,604,642	$ 5,286,742	$ 4,324,177

10. INVENTORIES

	2022	2021	2020
Raw materials and auxiliary materials	$ 5,176,156	$ 4,761,125	$ 2,882,093
Production-in-process	2,289,616	1,130,449	682,953
Finished goods	3,473,083	1,454,759	1,051,441
Goods in stores	12,907,457	10,915,569	10,262,174
Land and housing construction in progress	1,044	4,360	34,427
	23,847,356	18,266,262	14,913,088
Goods in-transit	1,333,389	1,082,271	409,221
Replacement parts and other inventories	1,962,794	792,822	698,435
	$ 27,143,539	$ 20,141,355	$ 16,020,744

The costs of inventories recognized in results as a cost of sales are those shown in the consolidated statements of income and other comprehensive income as of December 31, 2022, 2021 and 2020, respectively.

11. RIGHT-OF-USE ASSETS

The Entity leases different 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 in 2022, 2021 and 2020 respectively, and 5 years for the Energy sector in 2022, 2021 and 2020.

The Entity has the option of purchasing 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 covered by these leases.

Expired contracts were replaced by new lease arrangements with identical underlying assets. This resulted in the addition of rights-of-use assets of $552,421, $528,120 and $387,915 in 2022, 2021 and 2020, respectively.

The maturity analysis of the lease liabilities is presented in Note 12.

Right-of-use assets	Property and others
Cost:	
Balance as of January 1st, 2020	$ 8,537,548
Additions	675,545
Disposals	(531,244)
Balance as of December 31, 2020	8,681,849
Additions	2,298,795
Disposals	(880,948)
Balance as of December 31, 2021	10,099,696
Additions	1,150,035
Business acquisition	940,427
Disposals	(277,579)
Balance as of December 31, 2022	$ 11,912,579

Right-of-use assets		Property and others
Accumulated depreciation:		
Balance as of January 1st, 2020	$	(2,903,390)
Charge of the year		(826,894)
Disposals		4,040
Balance as of December 31, 2020		(3,726,244)
Charge of the year		(994,928)
Disposals		253,302
Balance as of December 31, 2021		(4,467,870)
Depreciation of the period		(1,311,842)
Disposals		69,838
Balance as of December 31, 2022	$	(5,709,874)
Net cost:		
Balance as of December 31, 2022	$	6,202,705
Balance as of December 31, 2021	$	5,631,826
Balance as of December 31, 2020	$	4,955,605

Amounts recognized in the consolidated statement of income		2022		2021		2020
Right-of-use asset depreciation expense	$	1,311,842	$	994,928	$	826,894
Interest expense from lease liabilities		489,162		482,896		556,929
Expense related to short-term leases		62,053		24,395		25,878
Expense related to leases of low value assets		2,002		3,303		3,881

The Entity has commitments of $1,886,957, $1,747,055 and $1,262,736 and as of December 31, 2022, 2021 and 2020, respectively, for short-term leases; the total cash outflows for these leases are $1,935,324, $1,121,209 and $1,162,544 for 2022, 2021 and 2020, respectively.

12. LEASE LIABILITIES

		2022		2021		2020
Maturity analysis:						
Year 1	$	2,377,601	$	1,764,117	$	1,507,933
Year 2		1,223,574		1,996,901		1,398,502
Year 3		1,273,482		977,692		1,207,909
Year 4		734,853		832,473		1,025,188
Year 5		591,840		630,066		875,539
Subsequent years		2,121,142		2,351,425		2,072,934
		8,322,492		8,552,674		8,088,005
Less: Unaccrued interest		(1,797,041)		(2,009,782)		(2,271,914)
	$	6,525,451	$	6,542,892	$	5,816,091
Analyzed as:						
Non-current	$	4,572,724	$	4,871,375	$	4,553,355
Current		1,952,727		1,671,517		1,262,736
	$	6,525,451	$	6,542,892	$	5,816,091

From January to April 2021 and from April to December 2020, the Entity has benefited from obtaining rental payment discounts for the leases of stores located throughout Mexico. The lease payment discount was $31,111 and $247,477, respectively, which was recognized in the statement of income. The Entity continued to recognize the interest expense derived from lease liabilities.

13. FINANCIAL RISK MANAGEMENT

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

The Entity is exposed to market, operating and financial risks derived from the use of financial instruments such as interest rate, credit, liquidity and exchange risks, which are managed centrally by the corporate treasury. The Entity seeks to minimize its exposure to these risks by using derivative financial instrument 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 their contracting. Compliance with these policies and exposure limits is continually reviewed by the internal audit area.

At December 31, 2022, 2021 and 2020, financial instrument classes and amounts are as follows:

		2022		2021		2020
Financial assets						
Cash and cash equivalents	$	12,294,643	$	11,197,642	$	11,764,102
Measured at amortized cost:						
• Short and long-term accounts receivable		31,512,369		19,174,435		17,738,751
• Accounts receivable from related parties		7,656,579		5,237,509		5,187,980
Measured at fair value:						
• Derivative financial instruments		1,021,348		85,809		12,255
• Investments in securities		–		–		2,642,169
• Net investment in leased asset		17,876,898		18,096,938		–

	2022	2021	2020
Financial liabilities			
Measured at amortized cost:			
• Loans with financial institutions, other liabilities and long-term debt	$ 42,695,808	$ 24,151,475	$ 24,111,197
• Accounts payable to suppliers	17,214,822	12,860,801	11,623,855
• Accounts payable to related parties	806,246	774,267	651,600
• Other accounts payable	4,615,502	3,002,946	2,767,664
• Lease Liabilities	6,525,451	6,542,892	5,816,091
Measured at fair value:			
• Derivative financial instruments	1,753	874,359	1,695,112

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 maximizing stockholders' returns by optimizing debt and equity balances. The Entity's capital structure is composed by its net debt (primarily the bank loans and securitization certificates detailed in Note 21) and stockholders' equity (issued capital, capital reserves, retained earnings and non-controlling equity detailed in Note 25). The Entity is not subject to any kind of capital requirement.

Leverage level

The leverage level at year-end is as follows:

	2022	2021	2020
Debt	$ 42,695,808	$ 24,151,475	$ 24,111,197
Cash and cash equivalents (including cash and bank balances in a disposal group held for sale)	(12,294,643)	(11,197,642)	(14,406,271)
Net debt	$ 30,401,165	$ 12,953,833	$ 9,704,926
Net worth	$ 121,075,748	$ 105,014,104	$ 92,378,687
Ratio of net debt to net worth	25.1%	12.3%	10.5%

Debt is defined as long and short-term loans (excluding derivatives and financial collateral contracts), as detailed in notes 15 and 21.

Net worth includes all the capital and reserves of the Entity which are managed as capital of its controlling interest.

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 certain cases, has long-term loans that are intended for projects, the completion of which will enable it to fulfill its obligations. In some cases, depending on the proportion of short-term debt and long term, interest rate hedges (swap contracts) are contracted. Hedging activities are regularly evaluated to ensure that they are properly aligned with interest rates and the respective risks, and to facilitate the application of more profitable hedge strategies. Hedge contracts are detailed in Note 15.

The Entity's exposure to interest rate risks is primarily based on the Mexican Interbank Rate (TIIE) applicable to financial liabilities and its customer portfolio. Accordingly, it periodically prepares a sensitivity analysis by considering the net variable interest rate exposure of its customer portfolio and financial liabilities; 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 2022, 2021 and 2020 would have increased or decreased by approximately $367,266, $219,493 and $193,119 respectively.

c. *Exchange risk management –*

i. The Entity performs transactions denominated in foreign currency; accordingly, it is subject to exposure derived from exchange rate fluctuations. As its functional currency is primarily the Mexican peso, it is exposed to risk resulting from the Mexican peso - US dollar exchange rate, which is utilized for commercial and financing operations. In some cases, these transactions are subject to a natural hedge while, in other cases, these transactions are hedged by contracting currency forwards. Given that the Entity has investments in foreign subsidiaries, the functional currency of which is not a Mexican peso, it is exposed to a foreign currency translation risk. Likewise, monetary assets and liabilities have been contracted in different currencies, essentially the US dollar, Euro and Brazilian real, thus generating exposure to a 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		
	2022	2021	2020	2022	2021	2020
U.S. Dollar (US)	US$ 1,204,505	US$ 844,319	US$ 637,047	US$ 1,682,224	US$ 1,493,547	US$ 467,184
Euro (EU)	6,849	5,756	4,734	9,036	6,560	13,683
Brazilian reals (RA)	154,126	108,003	121,498	257,471	210,835	285,903
Colombian peso	67,112,495	50,659,480	31,488,830	87,856,366	66,985,843	47,520,424
Peruvian Sol	60,280	46,166	50,792	92,170	79,717	84,686

Foreign Currency sensitivity analysis

The following table indicates the Entity's sensitivity to a 10% increase or decrease of the Mexican peso versus the US dollar and other foreign currencies. This percentage is the sensitivity rate used to internally report the exchange rate risk to key management personnel and also represents management's evaluation of the possible fair value change of exchange rates. The sensitivity analysis only includes monetary items denominated in foreign currency and adjusts their translation 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		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
US	US$	US$	US$	US$ 120,451	US$ 84,432	US$ 63,705	US$ 168,222	US$ 54,501	US$ 46,718
EU	(4,137)	148	(189)	685	576	473	904	656	1,368
RA	–	–	–	15,413	10,800	12,150	25,747	21,084	28,590
Colombian peso	–	–	–	6,711,250	5,065,948	3,148,883	8,785,637	6,698,584	4,752,042
Peruvian New Sol	–	–	–	6,028	4,617	5,079	9,217	7,972	8,469

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

ii. *Forwards contracts denominated in foreign currency*

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

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

	Average exchange rate			Notional			Fair value		
Cash flow hedges	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Euro purchase									
More than 12 months	$ 21.2138	$ 23.7520	$ 24.5169	$ 8,050	$ 6,900	$ 3,400	$ 5,209	$ (2,114)	$ 2,697
Dollar purchase									
More than 12 months	$ 20.1250	$ –	$ –	$ 94,050	$ –	$ –	$ 53,319	$ –	$ –

d. *Credit risk management* – Note 7 details the Entity's maximum credit risk exposure and the measurement bases used to determine expected credit losses.

Credit risk refers to the risk that one of the parties will default on its contractual obligations, thus resulting in a financial loss for the Entity, which essentially arises from accounts receivable with customers and liquid funds. The credit risk related to cash and cash equivalents and derivative financial instruments is limited because counterparties are banks with high credit ratings assigned by credit rating agencies. The maximum credit risk exposure is represented by the Entity's balance in accounting. The other credit risk exposure is represented by the balance of each financial asset, mainly with regard to commercial receivables. The Entity sells its products and/or services to customers who have demonstrated their economic solvency. It periodically evaluates its customers' financial conditions and maintains collection insurance contracts for domestic and export sales. Accordingly, the Entity does not consider that there is a significant risk of loss from a concentration of credit in its commercial sector customer base, which is composed by 2,265,550 customers that do not represent a concentration risk in the individual, industrial and infrastructure and construction sectors, although the of credit concentration risk is higher.

e. *Liquidity risk management* – The Entity's Corporate Treasury is ultimately responsible for liquidity management and has established appropriate policies to control this aspect by monitoring 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. Contractual maturities are based on the dates on which the Entity must make each payment.

The amounts contained in the debt with credit institutions include the fixed and variable interest rate instruments detailed in Note 21. If changes in variable interest rates differ from the estimated interest rates determined at the end of the reporting period, they are presented at fair value. The Entity expects to meet its obligations with cash flows from operations and resources received from the maturity of financial assets.

As of December 31, **2022**	Weighted average effective interest rate	1 year	Between 1 and 3 years	More than 3 years	Total
Loans with financial institutions and other entities	MX 9.24% US$ 3.93%	$ 15,517,126	$ 12,844,131	$ 14,429,093	$ 42,790,350
Accounts payable to suppliers		17,214,822	–	–	17,214,822
Accounts payable to related parties		806,246	–	–	806,246
Other accounts payable and accrued liabilities		4,615,502	–	–	4,615,502
Lease liabilities		2,377,601	2,497,056	3,447,835	8,322,492
Derivative financial instruments		1,753	–	–	1,753
Total		$ 40,533,050	$ 15,341,187	$ 17,876,928	$ 73,751,165

As of December 31, 2021	Weighted average effective interest rate	1 year	Between 1 and 3 years	More than 3 years	Total
Loans with financial institutions and other entities	MX 5.08% US$ 3.34%	$ 5,843,790	$ 4,656,503	$ 16,877,507	$ 27,377,800
Accounts payable to suppliers		12,860,801	–	–	12,860,801
Accounts payable to related parties		774,267	–	–	774,267
Other accounts payable and accrued liabilities		3,000,348	–	–	3,000,348
Lease liabilities		1,764,117	2,974,593	3,813,964	8,552,674
Derivative financial instruments		2,127	–	872,232	874,359
Total		$ 24,245,450	$ 7,631,096	$ 21,563,703	$ 53,440,249

As of December 31, 2020	Weighted average effective interest rate	1 year	Between 1 and 3 years	More than 3 years	Total
Loans with financial institutions and other entities	MX 7.90% US$ 4.494%	$ 3,290,967	$3,500,000	$ 17,320,230	$ 24,111,197
Accounts payable to suppliers		11,623,855	–	–	11,623,855
Accounts payable to related parties		651,600	–	–	651,600
Other accounts payable and accrued liabilities		2,767,664	–	–	2,767,664
Lease liabilities		1,507,933	2,606,411	3,973,661	8,088,005
Derivative financial instruments		263,620	–	1,431,492	1,695,112
Total		$ 20,105,639	$ 6,106,411	$ 22,725,383	$ 48,937,433

f. *Commodities risk* – The Entity has executed commodity contracts to cover risks derived from the price fluctuations of certain metals.

Market risk exposure is measured by performing a sensitivity analysis. There have been no changes in market risk exposure or the manner in which those risks are being managed and measured.

14. 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 in the case of financial instruments when their book value approaches their 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 the prices listed (unadjusted) on active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than the listed prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., price derivatives); 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).

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

Some of the Entity's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides information on the manner in which the fair values of these financial assets and financial liabilities are determined (more specifically, the valuation techniques and inputs used).

Financial assets/ financial liabilities	31/12/22	Fair value as of 31/12/21	31/12/20	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Foreign currency forward contracts (see Note 15) (i)	Assets – $ 58,528	Liabilities – $ (2,114)	Assets – $ 2,697	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (according to 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 purchases (see Note 15) (i)	Assets – $ 961,067	Liabilities – $ (786,436)	Assets – $ (1,685,554)	Level 2	Discounted cash flows.	N/A	N/A

(i) Represents financial instruments that, following their initial recognition, are measured at fair value and grouped into levels ranging from 1 to 3 to the extent that their fair value is observed, whereby the Level 2 instruments derived from indicators other than listed prices, but which include observable indicators for the asset or liability, whether directly or indirectly resulting from these listed prices. During the years ended December 31, 2022, 2021 and 2020, there were no transfers between levels and all three years were classified as Level 2.

b. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of the financial instruments presented below has been determined by the Entity using available market information or other valuation techniques that require judgment to develop and interpret fair value estimates. It also utilizes assumptions based on existing market conditions at each of the dates of the statement of changes in 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 estimated fair value amounts.

The amounts of the Entity's cash and cash equivalents, as well as its accounts receivable and payable to third parties and related parties, the current portion of the long-term debt and loans from financial institutions and long-term debt approximate their fair value because they have short-term maturities. The Entity's long-term debt is recorded at applied cost and includes debt that accrues fixed and variable interest according to market indicators.

Listed market prices or quotations provided by operators for similar instruments are used to obtain and disclose the fair value of long-term debt. In order to determine the fair value of other financial instruments, techniques like estimated cash flows are used, while considering cash flow dates in intertemporal market curves and discounting these cash flows by using rates that reflect the counterparty risk and the Entity's risk during 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 listed forward exchange rates at the date of the statement of changes in financial position.

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

	December 31,					
	2022		2021		2020	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:						
Cash and cash equivalents	$ 12,294,643	$ 12,294,643	$ 11,197,642	$ 11,197,642	$ 11,764,102	$ 11,764,102
Instruments available-for-sale:						
Securities investments held-to-maturity	–	–	–	–	2,642,169	2,642,169
Accounts and loans receivable:						
Short and long-term accounts receivable	55,795,823	57,771,664	46,328,723	46,891,136	23,826,543	24,583,293
Accounts receivable with related parties	7,656,579	7,656,579	5,237,509	5,237,509	5,187,980	5,187,980
Accounts and notes payable:						
Short and long-term loans payable to financial institutions including long-term and other debt	(37,290,350)	(37,835,628)	(20,651,475)	(20,897,740)	(17,611,197)	(16,432,367)
Securitization certificates	(5,500,000)	(5,507,210)	(3,500,000)	(3,482,255)	(6,500,000)	(6,424,790)
Accounts payable to suppliers	(17,214,822)	(17,214,822)	(12,860,801)	(12,860,801)	(11,623,855)	(11,623,855)
Accounts payable to related parties	(806,246)	(806,246)	(774,267)	(774,267)	(651,600)	(651,600)
Lease liabilities	(6,525,451)	(8,322,492)	(6,542,892)	(8,552,674)	(5,816,091)	(8,088,005)
Other accounts payable	(4,615,502)	(4,615,502)	(3,002,946)	(3,002,946)	(2,767,664)	(2,767,664)
Total	$ 3,794,674	$ 3,420,986	$ 15,431,493	$ 13,755,604	$ (1,549,613)	$ (1,810,737)

The fair values shown at December 31, 2022, 2021 and 2020, except for accounts receivable involving commercial sector customers and securitization certificates, do not differ from the respective carrying amounts because the observed market values are very similar to those recorded in these periods.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The purpose of contracting derivative financial instruments is: (i) to partially hedge the exposure to financial risks due to exchange rates, interest rates and prices of certain metals; or (ii) the expectation of a good financial return derived from the behavior of the underlying. The decision to contract an economic or financial 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.

Transactions involving currency and interest rate forwards and swaps are summarized below:

		Notional			**Valuation as of December 31, 2022**			
Instrument	Designated as	Amount ('000)	Unit	Maturity	Asset (liability)	Financial cost of the year	Financial cost of prior years	(Gain) loss on settlement
Fixed-rate LIBOR swaps	Trading Purchase	40,000	US	February 2030 and February 2035	$ 82,173	$ 6,119	$ (88,292)	$ (9,038)
Fixed rate TIIE swaps	Trading Purchase	3,650,000	MX	April 2022 and April 2027	206,978	(291,342)	84,364	(34,772)

Instrument	Designated as	Notional Amount ('000)	Notional Unit	Maturity	Valuation as of December 31, 2022 Asset (liability)	Financial cost of the year	Financial cost of prior years	(Gain) loss on settlement
Total at December 31, 2022					$ 289,151	$ (285,223)	$ (3,928)	$ (43,810)
Total at December 31, 2021					$ (4,770)	$ (409,467)	$ (414,237)	$ 90,101
Total at December 31, 2020					$ (421,100)	$ 380,349	$ (33,888)	$ 8,837

Open and settled transactions involving currency hedge forwards are summarized below:

Instrument	Notional Amount ('000)	Notional Unit	Maturity	Valuation as of December 31, 2022 Asset (liability)	Comprehensive income	(Gain) loss on settlement Cost of sales
Dollar forwards purchase	94,050	Thousand Dollars	January to September 2023	$ 53,319	$ (37,723)	$ –
Euro forwards purchase	8,050	Thousand Euros	January to December 2023	$ 5,209	$ (3,647)	$ 12,088
Total at December 31, 2022				$ 58,528	$ (41,370)	$ 12,088
Total at December 31, 2021				$ (2,114)	$ 1,480	$ (1,055)
Total at December 31, 2020				$ 2,697	$ (1,888)	$ (630)

Transactions involving interest rate swaps are summarized below:

Instrument	Notional Amount ('000)	Notional Unit	Maturity	Valuation as of December 31, 2022 Asset (liability)	Comprehensive income	(Gain) loss on settlement financial cost
Fixed-rate TIIE swaps	1,709,364	Pesos	September 2029	$ 71,675	$ (50,173)	$ –
Fixed-rate LIBOR swaps	378,499	Dollars	January 2035	$ 588,768	$ (412,138)	$ 137,454
Total at December 31, 2022				$ 660,443	$ (462,311)	$ 137,454
Total at December 31, 2021				$ (783,940)	$ 548,758	$ 202,872
Total at December 31, 2020				$ (1,274,023)	$ 891,816	$ 115,117

The open and settled transactions involving metal hedge swaps are summarized below:

Instrument	Notional Amount ('000)	Notional Unit	Maturity	Valuation as of December 31, 2022 Asset (liability)	Comprehensive income	(Gain) loss on settlement Cost of sales
Copper futures purchase	5,850	Tons		$ –	$ –	$ 21,409,887
Zinc futures purchase	700	Tons		–	–	216,809
Copper Swaps purchase	3,281	Tons	January to September 2023	7,696	(15,066)	490,693
Copper Swaps purchase	6,611	Tons	During 2021	–	–	84,432
Zinc Swaps purchase	300	Tons	January to July 2023	(1,610)	1,127	1,865,537
Nickel Swaps purchase	84	Tons	January to April 2023	5,373	(3,761)	(2,706,478)
Aluminum Swaps purchase	50	Tons	January to March 2022	14	(11)	–
Aluminum Swaps purchase	250	Tons	During 2021	–	–	–
Total at December 31, 2022				$ 11,473	$ (17,711)	$ 21,359,605
Total at December 31, 2021				$ 2,274	$ (1,637)	$ 2,917
Total at December 31, 2020				$ 9,569	$ 11,224	$ (1,256)

16. PROPERTY, PLANT AND EQUIPMENT

The reconciliation carrying amounts at the start and end of 2022, 2021 and 2020 is as follows:

	Balances as of December 31, 2021	Additions	Business acquisition	Retirements / disposals	Transfers	Exchange differences on translation	Balances as of December 31, **2022**
Investment:							
Land	$ 3,805,511	$ –	$ 3,010,155	$ (235)	$ 50,823	$ (211,623)	$ 6,654,631
Mineral resources			3,134,489			(130,740)	3,003,749
Buildings and constructions	30,624,615	465,361	10,019,860	(106,406)	250,223	(1,051,923)	40,201,730
Machinery and equipment	21,613,122	259,212	31,011,624	(358,564)	1,375,009	(813,788)	53,086,615
Furniture and fixtures	6,845,669	211,259	103,692	(123,875)	–	(6,566)	7,030,179
Computer equipment	2,230,072	156,259	207,870	(37,828)	66,119	(11,340)	2,611,152
Vehicles	1,133,497	199,457	333,200	(66,161)	136,092	(13,832)	1,722,253
Construction in process	962,358	3,944,572	1,773,539	(26,987)	(1,947,746)	604,988	5,310,724
Total investment	67,214,844	5,236,120	49,594,429	(720,056)	(69,480)	(1,634,824)	119,621,033
Accumulated depreciation:							
Mineral resources		(9,394)	(274,805)	–	–	12,408	(271,791)
Buildings and constructions	(12,472,873)	(1,004,560)	(3,764,419)	39,443	900	302,151	(16,899,358)
Machinery and equipment	(13,941,462)	(1,916,518)	(16,327,239)	352,216	99,307	366,518	(31,367,178)
Furniture and fixtures	(5,188,120)	(328,691)	(74,405)	63,762	1,339	8,866	(5,517,249)
Computer equipment	(2,007,504)	(110,590)	(165,148)	23,149	5,061	2,946	(2,252,086)
Vehicles	(801,261)	(129,254)	(233,954)	71,044	2,164	6,348	(1,084,913)
Total accumulated depreciation	(34,411,220)	(3,499,007)	(20,839,970)	549,614	108,771	699,237	(57,392,575)
Impairment:							
Land	(16,497)	–	–	–	–	–	(16,497)
Mineral resources	–	–	–	–	–	–	–
Buildings and constructions	(111,596)	(37,070)	–	–	–	–	(148,666)
Machinery and equipment	(121,413)	(355,093)	–	5,146	1,598	12,446	(457,316)
Furniture and fixtures	(34,386)	(28,678)	–	–	26	–	(63,038)
Computer equipment	(13,454)	(196)	–	–	–	–	(13,650)
Vehicles	(496)	–	–	–	–	–	(496)
Accumulated impairment losses	(297,842)	(421,037)	–	5,146	1,624	12,446	(699,663)
Net investment	$ 32,505,782	$ 1,316,076	$ 28,754,459	$ (165,296)	$ 40,915	$ (923,141)	$ 61,528,795

	Balances as of December 31, 2020	Additions	Business acquisition	Retirements / disposals	Transfers	Exchange differences on translation	Balances as of December 31, 2021
Investment:							
Land	$ 3,994,750	$ 292	$ –	$ (135)	$ (191,415)	$ 2,019	$ 3,805,511
Buildings and constructions	30,516,333	164,823	–	(113,023)	(286,115)	342,597	30,624,615
Machinery and equipment	21,064,880	145,007	–	(138,726)	523,358	18,603	21,613,122
Furniture and fixtures	6,836,232	62,952	–	(56,828)	2,095	1,218	6,845,669
Computer equipment	2,187,187	46,591	–	(69,881)	62,423	3,752	2,230,072
Vehicles	1,168,917	45,856	–	(176,282)	115,479	(20,473)	1,133,497
Construction in process [(1)]	17,458,421	966,249	–	(166)	(17,541,020)	78,874	962,358
Total investment	83,226,720	1,431,770	–	(555,041)	(17,315,195)	426,590	67,214,844
Accumulated depreciation:							
Buildings and constructions	(11,878,541)	(491,632)	–	63,635	294,315	(460,650)	(12,472,873)
Machinery and equipment	(13,253,604)	(1,214,290)	–	126,761	18,846	380,825	(13,941,462)
Furniture and fixtures	(4,854,509)	(368,270)	–	42,691	3,710	(11,742)	(5,188,120)
Computer equipment	(1,924,138)	(127,740)	–	49,395	3,834	(8,855)	(2,007,504)
Vehicles	(814,784)	(104,239)	–	105,469	928	11,365	(801,261)
Total accumulated depreciation	(32,725,576)	(2,306,171)	–	387,951	321,633	(89,057)	(34,411,220)
Impairment:							
Land	(16,497)	–	–	–	–	–	(16,497)
Buildings and constructions	(68,260)	(43,336)	–	–	–	–	(111,596)
Machinery and equipment	(238,114)	(22,451)	–	–	–	139,152	(121,413)
Furniture and fixtures	(195)	(23,874)	–	–	(10,317)	–	(34,386)
Computer equipment	(119)	(84)	–	–	(13,251)	–	(13,454)
Vehicles	(496)	–	–	–	–	–	(496)
Accumulated impairment losses	(323,681)	(89,745)	–	–	(23,568)	139,152	(297,842)
Net investment	$ 50,177,463	$ (964,146)	$ –	$ (167,090)	$ (17,017,130)	$ 476,685	$ 32,505,782

(1) As of December 31, 2022, the Projects in process category includes 2 platforms named El Centenario and La Muralla IV (which will be called Independencia II and Independencia III).

	Balances as of December 31, 2020	Additions	Business acquisition	Retirements / disposals	Transfers	Exchange differences on translation	Balances as of December 31, 2021
Investment:							
Land	$ 3,751,173	$ 119,877	$ 121,026	$ –	$ (7,790)	$ 10,464	$ 3,994,750
Buildings and constructions	16,326,099	143,779	13,658,186	(401,370)	(142,844)	932,483	30,516,333
Machinery and equipment	20,556,885	123,287	68,716	(479,700)	806,852	(11,160)	21,064,880
Furniture and fixtures	6,889,972	98,414	1,617	(161,710)	720	7,219	6,836,232
Computer equipment	2,154,329	29,907	7,637	(51,989)	35,100	12,203	2,187,187
Vehicles	1,169,016	30,619	15,657	(70,834)	18,317	6,142	1,168,917
Construction in process	13,829,180	4,082,743	–	671	(1,093,239)	639,066	17,458,421
Total investment	64,676,654	4,628,626	13,872,839	(1,164,932)	(382,884)	1,596,417	83,226,720
Accumulated depreciation:							
Buildings and constructions	(8,047,824)	(860,034)	(3,030,428)	178,951	101,036	(220,242)	(11,878,541)
Machinery and equipment	(12,736,023)	(798,886)	(46,518)	465,020	(165,056)	27,859	(13,253,604)
Furniture and fixtures	(4,543,601)	(436,948)	(1,149)	125,248	(475)	2,416	(4,854,509)
Computer equipment	(1,807,585)	(159,944)	(6,491)	54,448	(608)	(3,958)	(1,924,138)
Vehicles	(732,493)	(113,942)	(13,551)	42,648	3,367	(813)	(814,784)
Total accumulated depreciation	(27,867,526)	(2,369,754)	(3,098,137)	866,315	(61,736)	(194,738)	(32,725,576)
Impairment:							
Land	(16,497)	–	–	–	–	–	(16,497)
Buildings and constructions	(93,450)	25,190	–	–	–	–	(68,260)
Machinery and equipment	(155,662)	(10,454)	–	–	–	(71,998)	(238,114)
Furniture and fixtures	(1,012)	817	–	–	–	–	(195)
Computer equipment	(820)	701	–	–	–	–	(119)
Vehicles	(6,516)	6,020	–	–	–	–	(496)
Accumulated impairment losses	(273,957)	22,274	–	–	–	(71,998)	(323,681)
Net investment	$ 36,535,171	$ 2,281,146	$ 10,774,702	$ (298,617)	$ (444,620)	$ 1,329,681	$ 50,177,463

Total transfers to investment properties during 2022, 2021 and 2020 were $88,317, $335,200 and $42,420, respectively.

17. INVESTMENT PROPERTIES

	2022	2021	2020
Investment properties	$ 4,766,120	$ 4,601,226	$ 3,392,635

Investment property movements:

	2022	2021	2020
Balance at the start of the year	$ 4,601,226	$ 3,392,635	$ 3,233,907
Additions	59,863	6,325	600
Transfers	(88,317)	335,200	42,420
Fair value adjustments applied to investment properties	193,348	867,066	115,708
Balance at the end of the period	$ 4,766,120	$ 4,601,226	$ 3,392,635

Grupo Carso fully owns all its investment properties.

Grupo Carso uses valuations performed by independent expert appraisers the necessary qualifications and relevant experience as regards the locations and categories of the investment properties it maintains.

Valuation is based on different techniques with the following approaches:

Through its subsidiaries, the Entity has two shopping malls, Loreto and Plaza Inbursa, located in Mexico City, which generate rental income that is recognized in results as rentals are accrued, for the amounts of $176,321. $118,088 and $132,428 for the years ended December 31, 2022, 2021 and 2020, respectively. At December 31, 2022, 2021 and 2020, the occupancy rate of shopping centers is of 71%, 70% and 72%, respectively.

Direct operating expenses including maintenance costs incurred for the investment properties are recognized in results and represent approximately 55%, 69% and 65% of rental income for years ended December 31, 2022, 2021 and 2020, respectively.

When estimating the fair value of its real property, the Entity considered highest and best use of its properties is their current use.

Details of the Entity investment properties and information regarding the fair value hierarchy as of December 31, 2022, 2021 and 2020 are as follows:

	2022		2021		2020	
	Level 3	Fair value	Level 3	Fair value	Level 3	Fair value
Shopping malls located in Mexico City	$ 2,495,808	$ 2,495,808	$ 2,495,808	$ 2,495,808	$ 2,462,521	$ 2,462,521
Land located in Baja California and other areas (1)	1,502,483	1,502,483	1,432,266	1,432,266	842,757	842,757
Land and buildings	767,829	767,829	673,152	673,152	87,357	87,357
Total	$ 4,766,120	$ 4,766,120	$ 4,601,226	$ 4,601,226	$ 3,392,635	$ 3,392,635

(1) Investment properties are composed by land located in Baja California, land and industrial buildings in the State of Mexico, Querétaro and Guanajuato.

The following information is relevant for investment properties classified as Level 3 of the fair value hierarchy:

	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Commercial units located in Mexico City	Replacement cost approach and revenue approach until 2019	As of December 31, 2022, 2021 and 2020, fair value was determined according to the replacement cost approach, which reflects the acquisition or construction price of the replacement asset s with a comparable profit, adjusted for obsolescence. Monthly rent considering differences in locations and individual factors such as frontage and size, between properties comparable to an average.	A slight increase in materials prices would result in a significant fair value increase and vice versa. A slight increase in the capitalization rate used would result in a significant fair value decrease, and vice versa.
Land	Market approach	No appraisals have been performed during the last 3 years because market conditions have not changed and are not expected to change in the following periods.	A significant lease market increase would result in a significant in fair value increase and vice versa.

18. INVESTMENT IN ASSOCIATED ENTITIES AND JOINT VENTURES AND OTHER

a. The main associated entities, businesses, other joint ventures and their priority activities are as follows:

	Equity percentage				
Associated entity and joint venture	**2022**	2021	2020	Location	Activity
Fortaleza Materiales, S. A. B. de C. V. (formerly Elementia, S. A. B. de C. V., Note 2 subsection b) (Fortaleza)	–	38.69	36.47	Mexico	Manufacture and marketing of products for the construction industry
Elementia Materiales, S. A. B. de C. V. (split from Fortaleza, Note 2 subsection b) (Elementia)	–	38.69	–	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	Mexico	Holder of shares and securities.
Inmuebles SROM, S. A. de C. V. (1)	14.00	14.00	14.00	Mexico	Real estate leasing.
Miniso BF Holding S. R. L. de C. V.	33.27	33.27	33.27	Mexico	Operation of multi-category stores offering low-cost products, under the specialized franchise model
Aerofrisco, S. A. de C. V. (1)	18.21	18.21	–	Mexico	Air transportation of cargo and passengers
Grupo Telvista, S. A. de C. V. (1)	–	10.00	10.00	Mexico	Provides customer attention solutions, together with call center services in English and Spanish.
Infraestructura y Saneamiento Atotonilco, S. A. de C. V. (joint venture)	42.50	42.50	42.50	Mexico	Construction of wastewater treatment plant.
Constructora MT de Oaxaca, S. A. de C. V. (joint venture)	40.00	40.00	40.00	Mexico	Highway construction.
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.

	% of participation				
Companies at Market Value	**2022**	2021	2020	Country of incorporation	Activity
GMéxico Transportes, S. A. B. de C. V.	15.14	15.14	15.14	Mexico	Rail transportation.
Grupo Cuprum, S. A. P. I. de C. V. (Cuprum)	7.5	7.5	10.00	Mexico	Manufacture of aluminum products.

(2) In April 2022, the entity sold the shares of Grupo Telvista, S. A. de C. V., which represented a 10% holding, to its related party América Móvil, S. A. B. de C. V.

b. The recognition of the equity method for the main associated entities, joint ventures and other entities was as follows:

	2022				
	Stockholders' equity	Net income	Equity percentage	Investment in shares	Equity in income
Inmuebles SROM, S. A. de C. V.	$ 14,507,119	1,031,086	14.00	$ 2,030,996	$ 144,352
Miniso BF Holding, S. de R. L. de C. V.	(48,444)	242,239	33.27	776,785	92,125
Aerofrisco, S. A. de C. V. (6)	2,727,362	397	18.21	496,698	72
Infraestructura y Saneamiento					
Atotonilco, S. A. de C. V.	(139,586)	(4,360)	42.50	(59,324)	(1,853)
Constructora MT de Oaxaca, S. A. de C. V.	(182,428)	8,530	40.00	(72,971)	3,412
Trans-Pecos Pipeline, LLC. (3)	8,907,282	955,573	51.00	4,542,714	487,342
Comanche Trail Pipeline, LLC. (4)	6,069,092	892,262	51.00	3,095,237	455,053
Other associated entities (7)				244,674	122,902
Total investment in associated entities				11,054,809	1,303,405
Other investments				4,696	–
Total investment in associated entities				11,059,505	1,303,405
Entities at market value				Fair value	
GMéxico Transportes, S. A. B. de C.V.			15.14	25,227,055	–
Cuprum (2)			7.5	468,675	–
				25,695,730	–
Total investment in associated entities, joint ventures and other entities				$ 36,755,235	$ 1,303,405

	2021				
	Stockholders' equity	Net income	Equity percentage	Investment in shares	Equity in income
Fortaleza (1)	$ 11,104,485	$ 2,218,762	38.69	$ 4,850,843	$ 1,153,870
ITM	12,000,553	243,812	38.69	4,643,265	94,336
Inmuebles SROM, S. A. de C. V.	9,961259	1,889,168	16.75	1,668,511	316,436
Miniso BF Holding, S. de R. L. de C. V.	13,726,035	1,091,645	14.00	1,921,645	113,287
Grupo Telvista, S. A. de C. V.	(340,913)	(294,301)	33.27	679,473	(117,879)
Infraestructura y Saneamiento					
Atotonilco, S. A. de C.V.	2,726,965	(12,449)	18.21	496,626	(157)
Constructora MT de Oaxaca, S. A. de C. V.	2,477,914	22,360	10.00	247,791	2,235
Trans-Pecos Pipeline, LLC	(135,224)	(6,939)	42.50	(57,471)	(2,949)
Comanche Trail Pipeline, LLC	(190,958)	(525)	40.00	(76,383)	(210)
Other associated entities	7,666,720	1,245,461	51.00	3,910,027	635,185
Total investment in associated entities	4,697,145	931,392	51.00	2,395,544	475,010
				212,776	156,951
				20,892,647	2,826,115
Other investments				2,040	–
Total investment in associated entities				20,894,687	2,826,115
Entities at market value				Fair value	
GMéxico Transportes, S. A. B. de C.V.			15.14	21,475,465	–
Cuprum (2)			7.5	367,276	–
PBF Energy, Inc.				57,319	–
				21,900,060	–
Total investment in associated entities and joint ventures				$ 42,794,747	$ 2,826,115

	2020				
	Stockholders' equity	Net income	Equity percentage	Investment in shares	Equity in income
Fortaleza (1)	$ 20,092,656	$ (516,680)	36.47	$ 7,881,200	$ (188,411)
ITM	11,615,010	(504,915)	16.75	1,945,514	(84,574)
Inmuebles SROM, S. A. de C. V.	13,134,846	1,298,790	14.00	1,838,878	181,831
Miniso BF Holding, S. de R. L. de C. V.	(68,994)	(950,238)	33.27	797,353	(316,162)
Grupo Telvista, S. A. de C. V. (5)(7)	2,476,654	61,868	10.00	247,665	6,187
Infraestructura y Saneamiento Atotonilco, S. A. de C. V.	125,634	(8,169)	42.50	(54,523)	(3,472)
Constructora MT de Oaxaca, S. A. de C. V.	412,120	(196,654)	40.00	(76,173)	(78,662)
Trans-Pecos Pipeline, LLC. (3)	6,025,823	1,166,291	51.00	3,073,169	594,808
Comanche Trail Pipeline, LLC. (4)	3,455,090	868,245	51.00	1,762,097	442,805
Other Associated entities				55,757	203,465
				17,470,937	757,815
Other investments				2,040	–
Total investment in associated entities				17,472,977	757,815
Entities at market value				Fair value	
GMéxico Transportes, S. A. B. de C.V.			15.14	18,464,305	–
Cuprum (2)			10.00	430,997	–
PBF Energy, Inc.				31,523	–
				18,926,825	–
Total investment in associated entities and joint ventures				$ 36,399,802	$ 757,815

(1) The investment in shares includes goodwill of $554,284. In 2021 and 2020, the equity held in associated entities of $205,983 and $245,716, respectively, was recognized in other comprehensive income.

(2) The investment in the shares of Cuprum includes goodwill of $45,092.

(3) As of December 31, 2022, 2021 and 2020, the stock investment includes a dividend payment of $283,617 and a profit of $428,961, dividends of $189,858 and a profit of $391,531, dividends of $253,705 and a loss of $250,244, respectively, which are recognized as other comprehensive results in the consolidated income statement.

(4) As of December 31, 2022, 2021 and 2020, the stock investment includes a dividend payment of $163,768 and a profit of $408,972, dividends of $188,238 and a profit of $346,675, dividends of $173,140 and a loss of $243,024, respectively, which are recognized as other comprehensive results in the consolidated income statement.

(5) As of December 31, 2022, 2021 and 2020, the stock investment includes a dividend payment of $6,600 and a profit of $4,491, a profit of $82,073 and dividends of $31,844, respectively, which are recognized as other comprehensive results in the consolidated income statement.

(6) The investment in Aerofrisco includes goodwill of $86,783.

(7) Within the heading of other associates in the result of the year includes the participation in the results from January to April 2022 of Fortaleza for $45,142 and Elementia for $11.498.

19. OTHER ASSETS

Other assets are composed follows:

	Years of amortization	2022	2021	2020
Insurance and bonds	(a)	$ 781,804	$ 781,804	$ 746,144
Collaborative commission agreement		159,604	159,604	159,604
Guarantee deposits		92,155	58,397	69,478
Installation expenses		548,233	368,351	344,036
Prepaid expenses		28,114	28,114	28,114
Other expenses		497,828	410,622	290,455
		2,107,738	1,806,892	1,637,831
Accumulated amortization		(1,551,129)	(1,373,804)	(1,248,242)
		$ 556,609	$ 433,088	$ 389,589

(a) The insurance and bonds of CICSA have a duration based on the contracted projects which is an average of between 2 to 3 years.

The amortization recorded in results was $177,325, $125,562 and $214,756 in 2022, 2021 and 2020, respectively, of which $80,816, $98,952 and $188,717 is recognized as part of cost of sales at that date.

20. INTANGIBLE ASSETS

	Amortization period	Balances as of January 1st, **2022**	Additions	Additions due to Business Combination	Retirements / disposals / transfers	Translation effect	Balances as of December 31, **2022**
Cost:							
Goodwill		$ –	$ 0	$ 4,546,556	$ –	$ (27,980)	$ 4,518,576
Commercial trademarks	15.5	16,889	0	1,662,781	–	(73,287)	$ 1,606,383
Exploration and evaluation	Indefinite	3,491,799	387,880	–	–	–	3,879,679
Computer programs	5.83	137,110	0	817,568	–	23,962	978,640
Licenses and franchises	4	38,142	0	209,181	–	10,932	258,255
Industrial property rights	10	313,211	0	–	–	–	313,211
Intangible assets under development	15	88,552	0	–	–	737	89,289
Exclusive distribution rights	10	0	0	457,115	–	(30,850)	426,265
Non-compete contract	10	0	0	653,621	–	(44,395)	609,226
Other intangible assets	Indefinite	187,467	0	172,593	–	(42,126)	317,934
Total cost		4,273,170	387,880	8,519,415	–	(183,007)	12,997,458
Accumulated amortization:							
Commercial trademarks		(10,526)	(909)	(79,355)	–	1,577	(89,213)
Exploration and evaluation		(33,464)	–	–	–	–	(33,464)
Computer programs		(44,301)	(22,856)	(758,238)	–	(12,175)	(837,570)
Licenses and franchises		(13,819)	(17,744)	(165,743)	–	(544)	(197,850)
Industrial property rights		(313,211)	0	–	–	–	(313,211)
Intangible assets under development		(61,331)	(3,856)	–	–	–	(65,187)
Exclusive distribution rights		0	0	(261,207)	–	–	(261,207)
Non-compete contract		0	0	(385,757)	–	(66)	(385,823)
Other intangible assets		(8,565)	0	(9,053)	–	–	(17,618)
Total amortization		(485,217)	(45,365)	(1,659,353)	–	(11,208)	(2,201,143)
Impairment Adjustments							
Exploration and evaluation		(1,413,333)	–	–	–		(1,413,333)
		$ 2,374,620	$ 342,515	6,860,062	$ –	$ (194,215)	$ 9,382,982

	Amortization period	Balances as of January 1st, 2021	Additions	Retirements / disposals / transfers	Translation effect	Balances as of December 31, 2021
Cost:						
Commercial trademarks	Indefinite	$ 16,865	$ 24	$ –	$ –	$ 16,889
Exploration and evaluation	Indefinite	2,480,575	1,011,224	–	–	3,491,799
Computer programs	5.83	197,397	62,671	(122,958)	–	137,110
Licenses and franchises	Indefinite	38,142	–	–	–	38,142
Industrial property rights	10	313,211	–	–	–	313,211
Intangible assets under development	15	88,552	–	–	–	88,552
Other intangible assets	Indefinite	173,884	13,583	–	–	187,467
Total cost		3,308,626	1,087,502	(122,958)	–	4,273,170
Accumulated amortization:						
Commercial trademarks		(9,470)	(1,056)	–	–	(10,526)
Exploration and evaluation		(33,464)	–	–	–	(33,464)
Computer programs		(28,970)	(15,331)	–	–	(44,301)
Licenses and franchises		(9,931)	(3,888)	–	–	(13,819)
Industrial property rights		(313,211)	–	–	–	(313,211)
Intangible assets under development		(31,970)	(29,361)	–	–	(61,331)
Other intangible assets		(8,565)	–	–	–	(8,565)
Total amortization		(435,581)	(49,636)	–	–	(485,217)
Impairment Adjustments						
Exploration and evaluation		(1,413,333)	–	–	–	(1,413,333)
		$ 1,459,712	$ 1,037,866	$ (122,958)	$ –	$ 2,374,620

	Amortization period	Balances as of January 1st, 2020	Additions	Retirements / disposals / transfers	Translation effect	Balances as of December 31, 2020
Cost:						
Commercial trademarks	Indefinite	$ 16,852	$ 13	$ –	$ –	$ 16,865
Exploration and evaluation	Indefinite	2,276,922	207,030	–	(3,377)	2,480,575
Computer programs	5.83	76,482	120,915	–	–	197,397
Licenses and franchises	Indefinite	38,142	–	–	–	38,142
Industrial property rights	10	313,211	–	–	–	313,211
Intangible assets under development	15	87,833	719	–	–	88,552
Other intangible assets	Indefinite	106,285	67,599	–	–	173,884
Total cost		2,915,727	396,276	–	(3,377)	3,308,626
Accumulated amortization:						
Commercial trademarks		(8,171)	(1,299)	–	–	(9,470)
Exploration and evaluation		(33,295)	(169)	–	–	(33,464)
Computer programs		(16,569)	(12,401)	–	–	(28,970)
Licenses and franchises		(4,975)	(4,956)	–	–	(9,931)
Industrial property rights		(313,211)	–	–	–	(313,211)
Intangible assets under development		(19,218)	(12,752)	–	–	(31,970)
Other intangible assets		(8,565)	–	–	–	(8,565)
Total amortization		(404,004)	(31,577)	–	–	(435,581)
Impairment adjustments						
Exploration and evaluation		(1,041,335)	(371,998)	–	–	(1,413,333)
Net cost		$ 1,470,388	$ (7,299)	$ –	$ (3,377)	$ 1,459,712

21. SHORT AND LONG-TERM DEBT

Are composed as follows:

	2022	2021	2020
Short-term:			
Unsecured loans in Mexican pesos, at a fixed rate of 5.08% with maturities in February 2022.	$ –	$ 2,950,000	$ –
Unsecured loans in US dollars, at a fixed rate of 0.65% with maturities in June and September 2021.	–	2,058,350	–
Unsecured loans contracted in Colombian pesos at a fixed interest rate of 4.95%	–	33,606	–
Unsecured loan in Peruvian soles at a fixed rate of 2.10% and with maturity in February 2021.	–	–	19,282

	2022	2021	2020
Short-term:			
Unsecured loans in Mexican pesos with current rates of 10.75% to 12.75% and dates of expiration in January 2023.	7,693,852	–	–
Unsecured loans in US dollars with current rates of 4.44% to 5.36% and maturity dates in February, March, June and August 2023.	2,686,770	–	–
Stock certificate in Mexican pesos with a current rate of 10.76% with a maturity date of March 2023	3,500,000	–	–
Other loans	120,684	84,176	94,154
	14,001,306	5,126,132	113,436
Add current portion of long-term debt	1,583,229	394,614	3,177,531
Short-term debt	$ 15,584,535	$ 5,520,746	$ 3,290,967
Long-term debt:			
Syndicated Loan of US, with a variable interest rate equal to the LIBOR rate + 5.75, with maturity in 2035.	$ 8,666,329	$ 9,920,685	$ 9,720,455
Loans in Mexican pesos with current rates of 12.17% to 12.82% and maturity dates in 2024 and 2025.	7,071,019	–	–
Long-term unsecured loan in US dollars contracted with Invex at a rate of 5.29% and with maturity in June 2025		5,604,658	7,777,306
Loans in foreign currency with current rates of 0.50% to 7.00% and maturity dates from 2023 to 2035.	8,243,460	–	–
Loan from a Government Agency in Mexican pesos with a current rate of 12.25% and maturity in 2029.	2,808,236	–	–
Securitization certificates issued in Mexican pesos, one of which was issued, with maturity on March 12, 2021, and the other issued on February 10, 2023 and another with a maturity date of 2024 at a rate of 12.42%.	2,000,000	3,500,000	6,500,000
	28,789,044	19,025,343	23,997,761
Less - current portion of long-term debt	(1,583,229)	(394,614)	(3,177,531)
Long-term debt	$ 27,205,815	$ 18,630,729	$ 20,820,230

Long-term debt accrues interest at variable rates. Interest rates for loans in Mexican pesos during 2022, 2021 and 2020 were a weighted average of 11.98%, 5.08% and 5.29%

The affirmative covenants assumed by the Entity as a result of these loans are as follows: i) provide audited consolidated financial statements within 120 days after the yearend close; ii) provide internal consolidated financial statements within 60 days after the close of the first three quarters of the year; iii) maintain its legal capacity and continue as a going concern; and iv) comply with applicable laws, environmental regulations and maintain permits, licenses and other similar documents.

The negative covenants assumed by the Entity as a result of these loans are as follows: i) refrain from modifying the main line of business; ii) refrain from assuming or attaching liens and encumbrances on its properties or assets, unless permitted; iii) refrain from disposing of all or substantially all of its assets, unless permitted; iv) refrain from merging, dissolving, liquidating or performing a corporate breakup, unless permitted.

22. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Other accounts payable and accrued liabilities are composed as follows:

	2022	2021	2020
Taxes payable	$ 7,231,121	$ 2,901,825	$ 4,195,077
Other accounts payable	4,615,502	3,000,348	2,767,664
	$ 11,846,623	$ 5,902,173	$ 6,962,741

23. PROVISIONS

2022	Opening balance	Additions	Provision applied	Reclassifications	Reversals	Closing balance
Contractor costs	$ 6,483,874	$ 21,402,314	$ (20,722,113)	$	$ (280,922)	$ 6,883,153
Construction and other extraordinary costs	673,762	1,175,248	(1,131,690)		(12,235)	705,085
Environmental and plant closure costs	146,489	192,684	(255,703)		83,470	
Labor relations	285,616	261,419	(278,133)		(3)	268,899
Other provisions	427,304	1,398,177	(387,367)			1,438,114
	$ 8,017,045	$ 24,429,842	$ (22,775,006)	$	$ (293,160)	$ 9,378,721

2021	Opening balance	Additions	Provision applied	Reclassifications	Reversals	Closing balance
Construction and other extraordinary costs	$ 4,495,261	$ 15,570,097	$ (13,404,663)	$ –	$ (176,821)	$ 6,483,874
Environmental and plant closure costs	467,432	1,463,944	(1,239,196)	–	(18,418)	673,762
Labor relations	183,841	11,101	(48,453)	–	–	146,489
Other provisions	123,238	376,518	(210,296)	–	(3,844)	285,616
Construction and other extraordinary costs	339,485	249,089	(161,270)	–	–	427,304
	$ 5,609,257	$ 17,670,749	$ (15,063,878)	$ –	$ (199,083)	$ 8,017,045

2020	Opening balance	Additions	Provision applied	Reclassifications	Reversals	Closing balance
Construction and other extraordinary costs	$ 2,867,666	$ 18,920,543	$ (16,760,790)	$ –	$ (532,158)	$ 4,495,261
Environmental and plant closure costs	300,959	950,825	(784,352)	–	–	467,432
Labor relations	189,924	13,508	(19,591)	–	–	183,841
Other provisions	92,537	84,387	(53,686)	–	–	123,238
Construction and other extraordinary costs	270,099	262,251	(192,865)	–	–	339,485
	$ 3,721,185	$ 20,231,514	$ (17,811,284)	$ –	$ (532,158)	$ 5,609,257

24. RETIREMENT AND OTHER EMPLOYEE BENEFITS

The Entity has defined benefit plans for eligible employees at most of its subsidiaries, which include retirement, death or total disability payments for non-unionized personnel. These defined benefit plans are managed by a fund that is legally separate from the Entity. The board of directors of the pension fund is composed by an equal number of representatives of both the employers and (former) employees. The board of directors of the pension fund is required according to the law and the bylaws of the association to act in the interests of the fund and all interested parties; i.e., active and inactive employees, retirees and the employer. The board of directors of the pension fund is responsible for the investment policy applied to fund assets.

The Entity administers a plan that also covers seniority premiums for all staff working in Mexico, which consists of a single payment equal to 12 days' salary for each year worked based on final salary, albeit limited to two times the legal minimum wage.

Under these plans, employees are entitled to retirement benefits, which, added to the legal pension, represent an income at age 65. No other postretirement benefits are awarded.

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

Investment risk — The present value of the defined benefit plan liability is calculated by using a discount rate determined according government bond returns; if the plan asset return is below this rate, a plan deficit will arise. The plan currently has a relatively balanced investment in variable yield securities, debt instruments and real property. Given the long-term nature of plan liabilities, the board of directors of the pension fund considers that it is to invest a reasonable portion of the plan assets in variable yield securities and real estate to leverage the return generated by the fund.

Interest risk — A bond interest rate decrease will increase plan liabilities; however, this will be partially offset by the increased return derived from plan debt investments.

Longevity risk	The present value of the defined benefit obligations is calculated based on the best estimate of plan participant mortality, both during and after their employment. The increased life expectancy of plan participants will increase plan liabilities.
Salary risk	The present value of the defined benefit obligations is calculated according to the future salaries of plan participants. As such, higher plan participant salaries will increase plan liabilities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were made as of December 31, 2022 with information as of October 31, 2022 by independent actuaries, members of the Mexican Association of Consulting Actuaries, A. C. The present value of the defined benefit obligation and the labor cost of the current service and the cost of past services were calculated using the projected unit credit method.

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

On July 31, 2020, the rethinking of the employee pension plan was carried out in the segment of Sanborns Hermanos, S. A. de C. V. and on December 31, 2020, the rethinking of the pension plan of Sears Operadora México, S. A. de C. V. was carried out.

The main assumptions used for these actuarial valuations were as follows:

	2022	2021	2020
Discount rate	9.18%	8.18%	7.19%
Expected rate of salary increase	5.24%	4.83%	5.11%
Expected return on plan assets	9.46%	7.67%	7.08%
Retirement age for current pensioners (years)			
Men and women	65	65	65

The amount recognized in the consolidated statements of financial position regarding the Entity's defined benefit plan obligation are as follows.

	2022	2021	2020
Present value of the obligation from funded defined benefits	$ (6,809,121)	$ (4,634,390)	$ (4,663,156)
Fair value of plan assets	7,455,892	5,192,693	4,858,618
Excess of plan assets as regards defined benefit obligation	$ 646,771	$ 558,303	$ 195,462

The balances included in the consolidated statements of changes in financial position are as follows:

	2022	2021	2020
Liabilities from employee defined retirement benefits	$ (923,168)	$ (348,351)	$ (625,493)
Assets from employee defined retirement benefits	1,569,939	906,654	820,955
	$ 646,771	$ 558,303	$ 195,462
Fund contributions	$ 53,145	$ 61,732	$ 110,430

The expense of the year is $229,881, $381,190 and $149,715 in 2022, 2021 and 2020, respectively, and has been included in the statement of income as the cost of sales, administrative and sales expenses.

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

The net cost of the period is composed as follows:

	2022	2021	2020
Current labor service cost	$ 250,161	$ 214,332	$ 248,168
Interest cost	448,511	318,926	364,731
Interest income	(476,002)	(158,722)	(151,351)
Labor cost of past services	2,967	(5,213)	(1,585,522)
Effect of any reduction or early settlement (other than a restructuring or a discontinued operation)	4,244	11,867	2,682
Net cost of the period	$ 229,881	$ 381,190	$ (1,121,292)

Defined benefit cost entries recognized in other comprehensive income

	2022	2021	2020
Actuarial gain (loss)	$ 692,992	$ 354,939	$ (142,137)

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

Changes in the present value of the defined benefit obligation:

	2022	2021	2020
Opening balance of defined benefit obligation	$ (4,634,390)	$ (4,663,156)	$ (5,698,979)
Current service cost	(250,161)	(214,332)	(248,168)
Past service cost	(2,967)	5,213	1,585,522
Interest cost	(448,511)	(318,926)	(364,731)
Actuarial (losses) gains	393,565	215,163	(173,172)
Benefits paid	215,559	177,862	125,153
Effect of any reduction or early settlement (other than restructuring or a discontinued operation)	31,398	198,292	98,229
Business acquisition	(2,327,697)	–	–
Others (adjustment for ISR GSanborns adoption)	214,083	(34,506)	12,990
Closing balance of the defined benefit obligation	$ (6,809,121)	$ (4,634,390)	$ (4,663,156)

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

	2022	2021	2020
Initial fair value of plan assets	$ 5,192,693	$ 4,858,618	$ 4,720,777
Expected yield on plan assets	476,002	158,722	151,351
Personnel transfers	(1,751)	2,963	(1,655)
Actuarial gains (losses)	408,744	288,520	65,108
Plan contributions	53,145	61,732	110,430
Benefits paid	(215,559)	(177,862)	(125,153)
Business acquisition	1,553,576	–	–
Assets distributed through settlements		–	26,768
Other	(10,958)	–	(89,008)
Final fair value of plan assets	$ 7,455,892	$ 5,192,693	$ 4,858,618

Significant actuarial assumptions used to determine the defined obligation are the discount rate, expected salary increase and mortality. The following sensitivity analyses have been determined based on reasonably possible changes to the respective assumptions at the end of the reporting period, while all other hypotheses remain constant.

If the discount rate were 50 basis points higher (lower), the defined benefit obligation would decrease by 2022 in $192,563 (increase of $176,666).

If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by $204,172 in 2022 (decrease of $191,978).

If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $109,700 in 2022 (decrease of $89,493).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation, as it is unlikely that the modification of hypotheses would occur in an isolated manner as certain assumptions may be correlated.

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

There was no change as regards the methods and assumptions used to prepare the sensitivity analysis over prior years.

The main strategic decisions formulated in the fund's actuarial and technical policy document are as follows: a combination of assets based on 48.51% capital instruments and 51.49% debt instruments.

The average duration of the defined benefit obligation as of December 31, 2022 is 8.90 years, 10.27 years in 2021 and 10.81 years in 2020.

The Entity expects to make a contribution of $200,354 to defined benefit plans during 2022.

The main categories of plan assets are:

				Fair value of plan assets		
	2022	2021	2020	2022	2021	2020
Capital instruments	49	45	48	$ 3,616,580	$ 2,306,626	$ 2,105,049
Debt instruments	51	55	52	$ 3,839,312	$ 2,886,067	$ 2,754,477
Weighted average expected return				$ 499,032	$ 373,748	$ 333,722

The fair value of the capital and debt instruments mentioned above is determined according to the market prices listed on active markets, while the market values of properties are not based on market prices listed on active markets.

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

	2022	2021	2020
Short-term benefits	$ 160,382	$ 114,857	$ 116,479
Defined benefit plans	102	99	217
Other long-term benefits	281,715	302,367	285,427

25. STOCKHOLDERS' EQUITY

a. The historical amount of subscribed and paid-in common stock of Grupo Carso as of December 31, 2022, 2021 and 2020 is as follows:

	Number of shares			Amount		
	2022	2021	2020	**2022**	2021	2020
Series A1	2,261,166,416	2,261,166,416	2,745,000,000	$ 530,746	$ 530,746	$ 644,313
Repurchased shares held by the Treasury	(12,175,784)	(5,917,301)	(477,335,910)	(2,857)	(1,389)	(112,040)
Historical common stock	2,248,990,632	2,255,249,115	2,267,664,090	$ 527,889	$ 529,357	$ 532,273

Common stock is composed by ordinary, nominative shares at no par value.

The Ordinary General Meeting of the Stockholders of Grupo Carso of April 28, 2022 authorized the payment of a cash dividend of $1.00 (one peso) per share to be taken the balance of the Net Tax Income Account (CUFIN), This dividend would be distributed through two payments of $0.50 (fifty cents) per share, per share, the first payable as of June and the second as of December 2022, against coupons numbers 44 and 45, respectively, on the outstanding titles when the corresponding payments are made. Said payment amounted to $2,250,304.

At the Ordinary General Shareholders' Meeting of Grupo Carso held on April 28, 2021, the payment of a cash dividend of $0.96 (ninety-six cents) per share was authorized, coming from the balance of the Net Tax Profit Account (CUFIN) , payable in two equal installments of $0.48 (forty-eight cents) per share, payable as of June 28 and December 20, 2021, against coupons numbers 42 and 43, respectively, on the outstanding titles at the time of the corresponding payments. Said payment amounted to $2,167,121.

At the Ordinary General Shareholders' Meeting of Grupo Carso held on April 30, 2020, it was resolved that, due to the health contingency caused by Covid-19, no effective dividend will be paid to shareholders and that the entire balance of profits obtained in the year 2019, as well as the balance of accumulated profits from previous years, in addition to being available to the General Shareholders' Meeting of the Company, they will also be available to the Board of Directors, with the exception of the total amount of the legal reserve, delegating to the latter body the broadest powers to allocate it, totally or partially, as it deems appropriate and appropriate, to the constitution or increase of reserves and/or their distribution as dividend(s) to the shareholders of the society. Additionally, the applications for the purchase of own shares are ratified.

b. Retained earnings include the legal reserve. According to the General Corporate Law, at least 5% of net profit of the year must be used to create a legal reserve until equal to 20% of common stock at face value. The legal reserve may be capitalized, but must not be distributed unless the Entity is dissolved and must be replenished whenever decreased for any reason. As of December 31, 2022, 2021 and 2020, the Entity's legal reserve was $381,635.

c. Stockholders' equity except for the 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. An additional amount of income tax (ISR) is payable at the 10% rate on dividends paid to individuals and foreign residents. The ISR is paid through a tax withholding and is considered as a definitive payment for each stockholder. Foreign stockholders may apply the terms of tax treaties. This tax is applicable to the distribution of profits generated as of 2014.

26. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related-party receivable and payable balances are as follows:

	2022	2021	2020
Receivable-			
Empresa de Servicios y Soporte Integral GC. S.A.P.I.	$ 2,392,990	$ 908,464	$ 179
Red Nacional Última Milla, S. A. P. I. de C. V.	1,612,320	1,271,061	2,101,012
APTIV Contract Services Norest	1,079,317	995,530	857,504
Consorcio Tramo Dos, S. A. de C. V.	409,311	67,836	11,599
Autovía Mitla Tehuantepec, S.A. de C.V.	325,070	–	–
FCC Construcción S.A. Sucursal de México	294,762	88,019	–
Infraestructura y Saneamiento de Atotonilco, S. A. de C. V.	141,442	140,201	138,958
América Móvil Perú, S. A. C.	123,240	143,648	191,138
Miniso BF Holding, S. de R. L. de C. V.	116,666	178,254	165,846
Compañía de Teléfonos y Bienes Raíces, S. A. de C. V.	114,739	16,100	9,570
Teléfonos de México, S. A. B. de C. V.	110,417	164,154	262,254
Red Última Milla del Noroeste, S. A. P. I. de C. V.	106,247	82,142	80,803
Comunicación Celular, S. A. de C. V.	98,176	87,279	22,202
Constructora MT Oaxaca, S. A. de C. V.	91,411	95,940	93,588
Concesionaria de Carreteras y Libramientos del Pacífico Norte, S. A. de C. V.	91,389	91,389	91,389
Telecomunicaciones de Guatemala, S.A.	50,265	92,823	35,986
Concesionaria autopista Guadalajara-Tepic, S. A. de C. V.	42,547	42,547	42,547
Servicios de Comunicaciones de Honduras, S. A. de C. V.	39,528	27,944	2,472
Empresa Nicaragüense de Telecomunicaciones, S. A.	37,345	60,796	20,773
Uninet, S. A. de C. V.	37,338	12,569	12,636
Claro, S. A.	36,884	23,784	94,776
Consorcio FCC Americas, APCA	35,359	–	–
Consorcio Ecuatoriano de Telecomunicaciones, S. A.	30,632	22,063	20,862
Claro CR Telecomunicaciones, S.A.	28,160	8,669	–
Radiomóvil Dipsa, S. A. de C. V.	22,068	56,087	112,107
Promotora del Desarrollo de América Latina, S.A. de C.V.	21,389	792	–
Conductores Monterrey, S.A. de C.V.	20,472	5,562	–
Compañía Dominicana de Teléfonos, S. A.	17,705	37,808	25,808
Puerto Rico Telephone Company, INC.	15,968	8,447	–
Fideicomiso Opsimex 4594	15,303	10,502	508
Telmex Colombia, S. A.	15,180	170,613	64,940
Operadora de Sites Mexicanos, S. A. de C. V.	13,824	15,246	28,466
Compañía de Telecomunicaciones de el Salvador, S. A. de C. V.	9,762	46,447	(199)
Consorcio FCC Corredor de Las Playas 1	3,661	5,573	16,956
Fundación Carlos Slim, A. C.	2,902	6,141	13,379

	2022	2021	2020
Ocampo Mining, S. A. de C. V.	2,020	6,813	209,328
Minera Real de Ángeles, S. A. de C. V.	1,995	10,404	14,739
Claro Chile, S. A.	176	–	13,411
Constructora Mexicana de Infraestructura Subterránea, S. A. de C. V.	70	–	250,006
Nacional de Cobre, S. A. de C. V.	4	25,750	25,195
Claro Comunicaciones, S. A	–	94,615	25,784
FCC Américas Panamá	–	28,776	–
Inmuebles Sercox, S.A. de C.V.	–	18,742	–
Consorcio Red Uno, S. A. de C. V.	–	–	22,686
Others	48,525	67,979	108,772
	$ 7,656,579	$ 5,237,509	$ 5,187,980
Payable-			
Radiomóvil Dipsa, S. A. de C. V.	$ 243,280	$ 376,239	$ 268,168
Transform SR Brands LLC	105,347	87,961	–
Aptiv Services US, LLC.	65,538	47,682	49,464
Promotora Inbursa, S.A. de C.V.	61,618	2,765	25
Consorcio Cargi – Propen, S.A. de C.V.	60,386	–	–
América Móvil Perú, S. A. C.	54,092	15,712	42,247
Inmose, S. A. de C. V.	36,375	–	37,493
JM Distribuidores, S. A.	32,110	31,025	23,217
Delphi Packard Electric Systems, Inc.	28,448	27,119	39,926
Inmuebles SROM, S. A. de C. V.	22,248	17,808	9,517
Seguros Inbursa, S. A.	18,410	14,446	9,090
Consorcio Tramo Dos, S. A. de C. V.	17,971	–	18,892
Consorcio Ecuatoriano de Telecomunicaciones, S. A.	15,195	4	–
Grupo Telvista, S.A. de C.V.	14,730	9,887	4,206
Concesionaria ETRAM Cuatro Caminos, S.A. de C.V.	12,273	12,065	9,831
Triara.COM.	11,591	1,625	258
Desarrollos Sagesco, S.A. de C.V.	11,559	7,254	8,994
Inversora Bursátil, S. A. de C. V.	11,346	3,498	10,849
AMX Contenido, S. A. de C. V.	789	31,807	617
Fundación Carlos Slim, A. C.	26	40,533	14,015
Controladora de Servicios de Telecomunicaciones, S. A. de C. V.	–	150	10,565
Sears Brands Management	–	–	66,100
Others	65,963	109,366	87,320
	$ 889,295	$ 836,946	$ 710,794

a. Borrowings from financial institutions includes balances with Banco Inbursa, S. A. of $12,097,669 as of December 31, 2022, accruing a fixed interest of 10.97%, $7,504,657 as of December 31, 2021, accruing a fixed interest of 7.8705%; for $7,777,306 and as of December 31, 2020, which caused a fixed interest of 5.29%.

b. Due to related parties includes advances from customers of $83,049, $62,679 and $59,194 as of December 31, 2022, 2020 and 2020, 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:

	2022	2021	2020
Sales	$ 29,126,038	$ 19,575,101	$ 20,685,328
Interest income	803,056	84,260	61,496
Inventories purchased	(1,081,659)	(1,264,732)	(933,071)
Insurance expenses	(566,643)	(224,571)	(285,125)
Lease expenses	(788,137)	(520,901)	(530,282)
(Expense) income for services rendered, net	756,403	(408,360)	(229,710)
Other expenses, net	(603,150)	(115,541)	(291,327)
Purchases of fixed assets	(48,480)	(815)	(5,218)

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

	2022	2021	2020
Sales	$ 127,435	$ 172,324	$ 568,444
(Expense) income services, net	14,888	(29,919)	11,306
Inventories purchases	(7,541)	(66)	(34,117)
Lease expenses	(3,725)	(3,566)	(3,426)
Insurance	–	–	(10,264)
Other expenses, net	(37,710)	(18,617)	(12,306)
Purchases of fixed assets	–	–	(957)

27. INCOME

	2022	2021	2020
Net sales:			
Sale of goods	$ 129,510,472	$ 90,540,560	$ 65,134,322
Construction	37,352,470	23,883,381	21,200,897
Interests	3,835,413	3,090,829	3,586,863
Services	5,866,134	3,511,892	2,921,757
Rentals	3,509,745	2,520,967	1,044,507
Dividends	1,309,388	900,244	651,900
Others	155,057	124,916	144,124
Total	$ 181,538,679	$ 124,572,789	$ 94,684,370

28. COST AND EXPENSES ANALYZED BY NATURE

	2022			
Concept	Cost of sales	Sales expenses	Administrative expenses	Total costs and expenses
Wages and salaries	$ 9,907,952	$ 5,198,523	$ 2,445,530	$ 17,552,005
Employee benefits	775,258	2,423,913	400,746	3,599,917
Raw materials	47,344,846	–	–	47,344,846
Manufacturing expenses	11,983,012	–	14,909	11,997,921
Finished products	61,814,967	–	–	61,814,967
Depreciation	2,512,741	894,097	92,169	3,499,007
Amortization	80,616	15,474	126,600	222,690
Depreciation of right-of-use assets	368,241	866,088	77,513	1,311,842
Advertising	–	710,602	–	710,602
Insurance	107,919	152,597	105,097	365,613
Freight	–	1,097,838	–	1,097,838
Allowance for doubtful accounts	6,885	11,300	693,698	711,883
Royalties	–	303,307	–	303,307
Fees	2,246	47,359	164,829	214,434
Maintenance	740,669	1,101,412	175,685	2,017,766
Plant costs	–	4,991	602,930	607,921
Security services	21,666	73,873	47,098	142,637
Lease	1,384,906	178	6,835	1,391,919
Telephone	411	99,362	80,988	180,761
Electricity	4,355	545,990	9,673	560,018
Credit card fees	–	453,451	56,152	509,603
Other	122,042	1,648,892	384,083	2,155,017
Total	$ 137,178,732	$ 15,649,247	$ 5,484,535	$ 158,312,514

	2021			
Concept	Cost of sales	Sales expenses	Administrative expenses	Total costs and expenses
Wages and salaries	$ 6,053,770	$ 4,306,800	$ 1,953,482	$ 12,314,052
Employee benefits	672,803	2,075,989	328,809	3,077,601
Raw materials	33,481,120	–	–	33,481,120
Manufacturing expenses	4,217,032	–	–	4,217,032
Finished products	46,965,359	–	–	46,965,359
Depreciation	1,250,818	966,278	89,075	2,306,171
Amortization	98,952	14,303	61,943	175,198
Depreciation of right-of-use assets	252,872	741,712	344	994,928
Advertising	–	631,602	–	631,602
Insurance	41,585	166,653	67,166	275,404
Freight	5	429,284	1,567	430,856
Allowance for doubtful accounts	7,892	(1,611)	757,763	764,044
Royalties	–	245,496	–	245,496
Fees	1,431	38,505	159,849	199,785
Maintenance	289,980	800,551	155,294	1,245,825
Plant costs	–	9,163	530,761	539,924
Security services	18,439	75,203	46,443	140,085
Lease	487,949	623	7,297	495,869
Telephone	437	107,120	86,366	193,923
Electricity	3,485	500,575	7,644	511,704
Credit card fees	–	367,769	61,438	429,207
Other	104,837	1,104,025	415,103	1,623,965
Total	$ 93,948,766	$ 12,580,040	$ 4,730,344	$ 111,259,150

	2020			
Concept	Cost of sales	Sales expenses	Administrative expenses	Total costs and expenses
Wages and salaries	$ 5,331,840	$ 4,138,154	$ 1,977,624	$ 11,447,618
Employee benefits	569,548	2,063,123	324,537	2,957,208
Raw materials	23,132,880	–	–	23,132,880
Manufacturing expenses	4,852,795	–	–	4,852,795
Finished products	34,729,948	–	–	34,729,948
Depreciation	1,178,027	1,103,550	88,177	2,369,754
Amortization	188,717	15,138	42,478	246,333
Depreciation of right-of-use assets	253,559	573,335	–	826,894
Advertising	–	299,509	–	299,509
Insurance	107,337	138,548	72,798	318,683
Freight	–	327,505	–	327,505
Allowance for doubtful accounts	13,744	14,116	925,842	953,702
Royalties	–	176,997	–	176,997
Fees	1,151	44,209	70,197	115,557
Maintenance	160,798	629,231	172,878	962,907
Plant costs	–	5,390	475,393	480,783
Security services	18,085	78,753	48,822	145,660
Lease	316,649	928	7,028	324,605
Telephone	382	75,250	62,221	137,853
Electricity	7,056	414,161	7,073	428,290
Credit card fees	–	356,401	61,309	417,710
Other	92,899	458,342	520,838	1,072,079
Total	$ 70,955,415	$ 10,912,640	$ 4,857,215	$ 86,725,270

29. OTHER (INCOME) EXPENSES - NET

	2022	2021	2020
(Gain) loss in sales of materials and waste	$ (33,072)	$ (19,240)	$ 62,806
Gain on sales of property, plant and equipment	(22,607)	(14,298)	(6,968)
Revaluation of investment property revaluation	(193,348)	(867,066)	(115,708)
Reassessment of employee retirement benefits	–	73,507	(1,410,828)
Liabilities and provisions cancellation	(179,883)	(274,299)	(237,564)
Valuation of shares (see Note 3a)	(3,809,962)	–	–
Rehabilitation expenses Line 12	529,601	1,166,414	–
Loss on property, plant and equipment disposals	113,987	61,365	277,973
Impairment of capitalized exploration expenses	–	–	371,998
Impairment of property, plant and equipment	420,063	89,745	(20,856)
Environmental remediation	66	20,865	22,677
Other expenses, net	(242,969)	(144,281)	(91,494)
	$ (3,418,124)	$ 92,712	$ (1,147,964)

30. INCOME TAXES

The Entity is subject to ISR. Under the ISR Law, the rate for 2022, 2021 and 2020 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% for 2022, 2022 and 2020 and Brazil with the 34% 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.

As of 2014, Grupo Carso has been authorized by the Ministry of Finance and Public Credit to prepare its declarations to go based on the tax integration regime, the entity opted to disincorporate from said tax regime as of January 2023.

In accordance with subparagraph d) of section XV of the ninth transitory article of the 2014 Law, and because the Entity as of December 31, 2013 had the status of controller and on that date was subject to the payment scheme contained in the section VI of the fourth article of the transitory provisions of the Income Tax Law published in the official gazette of the federation on December 7, 2009, or article 70-A of the 2014 Income Tax Law that was repealed, you must continue paying the tax which differed due to tax consolidation in 2007 and prior years in accordance with the aforementioned provisions, until its payment was completed.

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:

	2022	2021	2020
ISR::			
Current	$ 4,072,099	$ 2,523,532	$ 3,545,246
Deferred	(386,147)	80,954	(905,827)
	$ 3,685,952	$ 2,604,486	$ 2,639,419

b. The main items that originate the balance of the deferred income tax liability (asset) as of December 31, are:

	2022	2021	2020
ISR deferred (asset) liability:			
Property, plant and equipment	$ 1,740,778	$ (2,699,211)	$ 3,049,044
Inventories	(326,938)	133,451	(171,403)
Leased assets	5,454,519	5,619,709	–
Brands	92,836	–	–
Advances from customers	(625,802)	(1,885,841)	(1,903,567)
Investment in associated entities	5,236,623	4,743,754	4,099,027
Metals swaps and forwards	178,717	(235,182)	(378,861)
Revenues and costs by percentage-of-completion method	(902,223)	110,808	(299,035)
Allowances for assets and reserves for liabilities	(484,033)	(895,865)	(1,070,135)
Others	(1,141,643)	272,897	285,588
Deferred ISR on temporary differences	9,222,834	5,164,520	3,610,658
Effect of tax loss carryforwards	(5,356,561)	(3,830,935)	(3,152,174)
Deferred assets valuation reserve	–	184	
Deferred ISR payment (long-term CUFINRE)	1,878	1,742	2,703
	3,868,151	1,335,327	461,371
Total deferred tax asset	5,815,525	5,216,710	5,354,451
Total deferred tax liability	$ 9,683,676	$ 6,552,037	$ 5,815,822

The movements of deferred tax (asset) liabilities during the year are as follows:

	2022	2021	2020
Opening balance	$ 1,335,327	$ 461,371	$ 480,861
Income tax applied to results	(386,147)	80,954	(905,827)
Business acquisition	1,738,860	-	-
Recognized in other comprehensive income	1,180,111	793,002	886,337
Closing balance	$ 3,868,151	$ 1,335,327	$ 461,371

c. Reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income, is as follows:

	2022 %	2021 %	2020 %
Statutory rate	30	30	30
Add (less) the effect of permanent differences -			
Non-deductible expenses	2	2	2
Effects of inflation	(2)	(1)	(1)
Effect of tax loss carryforwards from foreign operations	(13)	(7)	-
Participation in results of associated entities and joint ventures	(2)	(6)	(3)
Others	-	(1)	1
Effective rate	15	17	29

d. Benefits of restated tax loss carryforwards, for which a deferred income tax asset has been recognized, may be recovered if certain requirements are fulfilled. Their maturities and restated amounts at December 31, 2022 are as follows:

Year of expiration	Tax loss carryforwards
2023	$ 122,068
2024	272,352
2025 and thereafter	18,953,453
Foreign subsidiaries tax loss carryforwards without expiration term	3,088,895
Total	$ 22,042,348

e. Tax consolidation:
The ISR liability as of December 31, 2022, related to the effects of benefits and tax deconsolidation, is recorded in taxes payable in short-term liabilities, with which the ISR payment for deconsolidation is concluded, which will be made next April 2023.

f. Tax integration:
The entity opted to disincorporate from this new regime, therefore the ISR for the years 2021, 2020, 2019 and 2018 whose amounts are 620,057; 328,344; 98,435 and 204,185, respectively, will be informed in January 2023.

31. COMMITMENTS

a. Commercial Group:

a. As of December 31, 2022, there are contracts entered into with suppliers for the remodeling and construction of some of their stores. The amount of the commitments contracted for this concept amounts to approximately $272,203.

b. In December 2010, Sears Operadora México, S. A. de C. V. (formerly Sears Roebuck de México, S. A. de C. V.) (Sears) and Sears Roebuck and Co. (Sears USA) signed an agreement, through which they have decided to extend in the same terms as they were, the Trademark Use License Agreement and the Merchandise Sales and Advisory contracts governing the business relationship between them, which provides for the payment of 1% by Sears to Sears USA on the income from the sale merchandise , through which it is allowed to use Sears name both in its business name and in its stores, as well as the exploitation of trademarks owned by Sears Roebuck and Co. The agreement will be in force until 30 September 2017, but contemplates the existence of an extension of seven additional years under the same conditions, unless someone one decides not to extend it, notifying the other party two years in advance. On 30 September 2017, neither party notified the other of the decision to terminate the Agreement, so it was automatically extended for an additional 7 years respecting the initial terms of the agreement.

c. Through an agreement signed on September 12, 2006, the Entity entered into a contract for the payment of consultancy and trademark use license, for an initial period of 15 years with a renewal option for an additional 10 years, which provides for the annual minimum payment of 500 thousand US dollars, through which it is allowed to use the name of Saks Fifth Avenue both on its social reason and in its stores.

b. Infrastructure and Construction and Industrial:

a. In August 2022, PEP awarded and signed a contract with Operadora CICSA, S. A. de C. V. (Operadora) and two more Engineering, Procurement and Construction companies for MULACH-B and YAXCHE-AI marine infrastructure units, to be installed in the Campeche sounding, Gulf of Mexico", with due on December 31, 2023, for an amount of $848,357 and US $101,551, both amounts correspond to the participation of Operator that represents 56.34% of the total contract, as of December 31, 2022 the MULACH-B unit has been concluded and YAXCHE has advances of 4%.

b. In September 2021, GSM-Bronco, S. A. de C. V. and Canamex Energy Holdings, S. A. P. I. de C. V. received a turnkey contract for drilling and completion of development wells for onshore fields through the international electronic restricted invitation procedure from PEP. of PEP, for a minimum amount of US $196,050, the works began in September 2021 and are expected to conclude in December 2023, as of December 31, 2022, there is a 32% progress.

c. In January and February 2021, Operadora signed 10 contracts with ICA Fluor Daniel S. de R. L. de C. V., for the supply of various equipment for the Dos Bocas refinery in Tabasco, for an amount of US $100,136. During 2022, 284 pieces of equipment were delivered. As of December 31, 2022, there is 97% progress of the remaining 36 pieces of equipment, deliveries will be made during the first quarter of 2023.

d. In May 2020, the Federal Government entered into a contract with Operadora and FCC Construcción, S.A. de C.V. includes the preparation of the executive project, supply of materials and construction of the platform and track of the Mayan Train in the sections Escárcega station (PK 228+000) and Calkiní station (PK 463+000) with a total of 235 km. Operator has a 50% interest, for an original contracted amount of $15,994,602 and a termination date of July 2022. To date, various agreements have been signed to adapt the contract to the new requirements. As of December 31, 2022, there is an approximate advance of 62%.

e. In November 2019, GSM-Bronco, KB Tel and Petroservicios Integrales México, S. A. de C. V. signed a contract with PEP for comprehensive and integrated works for interventions in oil wells, for a maximum amount of US$ 88,063, the works began in January 2019. 2020, as of December 31, 2022, there is an advance of 41%

f. In November 2018, Operadora signed a contract to carry out the construction of Section 2 of the Las Varas - Puerto Vallarta Highway, the amount amounts to $4,134,434, during February 2022, a rescheduling request was submitted in the amounts and expiration due to situations unrelated to the Operator, the increase to the original contract is for an amount of $1,600,000, as of December 31, 2022, it is approximately 80% complete

g. In June 2018, the Ministry of Public Works ("MOP") of the Republic of Panama awarded the consortium made up of Operadora and FCC Construcción, S.A., a contract for the "Expansion to six lanes - Corridor de las Playas (Section 2 : Santa Cruz - San Carlos)", in the province of Panama Oeste, for an amount of B$349,995 thousand balboas, equivalent to $7,120,817. Operadora's participation in the consortium is 49%. In August 2021, the MOP gave notice of suspension of the work and on December 31, 2022 the contract was terminated.

h. The MOP awarded the "Consorcio FCC-Corredor de playas I", made up of FCC Construcción, S.A. and Operadora, the execution of the project "Expansion to six (6) Lanes -corredor de las playas, Section 1: La Chorrera - Santa Cruz" , in the province of Panama West, in Panama. Operator's share is 49%. The amount of the contract amounts to B$543,022, thousand balboas, equivalent to $10,368,618. In August 2021, the MOP gave notice of suspension of the work and as of December 31, 2022 we are in the process of transferring the work to another contractor after collecting the accounts receivable that are due to the progress made at the time of the cancellation of the project.

i. On January 25, 2016, Cafig Constructores, S. A. de C. V., a subsidiary of Operadora with a 45% shareholding, was incorporated for the purpose of building the Samalayuca - Sásabe Gas Pipeline (the "Gas Pipeline") between the states of Chihuahua and Sonora. for the natural gas transportation service.

The Gas Pipeline is 36" in diameter, with a total length of 625 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). During 2020, the works were completed and as of December 31, 2022, the project settlement process continues.

j. In November 2014, GSM-Bronco and PEP signed 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 2015, during 2017, PEP decided to suspend the contract, and during the second semester of 2018, it was reactivated. On September 29, 2022, an amending agreement was signed to extend the execution period. As of December 31, 2022, there is an advance of 94%

k. In May 2014, PEP awarded a contract for directional drilling in oil wells to Bronco through international public bidding under free trade agreements for US $88,786, to be executed in 882 days. Work began in June 2014 and at As of December 31, 2018, there was an advance of 39%. By agreement between PEP and the National Water Commission ("CONAGUA"), water wells have been drilled with this contract in Mexico City. To date, 5 water wells have been drilled. On September 30, 2022, an amending agreement was signed to extend the execution period by 365 calendar days from July 1, 2022 and increase the amount of the contract by US $29,049. As of December 31, 2022, there is an advance of 98%.

l. Construction of the 169 km Mitla-Tehuantepec highway for $9,318,200, for which a consortium was created in which Operadora participated with 40%. In June 2019, the concessionaire reported the early termination of the contract with the consortium, which was 68% complete, at the same time, the concessionaire assigned the project directly to Operadora for the conclusion of the works for a value of $5,905,000. and as of December 31, 2022, there is progress of 77% and it is expected to conclude them during 2023.

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

As of December 31, 2022 and 2021, the Entity signed contracts and work orders with related parties in Mexico and Latin America, for total amounts of $8,699,061 and $7,201,597; as well as USD $240,347 and USD $192,341, respectively. The contracts include professional services for the construction and modernization of copper cabling networks (pairs) and external plant fiber optics, as well as for the construction of conduits and installation of fiber optics, public works, and connections. Most of the contracted projects are estimated to be completed during 2023.

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

Year of recruitment	Project	Contracted Subsidiary	Amount Contract		Sector
2021	Vessels, Heat Exchangers and Soloaires	Operadora	USD	25,270	Manufacturing and services
2021	Heat exchangers	Operadora	USD	14,310	Manufacturing and services
2021	Heat exchangers	Operadora	USD	11,000	Manufacturing and services
2020	Process equipment for Dos Bocas refinery	Operadora	USD	2,045	Manufacturing and services
2020	Data Center Banamex	Operadora	$	552,000	Civil Construction
2020	Dos Bocas Refinery Equipment	Operadora	USD and $	14,852 1,889	Manufacturing and services
2019	MALOOB-E AND MALOOB-I Platforms	Operadora	USD and $	69,505 1,517,015	Manufacturing and services
2019	Fray Servando Building	Operadora HYB	$	250,000	Civil Construction
2019	Hotel GT Four Season	Operadora	$	250,000	Civil Construction

Year of recruitment	Project	Contracted Subsidiary	Amount Contract	Sector
2018	East Emitter Tunnel Hotel San Jerónimo	CICSA	$ 20,167,949	Infraestructura
2018	Mexico City	Operadora	$ 120,000	Civil Construction
2017	Andromaco	Operadora	$ 383,000	Civil Construction
2017	Tlalnepantla Project	Operadora	$ 505,000	Civil Construction
2017	Moliere Building	Operadora	$ 501,000	Civil Construction
2016	Building Tribunales	Operadora	$ 478,000	Civil Construction
2015	Ford NASA Brisamar road to the connection with Cayaco	Operadora	$ 825,000	Civil Construction
2013	Puerto Marques South Bypass	Acatunel	$ 1,938,043	Infrastructure
2012	Guadalajara	Operadora	$ 7,863,881	Infrastructure
2010	Atotonilco waste	El Realito	$ 2,004,000	Infrastructure

32. 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, 2022 is $512,532, for which the Entity has recognized a provision of $228,288, which is included in other liabilities in the consolidated statements of financial position. During 2022, the Entity made payments related to these matters of approximately $38,623. 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. As of December 31, 2022 and 2021, the Entity has contracted guarantees, mainly in favor of its clients, for $30,749,291 and $301,070 thousand US dollars and for $15,938,508 and $664,668 thousand US dollars, respectively, which were the liability amounts in force in said 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.

33. 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:

	2022						
Consolidated statements of financial position	Retail	Industrial and Manufacturing	Infrastructure and construction	Elementia	Energy	Holding, others and eliminations	Total consolidated
Current assets:							
Cash and cash equivalents	$ 8,395,504	$ 6,635,437	$ 2,135,256	$ 3,439,562	$ 780,222	$ (9,091,338)	$ 12,294,643
Accounts and loans receivable	13,065,620	6,076,901	13,825,618	3,725,051	3,053,282	(538,509)	39,207,963
Inventories	13,406,028	5,709,834	1,982,145	6,007,608	37,652	272	27,143,539
Total current assets	35,565,786	23,384,887	26,414,990	14,254,067	4,270,172	(9,440,788)	94,449,114
Net investment in leased assets	–	–	–	–	15,144,293	–	15,144,293
Property, plant and equipment	11,884,111	3,659,380	7,155,161	27,792,980	11,032,320	4,843	61,528,795
Right-of-use assets	3,613,999	335,463	1,370,831	887,215	62,646	(67,449)	6,202,705
Other assets	80,637	353,174	70,228	48,428	1,669	2,473	556,609
Total assets	61,259,268	45,375,734	38,073,454	48,059,670	43,302,475	3,311,501	239,382,102
Liabilities:							
Loans payable to financial institutions and current portion of long-term debt	$ -	$ 48	$ 5,430,341	$ 3,101,283	$ 7,889,287	$ (836,424)	$ 15,584,535
Current lease liabilities	1,149,668	76,813	629,806	104,845	6,115	(14,520)	1,952,727
Trade accounts payable	9,164,363	2,786,572	1,991,193	3,411,756	177,975	(317,037)	17,214,822
Total current liabilities	16,962,895	5,674,395	19,965,953	10,111,149	10,009,562	(1,350,910)	61,373,044
Long-term debt	-	-	516,952	13,935,858	13,303,383	(550,378)	27,205,815
Noncurrent lease liabilities	3,241,164	309,514	239,502	779,747	62,958	(60,161)	4,572,724
Total de liabilities	21,391,457	6,417,430	21,043,900	28,519,928	23,678,862	3,476,282	104,527,859

2021

Consolidated statements of financial position	Retail	Industrial and Manufacturing	Infrastructure and construction	Energy	Holding, others and eliminations	Total consolidated
Current assets:						
Cash and cash equivalents	$ 7,304,948	$ 1,260,545	$ 567,145	$ 1,874,004	$ 191,000	$ 11,197,642
Accounts and loans receivable, net	10,005,059	6,852,294	11,957,423	2,459,718	(2,879,887)	28,394,607
Inventories	11,343,616	6,217,907	2,547,211	32,205	416	20,141,355
Total current assets	29,650,114	19,387,663	21,769,144	4,883,158	(2,564,394)	73,125,685
Net investment in leased assets	–	–	–	16,029,400	–	16,029,400
Property, plant and equipment	12,220,130	3,666,258	5,324,414	11,291,304	3,676	32,505,782
Right-of-use assets	3,976,812	265,766	1,338,858	75,656	(25,266)	5,631,826
Other assets	95,833	282,364	50,113	–	4,778	433,088
Total assets	55,174,603	36,637,857	31,548,148	43,201,095	19,211,550	185,773,253
Liabilities:						
Loans payable to financial institutions and current portion of long-term debt	$ –	$ 25,675	$ 1,664,932	$ 9,531,227	$ (5,701,088)	$ 5,520,746
Current lease liabilities	1,153,792	37,691	497,509	6,115	(23,590)	1,671,517
Trade accounts payable	8,852,278	1,778,065	2,188,227	184,934	(142,703)	12,860,801
Total current liabilities	14,890,783	4,029,561	15,041,814	12,199,851	(6,619,346)	39,542,663
Long-term debt	–	–	549,580	16,276,919	1,804,230	18,630,729
Non-current lease liabilities	3,613,903	273,488	911,293	74,395	(1,704)	4,871,375
Total liabilities	19,948,874	4,925,264	17,067,950	29,570,774	185,744	$ 71,698,606

2020

Consolidated statements of financial position	Retail	Industrial and Manufacturing	Infrastructure and construction	Energy	Holding, others and eliminations	Total consolidated
Current assets:						
Cash and cash equivalents	$ 3,990,572	$ 1,398,037	$ 2,158,200	$ 2,378,813	$ 1,838,480	$ 11,764,102
Accounts and loans receivable	9,376,720	5,191,189	8,766,443	134,684	(943,207)	22,525,829
Inventories	10,565,273	4,322,475	1,101,774	31,222	–	16,020,744
Total current assets	25,664,057	17,155,295	17,719,159	3,111,410	938,487	64,588,408
Property, plant and equipment	13,114,892	3,559,812	5,342,636	28,360,658	(200,535)	50,177,463
Right-of-use assets	4,399,663	476,489	224,221	59,384	(204,152)	4,955,605
Other assets	141,559	192,424	47,804	–	7,802	389,589
Total assets	52,555,374	31,752,171	26,390,967	39,780,074	19,348,013	169,826,599
Liabilities:						
Loans payable to financial institutions and current portion of long-term debt	$ –	$ 30,655	$ 615,412	$ 6,117,611	$ (3,472,711)	$ 3,290,967
Current lease liabilities	1,118,214	83,141	94,439	3,008	(36,066)	1,262,736
Trade accounts payable	8,192,199	1,943,101	1,421,426	116,132	(49,003)	11,623,855
Total current liabilities	13,662,469	4,119,776	11,208,125	9,275,911	(3,341,450)	34,924,831
Long-term debt	–	–	–	18,391,693	2,428,537	20,820,230
Non-current lease liabilities	4,111,957	461,156	143,585	59,615	(222,958)	4,553,355
Total de liabilities	19,247,068	5,276,747	11,928,197	29,388,053	3,271,691	69,111,756

2022

Consolidated statements of Comprehensive Income	Retail	Industrial and Manufacturing	Infrastructure and construction	Elementia	Energy	Holding, others and eliminations	Total consolidated
Net Sales	$ 64,807,342	$ 49,599,601	$ 38,813,412	$ 24,114,919	$ 4,114,856	$ 88,549	$ 181,538,679
Cost of sales	43,055,548	41,333,586	32,959,870	19,379,222	706,523	(256,017)	137,178,732
Sales expenses	13,514,599	776,808	13,221	1,384,724	342,756	(382,861)	15,649,247
Administrative expenses	2,841,545	1,215,781	1,120,468	825,138	73,237	(591,634)	5,484,535
Employee profit-sharing	364,793	181,333	94,713	36,374	0	1,980	679,193
Other (income) expenses – net	(15,221)	(4,103,219)	488,929	266,856	(9,354)	(46,115)	(3,418,124)
Interest expense	510,490	76,267	593,607	1,259,509	1,280,971	70,885	3,791,729
Interest income	(690,242)	(236,162)	(400,288)	(40,895)	(29,448)	57,841	(1,339,194)
Exchange gain	(139,014)	(643,400)	(461,136)	(10,640)	(372,222)	60,074	(1,566,338)
Exchange loss	96,757	985,164	728,919	409,348	374,448	20,740	2,615,376
Effects of Derivative financial instruments	–	–	–	–	–	(352,602)	(352,602)
Equity in income of associated companies and joint ventures	(236,477)	(547,801)	5,559	–	(942,531)	417,845	(1,303,405)
Income before income taxes	5,504,564	10,561,244	3,669,549	605,283	2,690,477	1,088,413	24,119,530
Income taxes	1,111,579	1,495,976	782,291	277,210	(87,688)	106,584	3,685,952
Consolidated net income	4,392,985	9,065,268	2,887,259	328,073	2,778,164	981,829	20,433,578
Net income from controlling interest	4,010,300	8,698,598	2,902,462	540,848	2,775,300	134,396	19,061,904
EBITDA (1)	7,124,285	6,850,756	4,887,478	3,922,567	3,378,834	1,314,414	27,478,334
Depreciation and amortization	1,918,887	543,506	745,914	1,477,242	377,140	(29,150)	5,033,539

2021

Consolidated statements of Comprehensive Income	Retail	Industrial and Manufacturing	Infrastructure and construction	Energy	Holding, others and eliminations	Total consolidated
Net sales	$ 52,939,372	$ 44,259,032	$ 25,472,323	$ 2,994,411	$ (1,092,349)	$ 124,572,789
Cost of sales	35,440,216	37,077,738	21,947,865	861,957	(1,379,010)	93,948,766
Sales expenses	11,962,420	683,699	22,773	166,682	(255,534)	12,580,040
Administrative expenses	2,791,671	1,155,762	1,029,214	170,102	(416,405)	4,730,344
Employee participation in profits	124,292	130,787	108,184	–	679	363,942
Other (income) expenses - net	(62,439)	(758,627)	1,200,579	(105,508)	(181,293)	92,712
Interest expense	533,419	93,045	94,149	1,002,601	(38,436)	1,684,778
Interest income	(336,563)	(110,969)	(115,649)	(24,052)	15,709	(571,524)
Exchange gain	(95,851)	(1,407,538)	(235,392)	(1,166,151)	(791,459)	(3,696,391)
Exchange loss	111,121	1,356,909	343,826	1,099,711	741,594	3,653,161
Effects of derivative financial instruments	–	–	–	–	(319,373)	(319,373)
Equity in income of associated companies and joint ventures	4,592	(1,259,142)	61,472	(1,110,351)	(522,686)	(2,826,115)
Income before income taxes	2,466,494	7,297,368	1,015,302	2,099,420	2,053,865	14,932,449
Income taxes	398,935	1,510,568	546,225	47,998	100,760	2,604,486
Consolidated net income	2,067,559	5,786,800	469,077	2,051,422	1,953,105	12,327,963
Net income from controlling interest	1,818,629	5,365,676	456,006	2,050,202	1,591,526	11,282,039
EBITDA (1)	4,724,106	6,026,669	1,828,355	2,280,280	864,292	15,723,702
Depreciation and amortization	1,894,762	607,965	639,450	379,102	(44,982)	3,476,297

(1) Reconciliation of EBITDA

Consolidated statements of Comprehensive Income	2020 Retail	Industrial and Manufacturing	Infrastructure and construction	Energy	Holding, others and eliminations	Total consolidated
Net sales	$ 39,204,872	$ 32,936,523	$ 24,541,851	$ 911,757	$ (2,910,633)	$ 94,684,370
Cost of sales	25,596,360	27,043,646	20,562,905	647,416	(2,894,912)	70,955,415
Sales expenses	10,371,252	660,157	21,602	–	(140,371)	10,912,640
Administrative expenses	2,877,861	1,156,195	970,105	43,576	(190,522)	4,857,215
Employee participation in profits	32,189	97,050	61,052	–	514	190,805
Other (income) expenses - net	(1,353,859)	(137,998)	(41,178)	403,869	(18,798)	(1,147,964)
Interest expense	711,502	153,799	163,587	1,095,315	148,550	2,272,753
Interest income	(269,989)	(163,272)	(218,912)	(530,202)	(86,818)	(1,269,193)
Exchange gain	(231,776)	(2,659,676)	(980,256)	(2,083,589)	(347,406)	(6,302,703)
Exchange loss	262,505	2,386,875	694,566	1,689,506	454,687	5,488,139
Effects of derivative financial instruments	–	–	–	–	397,890	397,890
Equity in income of associated companies and joint ventures	134,331	84,763	(116,304)	(1,037,242)	176,637	(757,815)
Income before income taxes	1,074,496	4,314,984	3,424,684	683,108	(410,084)	9,087,188
Income taxes	260,685	1,296,076	1,118,207	(53,146)	17,597	2,639,419
Consolidated net income	813,811	3,018,908	2,306,477	736,254	(427,681)	6,447,769
Net income from controlling interest	727,494	2,606,381	2,210,545	735,421	(573,433)	5,706,408
EBITDA (1)	2,040,573	4,653,908	3,644,920	560,633	306,296	11,206,330
Depreciation and amortization	1,829,322	592,944	677,555	371,739	(28,579)	3,442,981

(1) Reconciliation of EBITDA

	2022	2021	2020
Income before income taxes	$ 24,137,465	$ 14,932,449	$ 9,087,188
Depreciation and amortization	5,033,539	3,476,297	3,442,981
Interest income	(1,339,194)	(571,524)	(1,269,193)
Interest expense	3,697,187	1,684,778	2,272,753
Exchange loss (gain)	1,049,038	(43,230)	(814,564)
Surplus from appraisals of shopping centers	(193,348)	(867,066)	(115,708)
Impairment of property, plant and equipment and of exploration expenses	420,063	89,745	351,143
Environmental remediation	66	20,865	22,677
Effects of valuation of derivative financial instruments valuation	(352,602)	(319,373)	397,890
Equity in income of associated entities and joint ventures	(1,226,799)	(2,826,115)	(757,815)
Rethinking of Employee retirement benefits	83,174	78,561	(1,410,828)
Portfolio Impairment	–	25,197	–
Other items	(3,830,256)	43,118	(194)
EBITDA	$ 27,478,333	$ 15,723,702	$ 11,206,330

Grupo Carso's EBITDA for the year ended December 31, 2022 increased by 74.8%.

Cash flows from operating activities:

	2022	2021	2020
- Retail	$ 2,714,487	$ 4,897,628	$ (1,865,203)
- Industrial	5,975,779	568,194	2,623,835
- Infrastructure and construction	1,382,656	(2,417,610)	2,382,249
- Elementia	4,167,500	–	–
- Energy	3,324,000	326,775	4,864,118
- Others and eliminations	(1,031,891)	(258,019)	2,718,096
Total consolidated	$ 16,532,531	$ 3,116,968	$ 10,723,095

Cash flows from investing activities:

	2022	2021	2020
- Retail	$ (349,274)	$ (153,651)	$ (5,875)
- Industrial	1,064,586	393,123	(1,120,542)
- Infrastructure and construction	(1,601,386)	(331,002)	(1,074,963)
- Elementia	(2,301,354)	–	–
- Energy	(339,936)	(609,102)	(17,073,255)
- Others and eliminations	(5,002,440)	3,226,909	17,053,037
Total consolidated	$ (8,529,804)	$ 2,526,277	$ (2,221,598)

Cash flows from financing activities:

	2022	2021	2020
- Retail	$ (1,274,657)	$ (1,451,767)	$ 2,740,187
- Industrial	(1,621,073)	(1,145,346)	(1,518,368)
- Infrastructure and construction	1,249,618	1,240,099	(354,539)
- Elementia	(2,227,785)	–	–
- Energy	(4,129,208)	(1,008,012)	11,629,916
- Others and eliminations	1,264,978	(3,345,404)	(15,995,520)
Total consolidated	$ (6,738,127)	$ (5,710,430)	$ (3,498,324)

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 sales is as follows.

		2022	%		2021	%		2020	%
North America	$	33,182,180	18.28	$	15,472,093	12.42	$	12,415,739	13.11
Central and South America and the Caribbean		15,092,644	8.31		10,924,530	8.77		9,205,938	9.72
Europe		922,793	0.51		3,433,711	2.76		2,204,563	2.34
Rest of the world		500,858	0.28		490,180	0.39		372,642	0.39
Total exports and foreign income		49,698,475	27.38		30,320,514	24.34		24,198,882	25.56
Mexico		131,840,204	72.62		94,252,275	75.66		70,485,488	74.44
Net income	$	181,538,679	100.0	$	124,572,789	100.00	$	94,684,370	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.

34. 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, 2022. Its adoption has not had a material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 3 - Reference to the Conceptual Framework

The Group has adopted the amendments to IFRS 3 *Business Combinations* for the first time this year. The amendments update IFRS 3 as it refers to the 2018 Conceptual Framework instead of the 1989 Conceptual Framework. They also added a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a buyer applies IAS 37 to determine if at the acquisition date it is a present obligation or exists as a result of a past event. For liens that are within the scope of IFRIC 21 Liens, the buyer applies IFRIC 21 to determine whether the obligation gives rise to a liability to pay the lien that occurred on the acquisition date.

Amendments to IAS 16 - Property, Plant and Equipment – Income before its planned use

The Group has adopted the amendments to IAS 16 Property Plant and Equipment for the first time this year. The amendments prohibit deducting from the cost of a property, plant and equipment asset any income from the sale of goods produced before it is ready for use, for example, income generated while the asset is moved to a location and refurbished. necessary to make it operable in the manner that it is intended in accordance with the intentions of the administration. Consequently, an entity must recognize those sales revenues and costs in profit or loss. The entity measures the costs of those goods produced in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is working properly'. Now, IAS 16 specifies this as an assessment in which the physical and technical performance of the asset is capable of being used in the production or supply of goods or services, for rental or other, or administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of revenue and cost in profit or loss related to items that are not an output from the ordinary activities of the entity, in the line item(s) in the statement of comprehensive income where revenues and costs are included.

Annual Improvements to IFRS standards 2018-2021

The Group has adopted the amendments included in the Annual Improvements to IFRS 2018-2020 cycle for the first time in the year. The Annual Improvements include amendments to four standards:

IFRS 1 First-Time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary that is an early adopter after its parent, with respect to accounting for accumulated translation differences. As a result of the amendments, a subsidiary that uses the IFRS 1 exception: D16(a) can now also elect to measure the cumulative translation effects of foreign operations at the carrying amount that would have been included in the parent's consolidated financial statements. , based on the parent's transition date to IFRS, if there were no adjustments for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exception in IFRS 1: D16(a).

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10%' test to assess whether a financial liability should be written off, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by the entity or by the lender for the benefit of another.

IFRS 16 Leases
The amendments eliminate the figure of reimbursement for lease improvements.

IFRS Standards issued that are not yet effective

As of the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS that have been issued but are not yet effective and in some cases have not been adopted by the relevant body.

At the date of authorization of these consolidated financial statements, the Entity has not applied the following new and amended IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28 (amendments)	*Sale or contribution of assets between an investor and its associate or joint venture*
Amendments to IAS 1	*Classification of liabilities as current or non-current.*
Amendments to IAS 1 and Practice Statement 2	*Disclosure of accounting policies*
Amendments to IAS 8	*Definition of accounting estimates*
Amendments to IAS 12	*Deferred taxes related to assets and liabilities arising from a single transaction.*

Management does not expect the adoption of the aforementioned standards to have a significant impact on the Entity's consolidated financial statements in future periods.

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 address situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments establish that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the results of the parent only to the extent of the interest of unrelated investors in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of retained investments in any former subsidiary (which has become an associate or joint venture that is accounted for using the equity method) at fair value are recognized in profit or loss. of the former parent, only to the extent of the participation of unrelated investors in the new associate or joint venture.

The effective date of the amendments has not yet been set by the IASB; however, early application is permitted. The Entity's management anticipates that the application of these amendments may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Presentation of financial statements - Classification of Liabilities as Current and Non-current

The amendments to IAS 1 published in January 2020, affect only the presentation of liabilities as current and non-current in the statement of financial position and not by the amount or moment in which any asset, liability, income or expense is recognized. , or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current and non-current is based on whether the rights are in existence at the end of the reporting period, specify that the classification is not affected by expectations about whether the entity will exercise its right to defer settlement of a liability, explains that rights exist if covenants are met at the end of the reporting period, and introduces the definition of 'settlement' to make it clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or other services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with earlier application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 regarding the classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The Entity's Management anticipates that the application of these amendments may have an impact on the Group's financial statements in future periods.

Amendments to IAS 1 and Practice Statement 2 Judgments on materiality - Disclosure of Accounting Policies

The amendments change the requirements of IAS 1 with respect to the disclosure of accounting policies. The amendment replaces the terms "significant accounting policies" with "information on material accounting policies". Accounting policy information is material when it is considered that, together with other information included in an entity's financial statements, it could reasonably be expected to influence the decision-making of the primary users of financial statements for general use. based on said financial statements.

The supporting paragraphs in IAS 1 are amended to clarify that accounting policies that relate to immaterial transactions, other events or conditions are immaterial and need not be disclosed. Information regarding accounting policies may be material because of the nature of the related transactions, other events and conditions, even if the amounts therein are immaterial. However, not all information about accounting policies relating to material transactions or other events or conditions is material by itself.

The IASB has developed guidance and examples to explain and demonstrate the application of the "four-step process for determining materiality" described in Practice Statement 2.

The amendments to IAS 1 will be effective for annual periods beginning on January 1, 2022, with the option of early application and are prospectively applicable. The amendments to Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates.

The amendments replace the definition of a change in accounting estimate. Under the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was removed. However, the IASB retained the concept of changes in an accounting estimate in the standard with the following clarifications:

- A change in an accounting estimate is the result of new information or a new development, not the correction of an error.
- The effects of a change in an input or a valuation technique used to develop an accounting estimate are changes in accounting estimates if they do not result from a correction of prior period errors.

The IASB added two examples (examples 4 and 5) to the IAS 8 Implementation Guide that accompanies the standard. The IASB has removed one example (example 3) as it could cause confusion in relation to the amendments.

The amendments will be effective for annual periods beginning on January 1, 2023 for changes in accounting policies and changes in accounting estimates that occur on or after the start of such period with an option for early application.

Amendments to IAS 12 Deferred taxes – Deferred taxes related to assets and liabilities that arise from a single transaction. The amendments introduced an additional exception apart from the initial recognition exemption. In the amendments, an entity does not apply the initial recognition exception for transactions that give rise to taxable and deductible temporary differences.

Depending on the applicable tax law, taxable and deductible temporary differences may occur on initial recognition of an asset and a liability in a transaction that is not a business combination and does not affect accounting or taxable profit. For example, it may occur with the recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 Leases at the lease inception date.

Following the amendments to IAS 12, an entity is required to recognize the related deferred tax assets and liabilities, considering that the recognition of any deferred tax assets is subject to the recoverability criteria in IAS 12.

The IASB also added an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period being presented. Additionally, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent it is probable that taxable income is available against the deductible temporary difference) and a deferred tax liability for all taxable and temporary deductions associated with:
    - Right-of-use assets and lease liabilities
    - Liabilities for decommissioning, restoration and other similar liabilities and the corresponding amounts recognized as part of the cost of the related assets.
- The cumulative effect of the initial application of the amendments as an adjustment to the opening balance of retained earnings (or some other component of equity, as applicable) as of that date.

The amendments will be in force for the annual periods beginning on January 1, 2023, with the option of early application.

The Entity's management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods if such transactions arise.

35. SIGNIFICANT ACCOUNTING POLICES

Explanation for translation into English - The accompanying financial statements has been translated from Spanish into English for use of readers. These financial statements are presented on the basis of International Financial Reporting Standards ("IFRS"), which are comprised of accounting standards that are individually referred to as Normas Internacionales de Información Financieras or ("NIIFs"). Certain accounting practices applied by the Grupo Carso that conform with IFRS may not conform with accounting principles generally accepted in the country of use.

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

b. *Going concern* – The consolidated financial statements of Grupo Carso have been prepared by Management under the assumption that the Entity will continue to operate as a going concern.

During the early months of 2020, the World Health Organization declared that COVID-19 represented a "public health emergency of international importance". Given the uncertainty of this situation, the duration of the business interruption

and the related financial impact cannot be reasonably estimated at this time. Accordingly, the global spread of COVID-19 has led to the implementation of a series of containment measures in the different geographic regions where the Entity operates, while certain sanitary measures have been established by both the Mexican authorities and the governments of the countries where Grupo Carso operates to prevent the spread of this virus. Considering the uncertainty and duration arising from this pandemic, the Entity analyzed the following considerations to determine whether going concern assumptions are applicable to it.

c. *Measurement basis* - The accompanying consolidated financial statements have been prepared on the historical cost basis, albeit with the exception of certain long-term non-monetary assets and financial instruments, which are valued according to revalued amounts or at their fair value at the close of each period, as explained in the accounting policies detailed below. The consolidated financial statements are prepared in Mexican pesos and are presented in thousands, unless indicated otherwise.

i. Historical cost
Historical cost is generally based on the fair value of the payment made in exchange for goods and services.

ii. Fair value
Fair value is the price that would be obtained by selling an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the valuation date, regardless of whether that price is directly observable or estimated using another valuation technique. When 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 when setting the price of the asset or liability on the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined as such, except for share-based payment transactions that are within the scope of IFRS 2, lease transactions covered by the scope of IFRS 16 and valuations that have some similarities to fair value, but are not fair value, such as the net realizable value referred to by IAS 2 or the value-in-use referred to by IAS 36.

d. *Financial statement consolidation basis* - The consolidated financial statements include the financial statements of Grupo Carso, S. A. B. de C. V., as well as the direct and indirect subsidiaries it controls. Control is achieved when the Grupo Carso:

- Has power over the investment;
- Is exposed to, or has rights to variable returns from its equity in that entity, and
- It has the ability to affect these returns by using its power over the investee.

Grupo Carso reassesses whether or not it has control over an entity if the facts and circumstances indicate that there are changes to one or more of the three control elements 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 unilaterally direct the relevant activities of the investee. Grupo Carso considers all relevant facts and circumstances in assessing whether or not its voting rights in an investee are sufficient to give it power, including the following:

- The percentage of voting rights held by Grupo Carso holding relative to the size and distribution of the voting rights of other holders;
- Potential voting rights held by Grupo Carso, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that Grupo Carso has, or does not currently have the ability to direct relevant activities when decisions must be made, including voting patterns of prior shareholders' meetings.

Subsidiaries are consolidated when control is transferred to Grupo Carso and leave the consolidation regime on the date when this control is lost. The profits and losses of the subsidiaries acquired or sold during the year are included in the consolidated statements of income and other competent income from the date on which Grupo Carso obtain control or the date when it loses this control, as the case may be.

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

All assets, liabilities, equity, income, expenses and cash flows related to transactions performed between related parties have been completely eliminated from the consolidation.

The interests of non-controlling shareholders who are current property interests that entitle their holders to a proportional share of net assets at the time of liquidation may initially be measured at the Fair Value Measurement time of the settlement or at the proportional share of the non-controlling parties to the value reasonable of the identifiable network of the acquired. The measurement choice is made on a scan-by-scan basis. Other non-controlling shares are initially measured at your Fair Value Measurement unit. After the acquisition, the book value of non-controlling interests is the amount of those holdings in the initial recognition plus the share of non-controlling interests in subsequent capital changes. Total end-to-end results are attributed to non-controlling holdings even if this results in non-controlling holdings having Account Balance a negative unit.

The results of each component of other integral results are attributed to the company's shareholders and non-controlling interests. The total full income statements of the subsidiaries are attributed to the shareholders of the company and to non-controlling interests, even if this results in a deficit in non-controlling interests.

Changes in investments in the Entity's subsidiaries that do not give rise to a loss of control are recorded as capital transactions. The book value of the Entity's investments and non-controlling interests is adjusted to reflect changes in the corresponding investments in subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in stockholders' equity and is attributed to the owners of the Entity.

When the Entity loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the sum of the fair value of the consideration received and the fair value of any interest retained and (ii) the value in previous books of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. The amounts previously recognized in other items of comprehensive income related to the subsidiary are recorded in the same manner established for the event that the relevant assets or liabilities are available (that is, they are reclassified to results or transferred directly to other items of comprehensive income). stockholders' equity as specified/permitted by the applicable IFRS).

The fair value of any investment retained in the subsidiary at the date control is lost is considered as the fair value for initial recognition, according to IAS 39 or, where appropriate, the cost on initial recognition of an investment in an associate or joint venture.

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or subtracted from the fair value of financial assets or financial liabilities, as case may be, when initially recognized. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are immediately recognized in results.

f. *Financial assets -*

All regular purchases or sales of financial assets are recognized and given as Derecognition a trading date. Regular purchases or sales are purchases or sales of financial assets that require the delivery of assets within the time established by the regulation or normal market practices

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

Classification of financial assets

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

- The financial asset is held within a business model intended to hold financial assets so as to collect contractual cash flows; and
- On specified dates, the contractual terms of the financial asset give rise to cash flows that are only payments of principal and interest accrued by on the principal amount.

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

- The financial asset is held within a business model, the objective of which is attained by collecting contractual cash flows and selling financial assets; and
- On specified dates, the contractual terms of the financial asset give rise to cash flows that are only payments of principal and interest accrued by the outstanding principal amount.

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

Notwithstanding the above, the entity may make the following irrevocable choice/designation in the initial recognition of a financial asset:

- You may irrevocably choose to submit subsequent changes in Fair Value Measurement the equity of a capital investment in other end-to-end results if certain criteria are met (see (iii) below); and
- You may irrevocably designate a debt instrument that meets the criteria for amortized or Fair Value Measurement cost-of-stock through other end-to-end results if doing so removes or significantly reduces an accounting asymmetry (see (iv) below).

i) Applied cost and effective interest method

The effective interest method is a method used to calculate the applied cost of a debt instrument and assign interest income over the period in question.

For financial assets that were not purchased or originated by Depreciation credit-based financial assets (for example, assets that have Depreciation credit-based units on initial recognition), the effective interest rate is the rate that accurately discounts expected future cash inflows (including all fees and points paid or received that are an integral part of the effective interest rate, transaction costs, and other premiums or discounts) excluding expected credit losses, over the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross book amount of the debt instrument at initial recognition. For Depreciation credit-priced financial assets purchased or originated, a credit-adjusted effective interest rate is calculated by discounting Statement of cash flows the estimated future time-markets, including expected credit losses, to the amortized cost of the debt instrument at initial recognition.

The applied cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal reimbursements, plus accumulated amortization, by applying the effective interest method to any difference between that initial amount and the maturity amount, adjusted for any loss. The gross carrying amount of a financial asset is the applied cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest effect for debt instruments subsequently measured at amortized cost and at Fair Value Measurement time through other comprehensive results. For purchased or originated financial assets other than Depreciation credit-bound financial assets, interest income is calculated by applying the effective interest rate to the gross book value of a financial asset, except for financial assets that have subsequently suffered Depreciation credit (see below). For financial assets that have subsequently deteriorated credit, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, credit risk on Depreciation the credit-priced financial instrument improves, so that the financial asset no longer has Depreciation a credit unit, interest income is recognized by applying the effective interest rate to the gross book value of the financial asset.

For financial assets acquired or originated with Depreciation a credit holding, the entity recognizes interest income by applying the effective interest rate adjusted by credit to the amortized cost of the financial asset from its initial recognition. The calculation does not return to the gross base, even if the credit risk of the financial asset subsequently improves, so that the financial asset no longer has Depreciation a credit-point.

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

ii) Investments in capital designated as Fair Value through other comprehensive income.

When making the initial recognition, the Group may make the irrevocable decision (on an instrument-by-instrument basis) to designate investments in capital instruments as at FVTOCI. Designation at FVTOCI is not permitted if the capital investment is held for trading or if it is contingent consideration recognized by a buyer in a business combination.

Investments in capital instruments at FVTOCI are initially measured at fair value plus transaction costs. They are subsequently measured at fair value plus transaction costs. They are subsequently measured based on the profits and losses resulting from changes in fair value recognized in other comprehensive income and accrued to the investment revaluation reserve. The accrued gain or loss is not reclassified to profit or loss on disposal of the capital investments, but is transferred to retained earnings.

Dividends on these investments in capital instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the investment cost. Dividends are included in the ‘financial income - Other’ line item (note 27) in the result of the year.

The Entity has designated all investments in capital instruments that are not held for trading purposes at fair value through other comprehensive income in the initial application of IFRS 9.

A financial asset is maintained for negotiation if:

- It has been achieved with the main purpose of being sold in the short term; or
- In the initial recognition it is part of a portfolio of identified financial instruments that the entity handles together and has evidence of a recent pattern of short-term profit making; or
- It is a derivative (except for derivatives that are contractual financial guarantees or an effective hedging instrument).

iii) Financial assets at FVTPL

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

- Investments in capital instruments are classified at FVTPL, unless the Entity designates a capital investment that is held for trading purposes or a contingent consideration arising from a business combination at FVTOCI when making the initial recognition (see (iii) above).

- Debt instruments that do not meet the amortized cost criteria or the fair value through other comprehensive income criteria (see (i) and (ii) above) are classified at fair value through income. In addition, debt instruments that meet the amortized cost criteria or the fair value through other comprehensive income criteria may be designated as fair value through profit or loss at initial recognition if such designation eliminates or significantly reduces a measurement inconsistency. measurement or recognition (termed an “accounting mismatch”) that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Entity has not designated any debt instrument with fair value through results.

Financial assets at fair value through other comprehensive income are measured at fair value at the end of each reporting period, with any fair value gain or loss recognized in profit or loss to the extent it does not form 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 by the financial asset and is included in the ‘other (income) expenses, Net’ line item (Note 29) Fair value is determined in the manner described in note 35 (e)(iii).

Exchange gains and losses

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

- In the case of financial assets measured at applied cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the ‘other (income) and losses’ line item (note 29);
- In the case of debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences affecting the applied cost of the debt instrument are recognized in profit or loss in the ‘other (income) and expenses’ line item (note 29). Other exchange differences are recognized in other comprehensive income in the investment 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 as part of the fair value gain or loss; and
- For capital instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investment revaluation reserve.

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

Impairment of financial assets

The Group recognizes a provision for expected credit losses on investments in debt instruments, that are measured at applied cost or at FVTOCI, lease receivables, commercial accounts receivable 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 Group always recognizes lifetime expected credit losses (ECL) for debt instruments, 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 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 Group recognizes lifetime ECL when there has been a significant increase in credit risk since its initial recognition. However, if the credit risk related to a 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 affecting a financial instrument that could arise within 12 months after the reporting date.

(i) Significant credit risk increase

When assessing whether the credit risk of a financial instrument has increased significantly since its initial recognition, the Entity compares the risk of default related to the financial instrument at the reporting date with the risk of default involving the financial instrument at the initial recognition date. When making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and substantiated, including historical experience and prospective information that is available without undue cost or effort. The prospective information considered includes the future prospects of the industries in which the Entity's debtors operate, which is obtained from the reports prepared by economic experts, financial analysts, government entities, relevant think-tanks and other similar organizations, as well as consideration of different external sources of actual and projected economic information related to the Entity's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- A Depreciation significant existing or expected unit of measure in the external (if any) or internal rating of the financial instrument;
- Significant amount in external market indicators of credit risk for a specific financial instrument, for example, a significant increase in the credit differential, credit default swap for the debtor, Depreciation or the period of time or scope at which fair value measurement the time at which the time of a financial asset is priced less than its amortized cost;
- Adverse changes existing or expected in economic, financial or business conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligation;
- A Depreciation significant current or expected time-in-time in the debtor's operating results;
- Significant increases in credit risk in other financial instruments of the same debtor.
- An existing or expected adverse change in the debtor's regulatory, economic, or technological conditions resulting in a significant decrease in the debtor's ability to fulfill its obligations.

Regardless of the outcome of the previous assessment, the entity assumes that credit risk in a financial asset has increased significantly since initial recognition when contractual payments are due more than 30 days. Unless the entity has reasonable and reliable information that proves otherwise.

Despite the above, the entity assumes that credit risk in a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk on the reporting date. A financial instrument is determined to have a low credit risk if:

(1) The financial instrument has a low risk of non-compliance.
(2) The debtor has a notorious capacity to fulfill its obligations of short-term contractual cash flows, and
(3) Adverse changes in long-term economic and business conditions may reduce the ability of the debtor to meet its contractual cash obligations, but it will not necessarily happen.

The entity considers that a financial asset has low credit risk when the asset has an external credit rating of "investment grade" according to the globally accepted definition, or if there is no external rating available, the asset has an internal rating of "realizable." Realizable means that the counterparty has a strong financial position and there are no past amounts outstanding.

For financial guaranteed contracts, the date on which the entity becomes part of the irrevocable commitment is considered the date of the initial recognition for the purpose of assessing Depreciation the time-stamp of the financial instrument. In assessing whether there has been a significant increase in credit risk since the initial recognition of financial collateral contracts, the entity considers changes in the risk that the specified debtor will default the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant credit risk increase and revises them as appropriate to ensure that these criteria are able to identify significant credit risk increases before the amount becomes overdue.

(ii) Definition of default

La Entidad considera que lo siguiente constituye un evento de incumplimiento para fines de administración de riesgo de crédito interno, ya que la experiencia histórica indica que los activos financieros no son recuperables cuando cumplen con cualquiera de los siguientes criterios:

- Cuando el deudor incumple los convenios financieros;
- La información desarrollada internamente u obtenida de fuentes externas indica que es improbable que el deudor pague a sus acreedores, incluida la Entidad, en su totalidad (sin tener en cuenta ninguna garantía que tenga la Entidad).

Independientemente del análisis anterior, la Entidad considera que el incumplimiento ha ocurrido cuando un activo financiero tiene más de 90 días de vencimiento, a menos que la Entidad tenga información razonable y confiable para demostrar que un criterio de incumplimiento más atrasado es más apropiado.

(iii) Credit-impaired financial assets

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

(a) The significant financial difficulty of the issuer or borrower.
(b) A breach of contract, such as a default or past due event (see (ii) above);
(c) For economic or contractual reasons related to the borrower's financial difficulty, its lender(s) have granted a concession(s) to the borrower which the lender(s) would not otherwise consider;
(d) It is increasingly likely that the borrower will file for bankruptcy or another type of financial reorganization; or
(e) The disappearance of a functional market for the financial asset due to these financial difficulties.

(iv) Write-off policy

The Group 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 in question are over two years past due, whichever occurs first. Written-off financial assets may still be subject to enforcement activities under the Group's recovery procedures, by considering legal advice, when appropriate. Any recovered amounts are recognized in results.

(v) 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 in the event of default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by prospective information, as described above.

In the case of financial assets, the exposure at default is represented by their gross carrying amount at the reporting date. In the case of for financial guarantee contracts, exposure includes the amount established at the reporting date, together with any additional amounts expected to be obtained in the future by default date determined based on the historical trend, the Entity's understanding of debtors' specific future financing needs and other relevant prospective information.

In the case of financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity according to the contract and all the cash flows it expects to receive, discounted at the original effective interest rate. In the case of a receivable lease, the cash flows used for determining expected credit losses are consistent with the cash flows used to measure the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, where the entity is obliged to make payments only in the event of a debtor's breach in accordance with the terms of the instrument that is guaranteed, The expected loss forecast is the expected payment to reimburse the holder for a loss of credit incurred less any amount the entity expects to receive from the holder, debtor or any other party.

If the entity measured the loss provision for a financial instrument by an amount equal to the expected lifetime credit loss in the previous reporting period, But it determines at Presentation the current time that the conditions for the expected lifetime credit loss are no longer met, the entity measures the loss margin by an amount equal to the expected 12-month credit loss on the current reporting date. except for assets for which the simplified approach was used.

The Entity recognizes a loss or an impairment loss in results, together with the respective adjustment of their carrying amounts 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 changes in financial position.

Derecognition of financial assets

The Group only derecognizes a financial asset when the contractual rights to the asset's cash flows 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 substantially retains all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset, together with a secured loan for the income received.

When trading Derecognition a financial asset measured at amortized cost, the difference between the book value of the asset and the sum of the received and receivable compensation is recognized in results. In addition, when a Derecognition investment in a debt instrument classified as Fair Value Measurement a unit through other end-to-end results occurs, the accumulated profit or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, in Derecognition the holding of an investment in a capital instrument that the entity chose in the initial recognition to measure Fair Value Measurement a-time through other integral results, the previously accumulated gain or loss in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profit (deficit).

g. Financial liabilities and equity

Classification as debt or capital
Debt and capital instruments are classified either as financial liabilities or as capital in accordance with the substance of the contractual arrangements and definitions of a financial liability and an equity instrument.

Capital instruments
A capital instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The capital instruments issued by the Entity are recognized as the income received, net of direct issuance costs.

The repurchase of the Entity's own capital instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss for the purchase, sale, issuance or cancellation of the Entity's own capital instruments.

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

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing participation approach is applied, and financial guarantee contracts issued by the Entity, are measured in accordance with specific accounting policies. which are detailed below.

Financial liabilities at fair value through results
Financial liabilities are classified at FVTPL when the financial liability is (i) the contingent payment of a buyer in a business combination, (ii) held for trading or (iii) it is designated at FVTPL.

A financial liability is classified as maintained to negotiate if:

- It has been acquired primarily for the purpose of repurchasing it in the short term; or
- In the initial recognition, it is part of a portfolio of identified financial instruments that the entity manages jointly and has a recent real short-term profit-taking pattern; or
- It is a derivative, except for derivatives that are a financial guarantee contract or a designated and effective hedging instrument.

A financial liability that is not held for trading or contingent consideration by an acquirer at Business combination a time of Fair Value Measurement initial recognition may be designated as a point of order through results if:

- Such designation significantly eliminates or reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability is part of an entity of financial assets or financial liabilities or both, which is managed and its performance is assessed on Fair Value Measurement the basis of the market, according to the entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It is part of a contract that contains one or more implicit derivatives, and IFRS the 9-point allows the entire combined contract to be designated Fair Value Measurement as a point of order through results.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in results 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 includes any interest paid on the financial liability and is included in the 'other (income) expenses' line item (note 29) in results.

However, in the case of financial liabilities designated at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in its credit risk 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 increase an accounting imbalance in results. The remaining amount of change in the fair value of the liability is recognized in results. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to results; instead, they are transferred to retained earnings following the derecognition of the financial liability.

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

Exchange gains and losses
In the case of financial liabilities denominated in a foreign currency and measured at applied cost at the end of each reporting period, exchange gains and losses are determined based on the applied cost of the instruments. These exchange gains and losses are recognized in the 'other (income) expenses' line item in profit or loss (note 29) for financial liabilities that are not part of a designated hedging relationship. In the case of those designated as a hedging instrument used to hedge a foreign currency risk, exchange gains and losses are recognized in other comprehensive income and accrued in a separate net worth component.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated by using the exchange spot rate in effect at the end of the reporting period. In the case of financial liabilities measured at FVTPL, the foreign exchange component forms part of 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 Group derecognizes financial liabilities when, and only when, its obligations are fulfilled, cancelled or have expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in results.

When the entity exchanges with the existing lender a debt instrument on another with substantially different terms, the exchange is counted as an extinction of the original financial liability and the recognition of a new financial liability. Similarly, the entity considers the substantial modification of the terms of an existing liability or part thereof to be an extinction of the original financial liability and the recognition of a new liability. The terms are assumed to be substantially different if the discounted present value of Statement of cash flows the new terms, Including any net paid fare of any fare received and discounted using the original effective rate is at least 10% different from the current discounted value of Statement of cash flows the remaining assets of the original financial liability. If the amendment is not substantial, the difference between: (1) the book amount of the liability before the modification; and (2) the present value of statement of cash flows the post-modification commodity must be recognized as the profit or loss per modification within other gains and losses.

h. Derivative financial instruments

The Group contracts a variety of derivative financial instruments to manage its exposure to risks related to the interest rate, exchange rate, the prices of certain metals, including currency contracts, interest rate forwards and swaps. Further details regarding derivative financial instruments are included in Note 15.

Derivatives are recognized initially at fair value at the date a derivative contract is executed and are subsequently remeasured at fair value at each reporting date. The resulting gain or loss is immediately recognized in profit or loss unless the derivative is designated and effective as a hedging instrument, in which case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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. Derivatives are not offset in the consolidated financial statements unless the Entity has both the legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is exceeding 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

i. *Hedge accounting*

The Entity designates certain derivatives as hedging instruments in relation to the foreign currency or interest rate risk, or as fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Exchange rate contracted with firm commitments are accounted for as cash flow hedges.

At the start 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 beginning of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk, which is when hedging relationships meet all of the following hedge effectiveness requirements:

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

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

The Entity designates the full fair value change a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Note 15 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in net worth are detailed in Note 15.

Fair value hedges
The change in fair value of qualifying hedging instruments is recognized in results except when the hedging instrument covers a net worth instrument designated at FVTOCI, in which case it is recognized in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in results. In the case of debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income. When the hedged item is a capital instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognized in results, they are recognized on the same line as the hedged item.

The Entity only discontinues hedge accounting when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances in which the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is applied to results as of that date.

Cash flow hedges
The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accrued under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is immediately recognized in results.

Amounts previously recognized in other comprehensive income and accrued under net worth are reclassified to profit or loss in the periods when the hedged item affects profit or loss, on 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 accrued in net worth are removed from net worth and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Entity expects that some or all of the loss accrued in the cash flow hedging reserve will not be recovered in the future, this amount is immediately reclassified to results.

In addition, if the Entity expects that part or all of the accumulated loss in the cash flow hedge reserve will not be recovered in the future, that amount will be immediately reclassified to results.

The Entity only discontinues hedge accounting when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances in which the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accrued in the cash flow hedge reserve at that time remains in net worth and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to results.

j. *Inventories and cost of sale -* Are stated at the lower of their acquisition cost and/or construction or net realizable value (estimated selling price less all costs required for sales purposes), as follows:

- *Industrial, construction and commercial inventories –* Are valued by using the first-in, first-out and / or average cost methods, depending on the activity of each entity; including the cost of materials, direct expenses and an appropriate portion of indirect fixed and variable costs that are incurred during the transformation of inventory by each subsidiary. Inventory value reductions are composed by the reserves representing their Impairment. The net realizable value represents the estimated sales price less estimated completion costs incurred for marketing, sales and distribution purposes.

- *Real estate inventories –* The real property inventory is valued at the lower of cost or net realizable value. Land to be developed is tested for impairment if there are indications that its value will not be recoverable. The real property inventory includes all direct costs incurred for land, development and construction, together with other costs incurred during the development stage, as well as financing costs. The cost of real estate developments, including land, materials, subcontracting and all indirect costs related to the property development, such as indirect labor, purchases, repairs and depreciation. General and administrative costs are charged to results as they arise.

If estimated total property development costs exceed the estimated total revenue, the expected loss is recognized through the statement of income. The cost of sales of real estate inventories is determined and prorated based on the total costs of promotions or projects.

The Entity classifies land as long-term inventory when its operational phase is estimated to be more than one year.

k. *Property, plant and equipment* - As of January 1, 2011, the transition date to IFRS, property, plant and equipment were valued at assumed cost (depreciated cost adjusted according to the National Consumer Price Index). Subsequent acquisitions are recorded at acquisition cost. Depreciation is recorded in results and calculated according to the straight-line method based on the remaining useful lives of asset components, which are reviewed yearly; the effect of any change in the accounting estimate is recognized prospectively. The depreciation of machinery and equipment in certain subsidiaries is calculated based on the number of units produced during the period in relation to the total estimated production of the assets over their estimated service life.

	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
Office furniture and fixtures	5 to 12.8	–
Computer equipment	16.7 to 31.2	–

Land is not depreciated.

Borrowing costs incurred during the construction and installation period of qualifying property, plant 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.

Real property and machinery in the process of construction for production purposes are recorded 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.

l. *Investment properties* - Investment properties are properties held to earn rentals and/or for capital gains (including property under construction for this purposes). Investment properties are measured at fair value determined by appraisals performed by independent appraisers. Gains and losses arising from changes in the fair value of investment properties are included in the period in which they arise in the "other expenses (income), Net" line items in the consolidated statement of income.

Acquired investment properties and leasehold improvements are recorded at cost, including transaction costs related to the acquisition of assets.

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

m. *Intangible assets* - Intangible assets are only recognized in the accompanying consolidated statements of changes in financial position 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 estimated useful life, residual value and amortization method are subject to annual impairment assessment; any change is recorded on a prospective basis. Intangible assets with an undefined useful life, which are acquired separately, are recorded at cost less accumulated impairment losses.

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

n. *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 are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less selling's costs and the value in use. When assessing value in use, 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 results, unless the asset is recorded at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

o. *Goodwill* – The goodwill Commercial credit arising from a business combination is recognized at its historical cost as an asset on the date when control is acquired (date of acquisition), less any recognized impairment losses. Goodwill is the excess of the transferred consideration, the amount of any non-controlling interest in the acquired entity, based on the fair value of the buyer's share in the stockholders' equity of the acquired entity and/or on the net amount at the date of acquisition of the identifiable assets acquired and the assumed liabilities.

When the fair value of the identifiable net assets of the acquired entity exceeds the sum of the consideration transferred, the amount of this excess is recognized in results as a profit per purchase.

Goodwill is not amortized and is subject to annual impairment testing. For the purpose of the impairment assessment, goodwill is allocated to each of the CGU for which the Entity expects to make a profit. If the recoverable amount of the CGU is less than the unit's book value amount, the impairment loss is first assigned to reduce the amount of goodwill allocated to the unit and then to its other assets, proportionally, based on the book value of each asset in the unit. The impairment loss recognized for goodwill purposes cannot be reversed in a later period.

When disposing of a relevant CGU, the amount attributable to goodwill is included in the determination of the gain or loss in the disposal.

p. *Investments in associated entities, joint ventures and other entities* – An associated entity is one 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 does not imply 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 the unanimous consent of the parties sharing control.

The results, assets and liabilities of associated entities or joint ventures are included in these consolidated financial statements by using the equity method, 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, Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associated entity or a joint venture is initially recognized in the consolidated statement of changes in financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and comprehensive income of the associated entity or joint venture. When the Entity's share of losses of an associated entity or a joint venture exceeds the Entity's interest in that associated entity or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associated entity or joint venture), the Entity ceases to recognize 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 associated entity or joint venture.

An investment in an associated entity or a joint venture is accounted for using the equity method from the date on which the investee becomes an associated entity or a joint venture. Following the acquisition of the investment in an associated entity or a joint venture, any excess in 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 results 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 associated entity 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 associated entity or a joint venture, or when the investment is classified as held-for-sale. When the Entity retains an interest in the former associated entity 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 associated entity 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 associated entity or joint venture is included in the determination of the gain or loss on disposal of the associated entity or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associated entity or joint venture on the same basis as would be required if that associated entity 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 associated entity becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associated entity. There is no remeasurement to fair value upon such changes in ownership interests.

When the Entity reduces its ownership interest in an associated entity 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 the Entity performs transactions with its associated entity or a joint venture, the profits and losses resulting from the transactions with the associated entity or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associated entity or joint venture that are not related to the Entity.

q. *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 the 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.

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

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

- 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, *Employee Benefits*, respectively;
- Liabilities or capital instruments related to share-based payment arrangements of the acquired entity or the share-based payment arrangements executed by the Entity to replace share-based payment arrangements of the acquired entity are measured in accordance with IFRS 2, *Share-based payments*, 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 shareholdings 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 buyer'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 acquired entity is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in the statement of income. Amounts arising from interests in the acquired entity prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the statement of income when this 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 recognized separately from goodwill, its cost is its fair value at the date of acquisition. An intangible asset acquired in a business combination is recognized at its cost less accumulated depreciation and the cumulative amount of impairment losses, on the same basis as intangible assets that are acquired separately.

When estimating the value in use, estimated future cash flows are deducted from the current value using an early-tax discount rate that reflects current market valuations, relative to the temporary value of the money and the asset-specific risks for which future cash flows have not been adjusted.

s. Leases –

– 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 capital 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 capital 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 capital 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 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 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 computer equipment 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 (see Note 28).

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.

t. *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, considering 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, an account receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the account 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 common stock at face value, and the difference as regards the acquisition cost is recorded against the stock repurchase reserve, which is included in 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.

u. *Revenue recognition –* Revenue is recognized when the control of goods and services has been transferred, 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, which is 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 in the commercial sector (Sanborns, Sears, Saks Fifth Avenue, Claro Shop and Mixup).

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

- *Leases* – These are recognized on a straight-line basis as 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, subcontractors, 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.

- *Construction contract amendments* – 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 the 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.

v. *Customer loyalty programs* - Prizes 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 changes in financial position, within other accounts payable and accrued liabilities. Deferred revenue is recognized in results once the prize is redeemed or expires.

w. *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 Mexican pesos by using the 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 in effect at transaction dates are used. Exchange differences arising, if any, are recognized in other comprehensive income and accrued in stockholders' 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, the functional and recording currencies of which are detailed below:

Subsidiary	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
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
Ideal Panama, S. A.	Balboa	Balboa
Nacel de Centroamérica, S. A.	Quetzal	Quetzal
Nacel de Honduras, S. A.	Lempira	Lempira
Nacel de Nicaragua, S. A.	Córdoba	Córdoba

Subsidiary	Currency in which transactions are recorded	Functional currency
Nacel de El Salvador, S. A.	US Dollar	US Dollar
Procisa Ecuador, S. A.	US Dollar	US Dollar
Procisa do Brasil Projetos, Constructores e Instalaciones, Ltd.	Brazilian Real	Brazilian Real
Procosertel, S. A.	Argentinian peso	Argentinian peso
Procosertel Uruguay, S. A.	Uruguayan peso	Uruguayan peso
Corporación de Tiendas Internacionales, S. A. de C. V. (El Salvador)	US Dollar	US Dollar
Carso Construcción de Puerto Rico, L. L. C.	US Dollar	US Dollar
Procisa, S. A. S.	Colombian Peso	Colombian Peso
Carso Energy Corp.	US Dollar	US Dollar
Carso Gasoducto Norte, S. A. de C. V.	Mexican Peso	US Dollar
Plycem Construsistemas Honduras S. A. de C. V.	Lempira	Lempira
Plycem Construsistemas El Salvador S. A. de C. V.	US Dollar	US Dollar
Plycem Construsistemas Costa Rica S. A. de C. V.	Colon	Colon
Plycem Construsistemas Centroamerica S. A.	Balboa	Balboa
The Plycem Company Inc.	Balboa	Balboa
Eternit Colombiana S. A.	Colombian Peso	Colombian Peso
Eternit Ecuatoriana S. A.	US Dollar	US Dollar
Industrias Duralit S. A.	Bolivian peso	Bolivian peso
Industrias Fibraforte S. A	Soles	Soles
Nacobre USA	US Dollar	US Dollar
Plycem USA Inc.	US Dollar	US Dollar
Maxitile Inc	US Dollar	US Dollar
Cementos Colombianos S. A. S.	Colombian Peso	Colombian Peso
Lemus Asociados S. A. de C. V.	US Dollar	US Dollar
Elementia USA	US Dollar	US Dollar
Elementia USA LLC	US Dollar	US Dollar
Inversiones Rocky Point, S. A.	Colombian Peso	Colombian Peso
Desarrollos Industriales Revolución DIR, S. A.	Colon	Colon
Fortaleza USA	US Dollar	US Dollar
Desarrollos Industriales Revolución DIR El Salvador, S. A.	US Dollar	US Dollar
Proyectos Mesoamérica, S. A.	US Dollar	US Dollar

The entities listed above are considered foreign operations under IFRS.

x. *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.

y. *Direct employee benefits, retirement benefits and employee statutory profit-sharing (PTU) -* The costs of direct benefits and defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to these contributions.

The seniority premium liability for all personnel, non-union personnel pensions and retirement payments treated as pensions is 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 changes in 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 changes in 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, 2022, 2021 and 2020, PTU is determined based on taxable income, according to Section I of Article 10 of the that Law.

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

i. Current tax

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

The tax caused is payable on the taxable basis of the year. Taxable income differs from net income as reported in profit or loss because it excludes income or expense components that are cumulative or deductible in other years and excludes components that have never been cumulative or deductible. The entity's liabilities for the taxes caused are calculated using the tax rates that have been decreed at the end of the reporting period.

A provision is recognized for those reasons where tax determination is uncertain, but it is considered likely that there will be a future outflow of funds to a tax authority. Provisions are valued at the best amount expected to become payable. The evaluation is based on the judgment of experts in the prosecutor supported by the entity's previous experience in such activities and in some cases based on the consultation of an independent tax specialist.

ii. Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the determine the tax result by applying the respective rate to these differences and, if necessary, including tax loss carryforwards and certain tax credits. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets and liabilities 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 associated entities, 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.

Incurred and deferred taxes

Incurred and deferred taxes are recognized as an expense or income in results, except when relates to items that are recognized in other comprehensive income or directly in stockholders' equity, in which case, tax is also recognized outside results or when resulting from the initial recognition of a business combination, the tax effect is included in the accounting for the business combination.

iii. Tax on assets

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

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

bb. Earnings per share - Basic earnings per ordinary share are 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, 2022, 2021 and 2020, the Entity has no potential ordinary shares with dilutive effects.

36. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Entity's accounting policies, which are described in Note 35, 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, 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 prospective 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.

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.

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.

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 fairness 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.

37. 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, 2022, 2021 and 2020; the amounts generated are presented in the following table:

Amounts recognized in the consolidated statement of income	**2022**	2021	2020
Depreciation expense of the right-of-use assets	$ 1,311,842	$ 994,928	$ 826,894
Interest expense from lease liabilities	489,162	482,896	556,929
Expense related to short-term leases	62,053	24,395	25,878

As of April 2021, the Entity recognized the net investment in leased assets generated from the natural gas transportation provision contract with the Comisión Federal de Electricidad ("CFE"), which is detailed in Note 7 current portion and long-term portion see Statement of Financial Position.

38. AUTHORIZATION TO ISSUE THE CONSOLIDATED FINANCIAL STATEMENTS

On March 31, 2023, 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, 2021, were approved at the Ordinary Shareholders' Meetings held on April 28, 2022.

* * * * * *

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Stock Information:
The Grupo Carso, S.A.B de C.V. A-1 series is listed in the Bolsa Mexicana de Valores, S.A.B de C.V. [Mexican Stock Exchange] under the “GCARSO” symbol.

INVESTOR **RELATIONS**

GRUPO carso

Information on Level 1 ADR’s:
Symbol: GPOVY 2:1
Cusip number: 400485207
Depositary Bank: Mellon BNY
Shareowner Services P.O. Box 358516
Pittsburgh, PA 15252-8516
Tel. 1-888-BNY-ADRS(269-2377)
1-201-680-6825
shrrelations@bnymellon.com
www.bnymellon.com/shareowner

Internet addresses:
For more information on Grupo Carso and its sustainability activities go to:
www.carso.com.mx

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