



CONSOLIDATED FINANCIAL STATEMENTS

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

Independent Auditors' Report and Consolidated Financial Statements of 2021, 2020 and 2019

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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, 2021, 2020 and 2019, 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, 2021, 2020 and 2019, 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 2021 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.

Impairment of tangible assets related to the business segment see Note 16

The Entity's policy is to evaluate the carrying values of its tangible assets annually. Grupo Carso uses the "Discounted Cash Flows" (DCF) valuation methodology, under the revenue approach. This requires the management of the Entity to make significant estimates and assumptions related to future revenue forecasts, long-term growth rates, costs and expenses, equipment maintenance, and the selection of discount rates commensurate with the current business situation.

We have considered the valuation of tangible assets, specifically those related to the cash-generating unit (UGE) of the business segment, as a key audit issue, because management makes significant judgments to determine the recovery value of such assets, including expected cash flows, applied discount rates and long-term growth rates and also because of current economic changes in the segment. Caused by the COVID-19 pandemic, this required a high audit effort including the need to onboard our fair value specialists.

Our audit procedures included, but are not limited to:

- i. We gained an understanding of internal controls as well as tested their design and implementation.

- ii. We review the deterioration models carried out by the administration, for those UGEs whose book values are subject to a significant judgment.
- iii. 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.
- iv. We engage our specialists to challenge the assumptions used by management to validate the reasonableness of the information with the market behavior of the business and industry, including the current business situation.

The results of our audit tests were reasonable.

Paragraph of emphasis-Significant event

Albeit without implying the qualification of our opinion, we draw attention to Note 2a, which details the effects resulting from the COVID-19 global pandemic on the economic situation of the business segments of Grupo Carso.

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 2021 consolidated financial statements and are therefore the key audit matters. We describe

these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

C.P.C. Abel García Santaella

Mexico City, Mexico
March 26, 2022



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021, 2020 and 2019 (In thousands of Mexican pesos)

Assets	Notes	2021	2020	2019
<i>Current assets:</i>				
Cash and cash equivalents	5	\$ 11,197,642	\$ 11,764,102	\$ 8,157,905
Investments in securities held to maturity	6	-	2,642,169	1,701,400
Accounts receivable	7	28,394,607	22,525,829	23,927,274
Due from related parties	26	5,237,509	5,187,980	4,954,593
Recoverable taxes	9	5,286,742	4,324,177	3,518,324
Inventories	10	20,141,355	16,020,744	17,652,566
Prepaid expenses		2,782,021	2,111,152	1,205,357
Derivative financial instruments	15	85,809	12,255	7,928
Total current assets		73,125,685	64,588,408	61,125,347
<i>Non-current assets:</i>				
Net investment in leased asset	8	16,029,400	-	-
Long-term accounts receivable		1,166,250	1,300,714	1,247,322
Real estate inventories		987,265	987,265	993,454
Property, plant and equipment	16	32,505,782	50,177,463	36,535,171
Right-of-use assets	11	5,631,826	4,955,605	5,634,158
Investment properties	17	4,601,226	3,392,635	3,233,907
Investment in associated entities, joint ventures and other	18	42,794,747	36,399,802	34,882,564
Employee retirement benefits	24	906,654	820,955	226,361
Derivative financial instruments	15	-	-	16,479
Intangible assets	20	2,374,620	1,459,712	1,470,388
Deferred income tax asset	30	5,216,710	5,354,451	4,627,641
Other assets	19	433,088	389,589	461,133
Total non-current assets		112,647,568	105,238,191	89,328,578
Total assets		\$ 185,773,253	\$ 169,826,599	\$ 150,453,925

Liabilities	Notes	2021	2020	2019
<i>Current liabilities:</i>				
Loans payable to financial institutions	21	\$ 5,126,132	\$ 3,113,436	\$ 325,632
Current portion of long-term debt	21	394,614	177,531	91,911
Current lease obligation	12	1,671,517	1,262,736	1,369,319
Trade accounts payable		12,860,801	11,623,855	10,884,731
Accounts payable to related parties	26	836,946	710,794	626,849
Other accounts payable and accrued liabilities	22	5,902,173	6,962,741	8,220,283
Provisions	23	8,017,045	5,609,257	3,721,185
Direct employee benefits		1,102,513	841,370	1,000,130
Derivative financial instruments	15	2,127	263,620	260
Contractual liabilities – customer advances		3,628,795	4,359,491	3,648,082
Total current liabilities		39,542,663	34,924,831	29,888,382
<i>Non-current liabilities:</i>				
Long-term debt	21	18,630,729	20,820,230	12,182,750
Lease obligation	12	4,871,375	4,553,355	5,360,885
Deferred income taxes	30	6,552,037	5,815,822	5,108,502
Other long-term liabilities		881,219	940,533	1,456,792
Employee retirement benefits	24	348,351	625,493	1,204,563
Derivative financial instruments	15	872,232	1,431,492	607,491
Total non-current liabilities		32,155,943	34,186,925	25,920,983
Total liabilities		71,698,606	69,111,756	55,809,365
Stockholders' equity				
Capital stock		2,528,663	2,531,579	2,534,392
Net stock issuance premium		2,392,896	2,392,896	2,392,896
Retained earnings		92,166,341	83,757,218	78,277,075
Accumulated other comprehensive income		7,926,204	3,696,994	3,105,000
Controlling interest		105,014,104	92,378,687	86,309,363
Non-controlling interest		9,060,543	8,336,156	8,335,197
Total consolidated stockholders' equity	25	114,074,647	100,714,843	94,644,560
Total liabilities and stockholders' equity		\$ 185,773,253	\$ 169,826,599	\$ 150,453,925

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

As of December 31, 2021, 2020 and 2019 (In thousands of Mexican pesos, except for the basic profit per share, which is expressed in pesos)

	Notes	2021	2020	2019
Income	27	\$ 124,572,789	\$ 94,684,370	\$ 102,477,596
Cost of sales	28	93,948,766	70,955,415	73,337,713
Gross operating income		30,624,023	23,728,955	29,139,883
Sales expenses	28	12,580,040	10,912,640	13,106,785
Administrative expenses	28	4,730,344	4,857,215	4,694,445
Statutory employee profit-sharing		363,942	190,805	259,875
Other (income) expenses, net	29	92,712	(1,147,964)	(374,448)
Interest expense		1,684,778	2,272,753	1,185,672
Interest income		(571,524)	(1,269,193)	(743,397)
Exchange gain		(3,696,391)	(6,302,703)	(944,813)
Exchange loss		3,653,161	5,488,139	1,172,371
Effects of valuation of derivative financial instruments		(319,373)	397,890	426,908
Equity in results of associated entities, joint ventures and other	18	(2,826,115)	(757,815)	(978,063)
Income before income taxes		14,932,449	9,087,188	11,334,548
Income taxes	30	2,604,486	2,639,419	2,928,598
Consolidated net income of the year		\$ 12,327,963	\$ 6,447,769	\$ 8,405,950
Other comprehensive income, net of income tax				
<i>Items that will not be reclassified to results:</i>				
Gain (loss) from cumulative translation adjustment		\$ 89,612	\$ (288,373)	\$ (347,438)
Gain (loss) from derivative financial instruments valuation	15	336,106	(498,937)	(417,849)
Gain (loss) in the fair value of equity financial instruments, net of deferred taxes	15	2,459,818	1,922,915	(358,551)

	2021	2020	2019
<i>Items that will not be reclassified to results:</i>			
Actuarial (losses) gains	340,225	(78,337)	(980,514)
Other items	372	426	(1,324)
Equity in other comprehensive income of associated entities and joint ventures	1,082,792	(243,618)	(1,094,901)
Total other comprehensive income	4,308,925	814,076	(3,200,577)
Consolidated comprehensive income of the year	\$ 16,636,888	\$ 7,261,845	\$ 5,205,373
Consolidated net income attributable to:			
Controlling interest	\$ 11,282,039	\$ 5,706,408	\$ 7,547,361
Non-controlling interest	1,045,924	741,361	858,589
	\$ 12,327,963	\$ 6,447,769	\$ 8,405,950
Basic profit per ordinary share attributable to controlling interest:			
Basic profit per ordinary share	\$ 4,975	\$ 2,507	\$ 3,309
Weighted average number of outstanding shares ('000)	2,267,648	2,276,143	2,280,862
Consolidated comprehensive income attributable to:			
Controlling interest	\$ 15,511,249	\$ 6,586,273	\$ 4,548,131
Non-controlling interest	1,125,639	675,572	657,242
	\$ 16,636,888	\$ 7,261,845	\$ 5,205,373

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2021, 2020 and 2019 (In thousands of Mexican pesos)

Other comprehensive income

	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	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, 2019	\$ 2,534,812	\$ 2,392,896	\$ 72,976,607	\$ 635,641	\$ (28,352)	\$ (343,358)	\$ 5,677,437	\$ (866,846)	\$ 1,029,708	\$ 84,008,545	\$ 8,377,535	\$ 92,386,080
Repurchase of own shares	(420)	-	(106,800)	-	-	-	-	-	-	(107,220)	-	(107,220)
Cash dividends declared	-	-	(2,143,741)	-	-	-	-	-	-	(2,143,741)	-	(2,143,741)
Dividends declared to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(701,941)	(701,941)
Decrease in repurchase of shares of subsidiary	-	-	(23,424)	-	-	-	-	-	-	(23,424)	(58,391)	(81,815)
Acquisition of non-controlling interest of subsidiaries	-	-	27,072	-	-	-	-	-	-	27,072	60,752	87,824
Balances before comprehensive income	2,534,392	2,392,896	70,729,714	635,641	(28,352)	(343,358)	5,677,437	(866,846)	1,029,708	81,761,232	7,677,955	89,439,187
Consolidated comprehensive income of the year	-	-	7,547,361	(331,518)	(389,032)	(881,796)	(357,991)	(1,511)	(1,037,382)	4,548,131	657,242	5,205,373
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, 2021	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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021, 2020 and 2019
(In thousands of Mexican pesos)

Assets	2021	2020	2019
Cash flows from operating activities:			
Consolidated net income of the year	\$ 12,327,963	\$ 6,447,769	\$ 8,405,950
Adjustments from:			
Income tax recognized in results	2,604,486	2,639,419	2,928,598
Depreciation and amortization	3,476,297	3,442,981	3,280,935
(Gain) loss on sale of property, plant and equipment and other assets	(14,298)	(6,968)	(12,071)
Impairment of property, plant and equipment	89,745	(20,855)	(68,887)
Impairment of capitalized exploration expense	-	371,998	-
Gain from change in fair value of investment property	(867,066)	(115,708)	(225,440)
Equity in profits of associated entities and joint ventures	(2,826,115)	(757,815)	(978,063)
Gain from change in fair value of derivative financial instruments	-	-	(21,222)
Interest income	(3,662,353)	(4,856,056)	(4,717,989)
Interest expense	1,684,778	2,272,753	1,185,672
Effect from restatement of employment obligations	(78,561)	(1,410,828)	-
Dividends received from associated entities measured at fair value	(945,220)	(651,900)	(745,028)
Other items	(53,322)	304,030	(744,930)
	<u>11,736,334</u>	<u>7,658,820</u>	<u>8,287,525</u>
Items related to operating activities:			
(Increase) decrease in:			
Accounts receivable	(4,179,560)	1,062,936	(3,065,774)
Interest income	3,075,021	3,654,537	3,970,601
Other accounts receivable	368,931	273,439	(491,067)
Due from related parties	(49,529)	(233,387)	(246,616)
Recoverable taxes	(100,126)	(779,570)	(314,377)
Inventories	(4,120,611)	1,660,297	112,048
Prepaid expenses	(670,869)	(905,795)	(493,773)
Long-term accounts receivable	134,464	(53,392)	51,656
Real estate inventories	-	6,189	(55,965)
Other assets	(381,676)	(455,628)	(321,151)
(Decrease) increase in:			
Trade accounts payable	1,236,946	711,443	(393,644)
Accounts payable to related parties	126,152	83,945	(764,521)
Other accounts payable and accrued liabilities	550,631	(1,436,217)	392,849
Provisions	2,386,923	1,865,395	460,650
Direct employee benefits	261,143	(158,760)	39,482
Advances from customers	(2,111,855)	711,409	2,490,997
Other long-term liabilities	(59,314)	(520,328)	(315,412)
Employee retirement benefits	60,999	(66,638)	391,911
Income taxes paid	(4,588,835)	(2,956,176)	(1,997,182)

Assets	2021	2020	2019
Derivative financial instruments	(558,201)	600,576	652,059
Net cash flows from operating activities	3,116,968	10,723,095	8,390,296
Cash flows from investment activities:			
Acquisition of investments in securities	(6,581,012)	(5,611,761)	(4,688,627)
Sale of investments in securities held-to-maturity	9,223,181	5,053,892	4,137,450
Purchase of property, plant and equipment	(1,431,770)	(4,628,626)	(3,682,850)
Proceeds on disposal of property, plant and equipment	86,922	47,561	96,155
Investment in exploration expenses	(1,011,224)	(207,030)	(305,274)
Interest received	569,809	1,269,193	743,470
Dividends received	1,953,875	2,069,650	1,375,570
Derivative financial instruments	-	-	8,675
Acquisition of investment properties	(6,325)	(600)	(2,276)
Acquisition of Ideal Panama	-	(174,185)	-
Contribution and/ or acquisition of the shares of subsidiaries, associated entities and joint ventures	(410,000)	(39,692)	(1,308,515)
Other movements of participation in associates	<u>132,821</u>	<u>-</u>	<u>-</u>
Net cash flows used in investment activities	2,526,277	(2,221,598)	(3,626,222)
Cash flows from financing activities:			
Loans obtained from financial and other institutions	17,410,960	11,314,723	1,887,210
Payment of loans and other long-term debt contracted with financial institutions	(17,370,682)	(10,462,708)	(2,473,710)
Interest paid	(1,258,903)	(1,760,296)	(1,087,761)
Payment of lease liabilities	(1,121,209)	(1,162,544)	(851,115)
Dividends paid	(2,371,302)	(788,217)	(2,845,682)
Repurchase of own shares	(754,352)	(575,262)	(107,220)
Repurchase of shares of subsidiary	(244,942)	(64,020)	(81,815)
Derivative financial instruments	-	-	(1,446)
Decrease of non-controlling interest	<u>-</u>	<u>-</u>	<u>87,824</u>
Net cash flows used in financing activities	(5,710,430)	(3,498,324)	(5,473,715)
Cash flow adjustments due to exchange rate variances	<u>(499,275)</u>	<u>(1,396,976)</u>	<u>1,100,073</u>
Net (decrease) increase in cash and cash equivalents	(566,460)	3,606,197	390,432
Cash and cash equivalents at the start of the year	<u>11,764,102</u>	<u>8,157,905</u>	<u>7,767,473</u>
Cash and cash equivalents at the end of the year	\$ <u>11,197,642</u>	\$ <u>11,764,102</u>	\$ <u>8,157,905</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021, 2020 and 2019
(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. Collaboration agreement

On October 20, 2021, the Entity through its subsidiary Carso Infrastructure and Construction, S.A. de C.V. ("CICSA") entered into a collaboration agreement and a repairs agreement with the Government of Mexico City ("GCDMX") and the Collective Transport System ("STC-Metro") to carry out, rehabilitation and reinforcement works on the elevated metal section of Line 12 of the Mexico City metro, assuming CICSA the costs.

Rehabilitation Works: The works include (1) the repair of the section collapsed last May of 2021 between the "Olivos-Tezonco" stations and (2) the reinforcement of the elevated metal section built by CICSA and delivered to the GCDMX in 2013, so that 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 that resulted from the events caused by 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 composed of experts that formed the GCDMX for the design of the works.

No Responsibility: CICSA did not cause and is not responsible for the unfortunate event of May 3 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 the technical studies on the causes of this unfortunate event prepared at the request of CICSA and those carried out by the Attorney General's Office of Mexico City ("Fiscalía"), in order not to prolong further the rehabilitation and reinforcement of the elevated metal 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. CicSA also reports 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 rights to exercise legal actions to claim the payment of the amounts it erodes on the occasion of the conclusion of the agreements and legal acts referred to above against the corresponding third parties.

- b. In August 2021, Elementia, S. A. B. de C. V. (the Associated Entity) recognized as an investment in associates in Condumex, S. A. de C. V., issued a statement approving the spin-off of the Associated Entity, which took effect on September 1, 2021 emerging on the spot as a spin-off company Elementia Materiales, S. A. B. de C. V. The spin-off entity changed its name to Fortaleza Materiales, S. A. B. de C. V. In the share exchange Condumex participated with 38.69% in each of the companies.
- c. On April 15, 2021, the Samalayuca - Sásabe Gas Pipeline (the "Gas Pipeline") between the states of Chihuahua and Sonora started operations for the natural gas transportation service. The

pipeline is 36" in diameter, with a total length of 625 kilometers and capacity to transport natural gas up to the maximum daily amount of Four hundred and seventy-two million cubic feet per day (472 MMPCD). This natural gas transportation service will be for the Federal Electricity Commission and generates an income of USD \$8.5 million per month.

d. General operating risk

As of December 31, 2019, the SARS-COV-2 virus outbreak, which causes the COVID-19 disease, has strongly affected many local economies around the world. In many countries, businesses have been forced to halt their operations for long and/or indefinite periods of time. Measures taken to contain the spread of the virus include travel bans, quarantines, social distancing and non-essential service closures, which have led to the significant disruption of many businesses worldwide, thereby resulting in an economic slowdown. Stock markets around the world have also experienced high volatility and significant weakening.

Since the beginning of the health emergency, Grupo Carso has implemented a variety of preventive and mitigation measures designed to safeguard the health of its customers, collaborators, suppliers and the general population. Commercial segment investments were suspended as of that date and no dividend payments were scheduled during 2020. Operating expenses were strictly controlled in all segments, while striving to avoid affecting the quality of our products or the standard of our services. Inventories were optimized as we sought to balance our financial situation with attention to customer commitments.

More specifically, different measures and actions implemented to mitigate the circumstances of each segment, as follows:

Commercial Segment-Sanborns Group

This segment operates department stores and boutiques, stores-restaurants and electronics, technology and entertainment stores. Its main brands are Sears, Sanborns, Ishop, Mixup and Saks Fifth Avenue.

The short-term strategy pursued by Grupo

Sanborns to deal with this emergency involved enhancing the online business by offering all the products that customers could find in physical stores which, due to the health emergency, were forced to temporarily close to ensure social distancing. This phase peaked in April and May, but nonetheless remained in effect in various Mexican states until June and July. The reopening process took place on a limited basis, while always following the protocols established by the respective authority Adjustments and logistical preparations were made to ensure appropriate store hygiene conditions so as to once again serve our customers, while continuing to strengthen sales through digital channels. In Mexico City and Mexico State, as of December 19, 2020, the "red traffic light" health strategy for all non-essential activities was once again announced, as was also the case of different states through Mexico. Local authorities also implemented reduced operating hours and authorized capacities. Activities were recommenced on February 1 and 8, 2021, in Mexico State and Mexico City, respectively, in compliance with all the health measures stipulated by the respective authorities.

In response to the health emergency resulting from COVID-19, investments were halted and no dividend payment was declared. Expense control was carried out without affecting the image and service, while an administrative and sales expense reduction of approximately \$2,521 million pesos was obtained, representing 16.0% decrease over the figure recorded for December 2019. Inventories were optimized, thus resulting in a 15.8% decrease at the end of December 2020 over the December 2019 inventory, due to lower purchases. The credit portfolio decrease was evident due to the temporary closure of physical stores. Given the health emergency, credit card payments were processed digitally and other channels were implemented in bank branches and registers at certain points of sale that remained open.

Controlled credit and specific support were provided to debtors continued during the health crisis. Although credits were also contracted to fulfill obligations, based on the gradual opening of stores and the strategies mentioned above, Grupo Sanborns did not report any debt at the end of 2021 and held cash of \$7,305 million. Based on our estimates and the economy's behavior since the return to the "new normality" we consider that the Group's operations will once again generate positive cash flows. Similarly, Grupo Sanborns has continued to fulfill its obligations with creditors, while also paying full salaries, even during the full temporary closure of certain stores, and maintaining its workforce without renewing any casual contracts.

Analysis of the main headings of the consolidated statements of income and the effects resulting from the pandemic and the revival of commercial activities:

Grupo Sanborns' consolidated sales accumulated as of December 2021 grew 35.0% to \$52,939 million pesos compared to the previous year. This as a result of the fact that shopping centers in Mexico have been recovering their affluence and consumers returned to department stores and restaurants, increasing customers in our stores, the Buen Fin and the Christmas season. We continue to strengthen our omnichannel sales in the different formats supported by our points of sale.

The consolidated gross profit of Grupo Sanborns increased 28.6% totaling \$17,499 million pesos, with a margin of 33.1% that was lower than last year, due to the greater participation of the sale of "Big- ticket" and the decrease in credit interest due to a lower customer base due to lower sales in the first half of the year of the pandemic.

Operating profit for 2021 amounted to \$2,683 million pesos, compared to an operating profit of \$1,681 million in 2020. Operating expenses: In 2021 we achieved a reduction of 580 basis points with respect to sales, as the percentage growth of operating expenses was lower than the growth of sales. The EBITDA margin of 2021 was 8.9% versus an EBITDA margin of 5.2% in 2020 derived from the good operating result in all our formats.

Grupo Sanborns' consolidated Comprehensive Financing Result (RIF) accumulated as of December 2021 represented an expense of \$212 million pesos, decreasing 55.1% compared to an expense of \$472 million in 2020.

Grupo Sanborns' consolidated net income accumulated as of December 2021 amounted to \$1,819 million pesos, compared to a net profit of \$727 million in 2020.

The consolidated sales of Grupo Sanborns accumulated to December 2020 were \$39,612 million, which represented a decrease in sales of 25.7% and a decrease of 29.0% in sales of comparable stores, the above, derived from the health emergency due to the Covid-19 pandemic. From March 31 to June 15, 2020, all Sears and Saks Fifth Avenue stores were temporarily closed to the public. Sanborns temporarily closed 96 stores and 22 Sanborns Café, while the rest continued to provide essential products and services in the pharmacy, other pharmacy and telecommunications departments. Complying with the sanitary measures, the iShop stores the operation was variable depending on the city and the restrictions in the shopping centers. Dax stores continued to operate because they were self-service stores. The Loreto and Plaza Inbursa shopping centers closed temporarily, keeping only the restaurant service under the option of selling prepared foods and drinks to take away. The sale and service to our customers continued through their digital stores.

During 2021, 6 Sanborns stores, 1 Sanborns Café, 1 DAX Store and 1 iShop store were closed, on the other hand, 3 stores with iShop format were opened.

During 2020 the closure of 11 Sanborns stores in Mexico was carried out, the 3 stores in Central America, the Saks Fifth Avenue store in Plaza Carso was also closed and replaced by the Sanborns Home & Fashion format, towards the end of December a Sears department store was closed in the city of Monterrey, on the other hand, 3 iShop were opened.

Grupo Sanborns' consolidated gross margin during 2020 was 34.4% compared to 38.2% as a result of a higher weight in the sale of technology items within the mix. Gross profit totaled \$13,609 million pesos, a decrease of

(33.1%) compared to that presented during 2019.

An expense control was carried out without affecting the image and the service, the main savings were observed in the selling expenses related to rents, lower consumption of electrical energy and payment of bank commissions. In administrative expenses, savings were observed due to lower expansion expenses and payment of fees. Additionally lower advertising, promotion and depreciation expenses. We continue to implement additional measures to reduce overhead.

Derived from the closure of physical stores due to the Covid-19 pandemic and the aforementioned points, the accumulated operating profit at the end of December 2020 totaled \$1,681 million compared to \$4,699 million, influenced by the aforementioned one.

Grupo Sanborns' consolidated net income decreased (73.7%) totaling \$814 million pesos compared to the net income of \$3,090 million pesos recorded at the end of December 2019.

Industrial and Manufacturing Segment

This business segment provides services and products, mainly: i) Cables (energy, telecommunications, electronic, coaxial, fiber optic, mining and automotive, among others), ii) Automotive electrical harnesses, iii) Precision steel pipes, iv) Power transformers, and v) Alternative energies. This focused on meeting the needs of the electrical, automotive, mining, telecommunications energy and construction industries.

Temporary plant closures and a significant decrease in sales of the sectors were registered, which were gradually recovered during the second half of the year once the confinement and the reactivation of certain productive sectors of the country were lifted, so all the plants were reactivated and the projected expectations were exceeded, which is reflected in sales and operating profits in this year greater than 2019, despite the above circumstances.

Cables

Technical shutdowns and reduced operations affected the plants located in Mexico (Guadalajara, San Luis Potosí, Vallejo, Conticon, Conalum and IEM), while also extending to foreign entities (Brazil and Spain) based on federal decrees enacted in Mexico and other countries. These measures interrupted the production and marketing of our products, thus resulting in the reduction of production volumes due to lower customer purchases on both the domestic and export markets. However, annual figures reported an increase over 2019.

Investments and expenses have been reduced to the minimum needed for operations, while maintaining the workforce and upholding the decision of zero redundancies as a result of these situations. At the end of 2020, sales and operating results exceeded those of 2019 by 5.3% and 11.1%, respectively.

During the period ended December 31, 2021, the actions taken by the administration had positive effects, achieving higher revenues by 48% compared to 2020, sales volumes recovered in most of the plants both in the export markets (Brazil and Spain) and domestic that, together with the strategies for the control of expenses, manages to have an impact on better operating results with an accumulated final increase of 59.8%.

Autoparts

During April and May 2020, our main customers: General Motors, Audi, Volkswagen and “Tier One” customers closed their plants, thereby disrupting their production and adversely affecting the sales volumes of the Automotive Cable and Harnesses. This situation resulted in a 26.5% contraction at the end of the first semester of 2020, together with a 34.8% decrease as regards sales and the operating result, respectively, over 2019. As of the second half of the year, assembly plants restarted their activities, which led to a significant increase in the sales volumes of harnesses and automotive cables, which have further benefited by the average fluctuation of the Mexican peso versus the US dollar. At the end of 2020, sales and the operating result increased by 1.9% and 21.5% over the 2019 close.

At the end of 2021, revenues managed to be higher by 15.2% compared to the 2020 period, however mainly in the second half, operating margins were decreased due to the decrease in sales volumes of harnesses, unplanned technical stoppages of General Motors Customers, Volkswagen Puebla Volkswagen Chattanooga and Audi mainly due to lack of microcomponent logistics problems due to lack of spaces in containers and increase in prices of suppliers for commodities.

Infrastructure and Construction Segment

Since the beginning of the health emergency, CICSA implemented various prevention and mitigation measures to preserve the health of customers, employees, suppliers and the general population. A strict control of operating expenses was carried out in all divisions, trying not to affect either the quality of our products or the standard at the level of our services. Inventories were optimized and efforts were made to maintain financial balance and attention to customer commitments.

Despite this situation, CICSA improved its revenues with respect to 2020, thanks to obtaining new projects and consolidating those from 2020, such as the marine infrastructure units Maloob-E and Maloob-I, supply of materials and construction of the platform and track of the Mayan Train Section II from Escárcega to

Calkiní, as well as for obtaining a greater volume of work in national territory mainly in the field of telecommunications.

As of the date of issuance of the financial statements, CICSA maintains an important backlog and continues to participate in public and private tenders.

Energy Segment

This segment essentially focuses on the energy and oil industry and is mainly engaged in the provision of gas transportation services to the Federal Electricity Commission. As it has continued its operations without undergoing any major changes, its workforce has not been reduced and there have been no temporary or definitive suspensions as regards the execution of its contracts because its operations are related to the generation of electricity, which is considered as an essential activity in the domestic and international regions where it operates. The segment completed the construction of the Samalayuca- Sásabe pipeline and has maintained its plans with regard to hydrocarbons and geothermal electricity generation.

- e. In October 2019, PEMEX Exploration and Production (PEP) awarded the contract to the consortium composed by its subsidiary Operadora Cicsa, S. A. de C. V. (CICSA Operator) and Permaducto, S.A. de C.V. for the engineering, procurement and construction of two marine infrastructure units known as MALOOB-E and MALOOB-I, to be installed in the Campeche Sound in the Gulf of Mexico, to be executed within a deadline of 550 days, which expires on May 2, 2021. The contract amounts are \$1,438,672 and USD \$69,505, both of which relate to the total contract equity of 45.30% held by Operadora CICSA. As of December 31, 2021. In July 2020, amendment 01 to the original contract was legalized to include extraordinary work involving for the “Engineering, procurement and manufacture of three marine UIM-17, UIM-20 and UIM-26 infrastructure units, to be installed in the Campeche Sound, Gulf of Mexico”, with a deadline of 223 days, which expires on February 10, 2021. The contract amount is \$78,343. As of December 31, 2021, work progress of approximately 95%, was reported on August 2021. A contractual amendment was legalized

to establish an extension derived from delayed payment of the advance by PEP, thereby establishing a new work termination date of December 19, 2021.

- f. During July 2019, Grupo Sanborns acquired 33.2719% of Miniso BF Holding’s shares, S. de R. L. de C. V. (Miniso), thereby requiring significant influence over this entity. Currently, Miniso has 100 stores in Mexico.

3. Business combination

Acquired subsidiary

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 common stock of Ideal Panama, S. A. (Ideal Panama), thereby gaining control over this entity. The main activities of Ideal Panama involved electricity generation and marketing, together with

the operation and maintenance of hydroelectric plants. Since 2012, Ideal Panama has operated two hydroelectric plants in Panama, with a combined capacity of 145 MW.

The consideration consisted of a cash payment of USD\$13,532, together with a \$137,196, for a total consideration of USD\$150,728.



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

	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 income tax	22,085	1,168
Current liabilities:		
Account payable to suppliers and other accounts payable	50,164	2,653
Payable taxes and obligations	3,593	190
Account payable to related parties	39,292	2,078
Noncurrent liabilities:		
Deferred income taxes	391,652	20,713
Employee retirement benefits	6,391	338
Long-term loans	<u>7,487,558</u>	<u>395,989</u>
Net assets acquired at fair value	\$ <u>2,850,039</u>	USD \$ <u>150,728</u>

Net cash flows on the acquisition of subsidiaries

	2020	2020
Cash consideration	\$ 255,870	USD \$ 13,532
Less: acquired balances of cash and cash equivalents	<u>81,685</u>	<u>4,320</u>
	\$ <u>174,185</u>	USD \$ <u>9,212</u>

Effect of acquisitions in the Entity's results

Had this a business combination taken place at January 1, 2020, the Entity's revenue from continued operations would have been \$977 million, while the result of the year of continued operations would have been \$527 million. The Entity's Management

considers that these "pro forma" figures represent an approximate measure of the Entity's combined performance on an annualized basis and provide a comparison benchmark for future periods.

4. Consolidated subsidiaries

The equity held by Grupo Carso in the common stock of its subsidiaries as of December 31, 2021, 2020 and 2019 is detailed below:

Subsidiary	Country of incorporation and operations	Activity	Ownership %		
			December 31, 2021	December 31, 2020	December 31, 2019
Carso Infraestructura y Construcción, S. A. de C. V. and Subsidiaries (CICSA)	Mexico, Central America and South America	Operation of several engineering areas including those related to infrastructure, such as: highway construction and maintenance, water systems, water treatment plants and dams; duct line installations for the telecommunications and gas sectors, including fiber-optic networks and gas pipelines, among others; oil well drilling and services related to the industry; design and construction of oil platforms and oil industry equipment; the construction of industrial, commercial and residential real property.	99.93	99.93	99.93
Grupo Condumex, S. A. de C. V. and Subsidiaries (Condumex)	Mexico, U.S., Central America, South America and Spain	Manufacture and sale of goods, mainly cable to construction, automotive, energy and telecommunications markets; manufacture of autoparts, mainly for the OEM industry, manufacture and sale of copper and aluminum products; manufacture and sale of transformers and lighting solutions.	99.58	99.58	99.58
Grupo Sanborns, S. A. B. de C. V. and Subsidiaries (Sanborns)	Mexico, El Salvador and Panama	Operation of department stores, gift shops, record stores, restaurants, coffee shops and management of shopping malls mainly through the following commercial brands: Sanborns, Sears, Saks Fifth Avenue, Mix-up, Claro Shop and iShop.	86.74	86.34	86.21
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.	95.32	95.42	95.90

5. Cash and cash equivalents

	2021	2020	2019
Cash	\$ 3,668,322	\$ 5,825,556	\$ 6,424,772
Cash equivalents:			
Demand deposits	186,127	1,353,760	758,856
Bank paper	5,097,444	2,850,815	635,308
Government paper	2,005,145	130,661	108,987
Bonds	7,441	619,091	26,829
Demand deposits in U.S. dollars	233,095	973,191	201,361
Others	68	11,028	1,792
Total	\$ 11,197,642	\$ 11,764,102	\$ 8,157,905

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.

For the purposes of the consolidated cash flow statement, cash and cash equivalents include cash and banks, together with investments in money market instruments. Cash and cash equivalents at the end of the period are as detailed in the consolidated statement of cash flows.

6. Investments in securities held to maturity

	2021	2020	2019
Bank paper	\$ -	\$ 1,449,094	\$ 181,586
Demand deposits in U.S. dollars	-	1,180,939	708,164
Government paper	-	12,136	811,650
Total	\$ -	\$ 2,642,169	\$ 1,701,400

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

7. Accounts receivable

	2021	2020	2019
Customers	\$ 18,511,408	\$ 16,412,232	\$ 19,945,322
Allowance for doubtful accounts	(1,111,141)	(951,044)	(764,505)
	17,400,267	15,461,188	19,180,817
Uncertified completed work	8,318,884	6,087,792	3,474,149
Current portion of the net investment in leased assets	2,067,538	-	-
Sundry debtors	325,426	672,180	742,321
Others	282,492	304,669	529,987
Total	\$ 28,394,607	\$ 22,525,829	\$ 23,927,274

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, 2021, 2020 and 2019, the maximum credit risk exposure for customers was as follows:

Category	Book value			Allowance for doubtful accounts		
	Dec 2021	Dec 2020	Dec 2019	Dec 2021	Dec 2020	Dec 2019
Null	\$ 4,395,177	\$ 3,000,769	\$ 8,974,759	\$ 50	\$ 250	\$ 92
Low	5,509,636	6,837,056	6,692,654	60,761	148,001	96,592
Moderate 1	1,285,177	2,614,944	2,261,349	190,067	62,351	95,523
Moderate 2	1,603,316	1,372,612	896,482	24,495	75,289	90,058
High 1	2,558,385	879,665	484,947	237,152	87,931	87,090
High 2	1,231,580	268,114	134,271	138,260	49,455	40,035
Critical	1,928,137	1,439,072	500,860	460,356	527,767	355,115
	\$ 18,511,408	\$ 16,412,232	\$ 19,945,322	\$ 1,111,141	\$ 951,044	\$ 764,505

As of December 31, 2021, the carrying amount of the Entity's most significant portfolio is related to the Null segment, of \$4,395,177. At December 31, 2020, it was the Low segment of \$6,837,056 and, at December 31, 2019, was Null segment of \$8,974,759, equal to 29.76%, 41.66% and 45.00%, respectively, of the total portfolio, and 0.00%, 15.56% and 0.01%, respectively, of the recorded allowance for doubtful accounts (\$1,111,141 in 2021, \$951,044 in 2020 and \$764,505 in 2019). Based on the allowance for doubtful accounts, the most

significant segment is the Critical segment with \$460,356, and of 41.43% of the allowance for doubtful accounts in 2021, \$527,767, and 55.49% of the allowance for doubtful accounts in 2020, and \$355,115 and 46.45% allowance for doubtful accounts in 2019.

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

Item	2021		2020		2019	
	No credit impairment	With credit impairment	No credit impairment	With credit impairment	No credit impairment	With credit impairment
Total client gross carrying amount	\$ 4,749,505	\$ 13,761,903	\$ 3,693,390	\$ 12,718,842	\$ 9,270,726	\$ 10,674,596
Allowance for credit losses	\$ -	\$ 1,111,341	\$ -	\$ 951,044	\$ 92	\$ 764,413

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, 2021, 2020 and 2019.

Concept	Book value			Allowance for doubtful accounts			Discount factor		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Null	\$ 4,395,177	\$ 3,000,769	\$ 8,974,759	\$ 50	\$ 250	\$ 92	0.00%	0.00%	0.00%
Low	5,509,636	6,837,056	6,692,654	60,761	148,001	96,592	0.66%	0.47%	2.03%
Moderate 1	1,285,177	2,614,944	2,261,349	190,067	62,351	95,523	1.87%	2.38%	4.22%
Moderate 2	1,603,316	1,372,612	896,482	24,495	75,289	90,058	1.53%	5.49%	10.05%
High 1	2,558,385	879,665	484,947	237,152	87,931	87,090	9.27%	10.00%	17.96%
High 2	1,231,580	268,114	134,271	138,260	49,455	40,035	11.23%	18.45%	29.82%
Critical	1,928,137	1,439,072	500,860	460,356	527,767	355,115	23.69%	36.50%	70.71%
Total	\$ 18,511,408	\$ 16,412,232	\$ 19,945,322	\$ 1,111,141	\$ 951,044	\$ 764,505	5.40%	7.41%	6.03%

8. Net investment in leased assets

Carso Gasoducto Norte, S. A. de C. V. (CGN) entered into 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 \$1,652,073 in interest income for the year ended December 31, 2021, 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	\$ 126,456
Year 2	128,940
Year 3	128,254
Year 4	127,249
Year 5 and afterwards	<u>1,815,812</u>
	\$ <u>2,326,711</u>

9. Recoverable taxes

	2021	2020	2019
Recoverable value added tax	\$ 3,462,211	\$ 3,379,482	\$ 2,621,580
Recoverable income tax	1,498,784	634,091	630,068
Other recoverable taxes	<u>325,747</u>	<u>310,604</u>	<u>266,676</u>
	\$ <u>5,286,742</u>	\$ <u>4,324,177</u>	\$ <u>3,518,324</u>

10. Inventories

	2021	2020	2019
Raw materials and auxiliary materials	\$ 4,761,125	\$ 2,882,093	\$ 3,032,930
Production-in-process	1,130,449	682,953	758,265
Finished goods	1,454,759	1,051,441	845,882
Goods in stores	10,915,569	10,262,174	12,184,641
Land and housing construction in progress	<u>4,360</u>	<u>34,427</u>	<u>66,200</u>
	18,266,262	14,913,088	16,887,918
Goods in-transit	1,082,271	409,221	520,888
Replacement parts and other inventories	<u>792,822</u>	<u>698,435</u>	<u>243,760</u>
	\$ <u>20,141,355</u>	\$ <u>16,020,744</u>	\$ <u>17,652,566</u>

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, 2021, 2020 and 2019, 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 2021, 2020 and 2019 respectively, and 5 years for the Energy sector in 2021, 2020 and 2019.

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 \$528,120 \$387,915 and \$560,106 in 2021, 2020 and 2019, 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 1, 2019	\$ 7,977,441
Additions	1,386,420
Disposals	<u>(826,313)</u>
Balance as of December 31, 2019	8,537,548
Additions	675,545
Disposals	<u>(531,244)</u>
Balance as of December 31, 2020	8,681,849
Additions	2,298,795
Disposals	<u>(880,948)</u>
Balance as of December 31, 2021	\$ <u>10,099,696</u>
Accumulated depreciation:	
Balance as of January 1, 2019	\$ (1,917,757)
Charge of the year	(1,003,187)
Disposals	<u>17,554</u>
Balance as of December 31, 2019	(2,903,390)
Charge of the year	(826,894)
Disposals	<u>4,040</u>
Balance as of December 31, 2020	(3,726,244)
Charge of the year	(994,928)
Disposals	<u>253,302</u>
Balance as of December 31, 2021	\$ <u>(4,467,870)</u>
Net cost:	
Balance as of December 31, 2021	\$ <u>5,631,826</u>
Balance as of December 31, 2020	\$ <u>4,955,605</u>
Balance as of December 31, 2019	\$ <u>5,634,158</u>

Amounts recognized in the consolidated statement of income

	2021	2020	2019
Right-of-use asset depreciation expense	\$ 994,928	\$ 826,894	\$ 1,003,187
Interest expense from lease liabilities	482,896	556,929	563,954
Expense related to short-term leases	24,395	25,878	25,662
Expense related to leases of low value assets	3,303	3,881	7,609
Expense related to variable lease payments excluded from measurement of lease liabilities	-	-	70,325

The Entity has commitments of \$1,747,055, \$1,262,736 and \$1,369,319 as of December 31, 2021, 2020 and 2019, respectively, for short-term leases; the total cash outflows for these leases are \$1,121,209, \$1,162,544 and \$851,115 for 2021, 2020 and 2019, respectively.

12. Lease liabilities

	2021	2020	2019
Maturity analysis:	\$ 1,764,117	\$ 1,507,933	\$ 1,863,754
Year 1	1,996,901	1,398,502	1,406,392
Year 2	977,692	1,207,909	1,199,091
Year 3	832,473	1,025,188	1,096,715
Year 4	630,066	875,539	959,040
Year 5	2,351,425	2,072,934	3,162,014
Subsequent years	8,552,674	8,088,005	9,687,006
Less: Unaccrued interest	(2,009,782)	(2,271,914)	(2,956,802)
	\$ 6,542,892	\$ 5,816,091	\$ 6,730,204
Analyzed as:			
Non-current	\$ 4,871,375	\$ 4,553,355	\$ 5,360,885
Current	1,671,517	1,262,736	1,369,319
	\$ 6,542,892	\$ 5,816,091	\$ 6,730,204

From January to April 2021 and from April to December 2020, the Entity has benefited from 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, 2021, 2020 and 2019, financial instrument classes and amounts are as follows:

	2021	2020	2019
Financial assets			
Cash and cash equivalents	\$ 11,197,642	\$ 11,764,102	\$ 8,157,905
At applied cost:			
• Short and long-term accounts receivable	19,174,435	17,738,751	21,700,447
• Accounts receivable from related parties	5,237,509	5,187,980	4,954,593
Measured at fair value:			
• Derivative financial instruments	85,809	12,255	24,407
• Investments in securities	-	2,642,169	1,701,400
• Net investment in leased asset	18,096,938	-	-
Financial liabilities			
At applied cost:			
• Loans with financial institutions, other liabilities and long-term debt	\$ 24,151,475	\$ 24,111,197	\$ 12,600,293
• Accounts payable to suppliers	12,860,801	11,623,855	10,884,731
• Accounts payable to related parties	774,267	651,600	606,681
• Other accounts payable	3,002,946	2,767,664	2,847,466
• Lease Liabilities	6,542,892	5,816,091	6,730,204
Measured at fair value:			
• Derivative financial instruments	874,359	1,695,112	607,751

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:

	2021	2020	2019
Debt	\$ 24,151,475	\$ 24,111,197	\$ 12,600,293
Cash and cash equivalents (including cash and bank balances in a disposal group held for sale)	(11,197,642)	(14,406,271)	(9,859,305)
Net debt	\$ 12,953,833	\$ 9,704,926	\$ 2,740,988
Net worth	\$ 105,014,104	\$ 92,378,687	\$ 86,309,363
Ratio of net debt to net worth	12.3%	10.5%	3.2%

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 2021, 2020 and 2019 would have increased or decreased by approximately \$219,493, \$193,119 and \$107,873 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		
	2021	2020	2019	2021	2020	2019
U.S. Dollar (US)	US \$ 844,319	US \$ 637,047	US \$ 669,122	US \$ 1,493,547	US \$ 467,184	US \$ 354,145
Euro (EU)	5,756	4,734	4,698	6,560	13,683	12,512
Brazilian reals (RA)	108,003	121,498	84,944	210,835	285,903	232,698
Colombian peso	50,659,480	31,488,830	30,053,623	66,985,843	47,520,424	35,414,836
Peruvian Sol	46,166	50,792	63,653	79,717	84,686	92,390



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		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
US	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$
EU	148	(189)	(144)	84,432	63,705	66,912	54,501	46,718	35,415
RA	-	-	-	576	473	470	656	1,368	1,251
Colombian peso	-	-	-	10,800	12,150	8,494	21,084	28,590	23,270
Peruvian New Sol	-	-	-	5,065,948	3,148,883	3,005,362	6,698,584	4,752,042	3,541,484
	-	-	-	4,617	5,079	6,365	7,972	8,469	9,239

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

ii. Forwards contracts denominated in foreign currency

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

of raw materials.

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

Cash flow hedges	Average exchange rate			Notional			Fair value		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Euro purchase									
More than 12 months	\$ 23.7520	\$ 24.5169	\$ 21.3049	\$ 6,900	\$ 3,400	\$ 6,000	\$ (2,114)	\$ 2,697	\$ 2,061

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 1,937,063 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, 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

As of December 31, 2019	Weighted average effective interest rate	1 year	Between 1 and 3 years	More than 3 years	Total
Loans with financial institutions and other entities	MX 8.582% US 5.027%	\$ 417,543	\$ 3,000,000	\$ 9,182,750	\$ 12,600,293
Accounts payable to suppliers		10,884,731	-	-	10,884,731
Accounts payable to related parties		606,681	-	-	606,681
Other accounts payable and accrued liabilities		2,847,466	-	-	2,847,466
Lease liabilities		1,863,754	2,605,483	5,217,769	9,687,006
Derivative financial instruments		260	-	607,491	607,751
Total		\$ 16,620,435	\$ 5,605,483	\$ 15,008,010	\$ 37,233,928

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	31/12/21	31/12/20	31/12/19	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)	Liabilities \$(2,114)	Assets \$ 2,697	Assets \$ 2,061	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)	Liabilities (786,436)	Liabilities \$ (1,685,554)	Liabilities \$ (585,405)	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, 2021, 2020 and 2019, 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:

Financial assets/financial liabilities	December 31, 2021		December 31, 2020		December 31, 2019	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:						
Cash and cash equivalents	\$ 11,197,642	\$ 11,197,642	\$ 11,764,102	\$ 11,764,102	\$ 8,157,905	\$ 8,157,905
Instruments available-for-sale:						
Securities investments held-to-maturity	-	-	2,642,169	2,642,169	1,701,400	1,701,400
Accounts and loans receivable:						
Short and long-term accounts receivable	46,328,723	46,891,136	23,826,543	24,583,293	25,174,596	25,173,902
Accounts receivable with related parties	5,237,509	5,237,509	5,187,980	5,187,980	4,954,593	4,954,593
Accounts and notes payable:						
Short and long-term loans payable to financial institutions including long-term and other debt	(20,651,475)	(20,897,740)	(17,611,197)	(16,432,367)	(9,600,293)	(9,600,293)
Securitization certificates	(3,500,000)	(3,482,255)	(6,500,000)	(6,424,790)	(3,000,000)	(2,991,000)
Accounts payable to suppliers	(12,860,801)	(12,860,801)	(11,623,855)	(11,623,855)	(10,884,731)	(10,884,731)
Accounts payable to related parties	(774,267)	(774,267)	(651,600)	(651,600)	(606,681)	(606,681)
Lease liabilities	(6,542,892)	(8,552,674)	(5,816,091)	(8,088,005)	(6,730,204)	(9,687,006)
Other accounts payable	<u>(3,002,946)</u>	<u>(3,002,946)</u>	<u>(2,767,664)</u>	<u>(2,767,664)</u>	<u>(2,847,466)</u>	<u>(2,847,466)</u>
Total	\$ <u>15,431,493</u>	\$ <u>13,755,604</u>	\$ <u>(1,549,613)</u>	\$ <u>(1,810,737)</u>	\$ <u>6,319,119</u>	\$ <u>3,370,623</u>

The fair values shown at December 31, 2021, 2020 and 2019, 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.

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.

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



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

Instrument	Designated as	Notional		Maturity	Valuation as of December 31, 2021			
		Amount ('000)	Unit		Asset (liability)	Financial cost of the year	Financial cost of prior years	(Gain) loss on settlement
Fixed-rate LIBOR swaps	Trading Purchase	50,000	US	February 2030 and February 2035	\$ (88,292)	\$ (69,177)	\$ (157,469)	\$ 21,795
Fixed rate TIE swaps	Trading Purchase	3,650,000	MX	April 2022 and April 2027	83,522	(340,290)	(256,768)	68,306
Total at December 31, 2021					\$ (4,770)	\$ (340,359)	\$ (414,237)	\$ 90,101
Total at December 31, 2020					\$ (421,100)	\$ 380,349	\$ (33,888)	\$ 8,837
Total at December 31, 2019					\$ (33,888)	\$ 460,274	\$ (426,386)	\$ (33,341)

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

Instrument	Notional		Maturity	Valuation as of December 31, 2021		
	Amount ('000)	Unit		Asset (liability)	Comprehensive income	(Gain) loss on settlement Cost of sales
Euro forwards purchase	6,900	Thousand Euros	January to December 2021	\$ (2,114)	\$ 1,480	\$ (1,055)
Total at December 31, 2021				\$ (2,114)	\$ 1,480	\$ (1,055)
Total at December 31, 2020				\$ 2,697	\$ (1,888)	\$ (630)
Total at December 31, 2019				\$ 2,061	\$ (1,442)	\$ 1,446



Transactions involving interest rate swaps are summarized below:

Instrument	Notional		Maturity	Valuation as of December 31, 2021		
	Amount ('000)	Unit		Asset (liability)	Comprehensive income	(Gain) loss on Settlement financial cost
Fixed-rate LIBOR swaps	385,496	US\$	January 2035	\$ (783,940)	\$ 548,758	\$ 202,872
Total at December 31, 2021				\$ (783,940)	\$ 548,758	\$ 202,872
Total at December 31, 2020				\$ (1,274,023)	\$ 891,816	\$ 115,117
Total at December 31, 2019				\$ (557,124)	\$ 463,499	\$ 7,961

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

Instrument	Notional		Maturity	Valuation as of December 31, 2021		
	Amount ('000)	Unit		Asset (liability)	Comprehensive income	(Gain) loss on settlement Cost of sales
Copper Swaps purchase	468	Tons	January to March 2022	\$ 2,144	\$ (1,545)	\$ -
Copper Swaps purchase	1,596	Tons	During 2021	-	-	5,594
Aluminum Swaps purchase	125	Tons	January to March 2022	130	(92)	-
Aluminum Swaps purchase	525	Tons	During 2021	-	-	(2,677)
Total at December 31				\$ 2,274	\$ (1,637)	\$ 2,917
Total at December 31				\$ 9,569	\$ 11,224	\$ (1,256)
Total at December 31				\$ 5,607	\$ (4,532)	\$ 8,675

16. Property, plant and equipment

The reconciliation carrying amounts at the start and end of 2021, 2020 and 2019 is as follows:

	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	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

	Balances as of December 31, 2019	Additions	Business acquisition	Retirements / disposals	Transfers	Exchange differences on translation	Balances as of December 31, 2020
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

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

Total transfers to investment properties during 2021, 2020 and 2019 were \$335,200, \$42,420 and \$46,027, respectively.

17. Investment properties

	2021	2020	2019
Investment properties	\$ <u>4,601,226</u>	\$ <u>3,392,635</u>	\$ <u>3,233,907</u>

Investment property movements:

	2021	2020	2019
Balance at the start of the year	\$ 3,392,635	\$ 3,233,907	\$ 3,068,498
Additions	6,325	600	2,276
Transfers	335,200	42,420	(62,307)
Fair value adjustments applied to investment properties	<u>867,066</u>	<u>115,708</u>	<u>225,440</u>
Balance at the end of the period	\$ <u>4,601,226</u>	\$ <u>3,392,635</u>	\$ <u>3,233,907</u>

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 \$118,088, \$132,428 and \$231,852 for the years ended December 31, 2021, 2020 and 2019,

respectively. At December 31, 2021, 2020 and 2019, the occupancy rate of shopping centers is of 70%, 72% and 85%, respectively.

Direct operating expenses including maintenance costs incurred for the investment properties are recognized in results and represent approximately 69%, 65% and 40% of rental income for years ended December 31, 2021, 2020 and 2019, respectively.

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

Details of the Entity investment properties and information regarding the fair value hierarchy as of December 2021, 2020 and 2019 are as follows:

Concept	2021		2020		2019	
	Level 3	Fair value	Level 3	Fair value	Level 3	Fair value
Shopping malls located in Mexico City	\$ 2,495,808	\$ 2,495,808	\$ 2,462,521	\$ 2,462,521	\$ 2,507,271	\$ 2,507,271
Land located in Baja California and other areas (1)	1,432,266	1,432,266	842,757	842,757	639,879	639,879
Land and buildings	<u>673,152</u>	<u>673,152</u>	<u>87,357</u>	<u>87,357</u>	<u>86,757</u>	<u>86,757</u>
Total	\$ <u>4,601,226</u>	\$ <u>4,601,226</u>	\$ <u>3,392,635</u>	\$ <u>3,392,635</u>	\$ <u>3,233,907</u>	\$ <u>3,233,907</u>

(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, 2021 and 2020, fair value was determined according to the replacement cost approach, which reflects the acquisition or construction price of the replacement assets with a comparable profit, adjusted for obsolescence. The capitalization rate used in capitalization of potential lease income, property nature, and prevailing market conditions was 7.5% to 9.1% in 2019. Considering differences as regards location and individual factors such as frontage and size, the monthly market rental of comparable properties was an average of \$368 Mexican pesos per square meter (sqm) in 2019, respectively.	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. In 2019 a variance of minus 50 basis points would result in a fair value increase of \$167,151, while an increase of 50 points would result in a fair value decrease of \$147,487. A significant lease market increase would result in a significant in fair value increase 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.	

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:

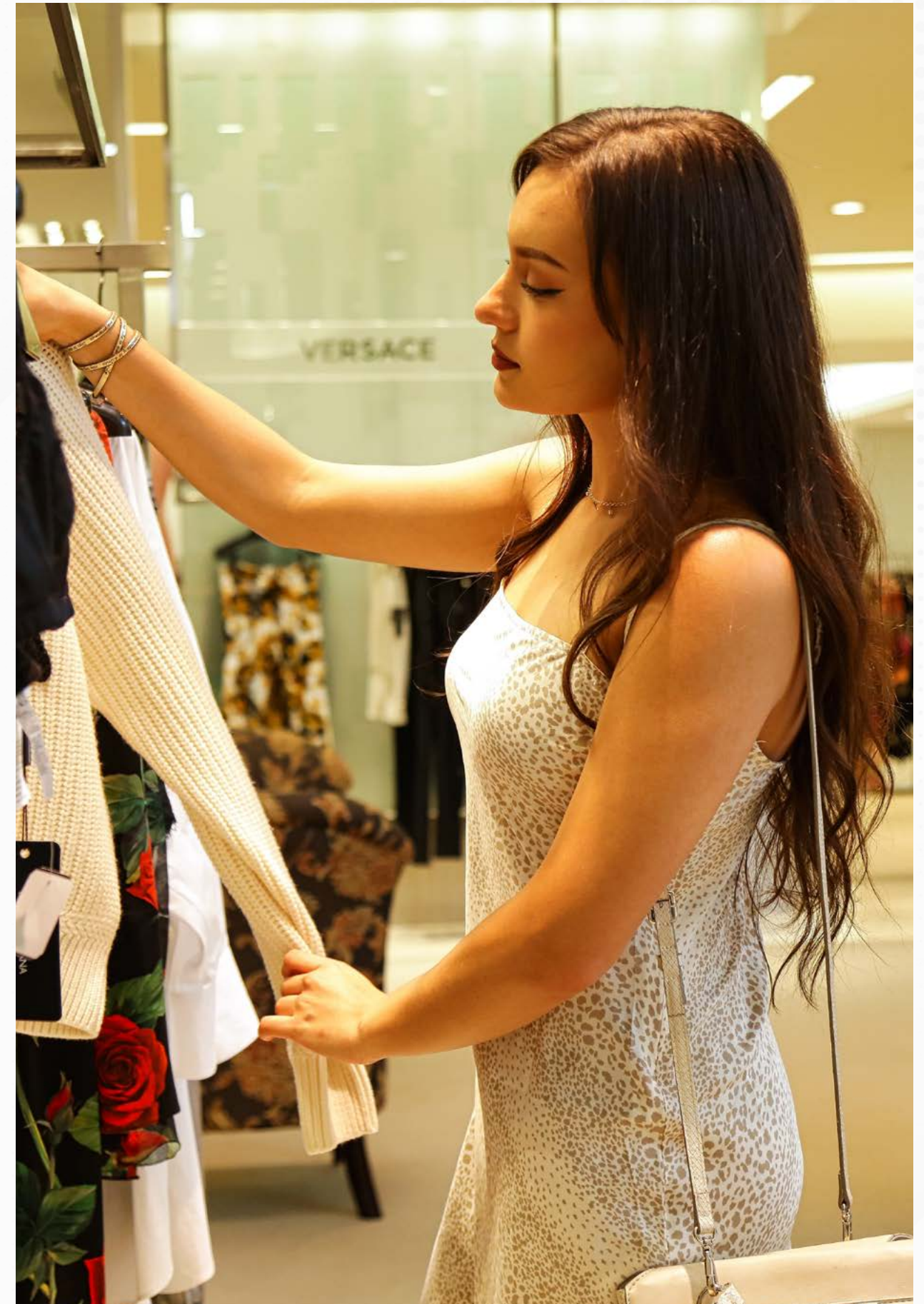
Equity percentage					
Associated entity and joint venture	2021	2020	2019	Location	Activity
Fortaleza Materiales, S. A. B. de C. V. (formerly Elementia, S. A. B. de C. V., Note 2 subsection b) (Fortaleza)	38.69	36.47	36.47	Mexico	Manufacture and marketing of products for the construction industry.
Elementia 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	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	-	-	Mexico	Air transportation of cargo and passengers.
Grupo Telvista, S. A. de C.V. (1)	10.00	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	2021	2020	2019	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)	10.00	10.00	10.00	Mexico	Manufacture of aluminum products.

(1) Has significant influence even when it does not hold equity of more than 20% based on stockholder agreements.

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

	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
Elementia	12,000,553	243,812	38.69	4,643,265	94,336
ITM	9,961,259	1,889,168	16.75	1,668,511	316,436
Inmuebles SROM, S. A. de C. V.	13,726,035	1,091,645	14.00	1,921,645	113,287
Miniso BF Holding, S. de R. L. de C. V.	(340,913)	(294,301)	33.27	679,473	(117,879)
Aerofrisco, S. A. de C. V. (6)	2,726,965	(12,449)	18.21	496,626	(157)
Grupo Telvista, S. A. de C. V. (5)(7)	2,477,914	22,360	10.00	247,791	2,235
Infraestructura y Saneamiento Atotonilco, S. A. de C. V.	(135,224)	(6,939)	42.50	(57,471)	(2,949)
Constructora MT de Oaxaca, S. A. de C. V.	(190,958)	(525)	40.00	(76,383)	(210)
Trans-Pecos Pipeline, LLC. (3)	7,666,720	1,245,461	51.00	3,910,027	635,185
Comanche Trail Pipeline, LLC. (4)	4,697,145	931,392	51.00	2,395,544	475,010
Other associated entities				212,776	156,951
Total investment in associated entities				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)			10.00	367,276	-
PBF Energy, Inc.				57,319	-
				21,900,060	-
Total investment in associated entities, joint ventures and other entities				\$ 42,794,747	\$ 2,826,115



	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.	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.	6,025,823	1,166,291	51.00	3,073,169	594,808
Comanche Trail Pipeline, LLC.	3,455,090	868,245	51.00	1,762,097	442,805
Other associated entities				55,757	203,465
Total investment in associated entities				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



	Stockholders' equity	Net income	Equity percentage	Investment in shares	Equity in income
Fortaleza (1)	\$ 20,896,256	\$ (1,637,069)	36.47	\$ 8,174,128	\$ (622,006)
ITM	12,119,926	3,222,759	16.75	2,030,088	539,813
Inmuebles SROM, S. A. de C. V.	17,959,703	1,207,231	14.00	2,441,613	169,012
Miniso BF Holding, S. de R. L. de C. V.	826,940	(245,777)	33.27	1,081,485	(52,187)
Grupo Telvista, S. A. de C. V. (5)(7)	2,332,713	55,739	10.00	233,271	5,574
Infraestructura y Saneamiento Atotonilco, S. A. de C. V.	133,803	(6,880)	42.50	(51,051)	(2,924)
Constructora MT de Oaxaca, S. A. de C. V.	412,820	9,007	40.00	2,489	(161,251)
Trans-Pecos Pipeline, LLC. (3)	5,847,584	865,432	51.00	2,982,268	440,826
Comanche Trail Pipeline, LLC. (4)	3,402,854	729,402	51.00	1,735,456	372,540
Other Associated entities				117,195	288,666
				18,746,942	978,063
Other investments				2,040	-
Total investment in associated entities				18,748,982	978,063
Entities at market value				Fair value	
GMéxico Transportes, S. A. B. de C.V.			15.14	15,589,735	-
Cuprum (2)			10.00	421,385	-
PBF Energy, Inc.				122,462	-
				16,133,582	-
Total investment in associated entities and joint ventures				\$ 34,882,564	\$ 978,063



(1) The investment in shares includes goodwill of \$554,284. In 2021, 2020 and 2019, the equity held in associated entities of \$205,983, \$245,716 and \$220,933, 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, 2021, 2020 and 2019, the stock investment includes a dividend payment of \$189,858 and a profit of \$391,531, dividends of \$253,705 and a loss of \$250,244, dividends of \$140,973 and a loss of \$414,160, respectively, which are recognized as other comprehensive results in the consolidated income statement.

(4) As of December 31, 2021, 2020 and 2019, the stock investment includes a dividend payment of \$188,238 and a profit of \$346,675, dividends of \$173,140 and a loss of \$243,024, dividends of \$131,544 and a loss of \$348,237, respectively, which are recognized as other comprehensive results in the consolidated income statement.

(5) As of December 31, 2021, 2020 and 2019, 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 and a profit of \$23,386, respectively, which are recognized as other comprehensive results in the consolidated income statement.

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

(7) The Entity has significant influence as regards Grupo Telvista, S. A. de C. V. because its related party, America Movil, S. A. B. de C. V., has the remaining shareholding equal to 90%.

19. Other assets

Other assets are composed follows:

	Years of amortization	2021	2020	2019
Insurance and bonds	(a)	\$ 781,804	\$ 746,144	\$ 667,646
Collaborative commission agreement		159,604	159,604	159,604
Guarantee deposits		58,397	69,478	66,464
Installation expenses		368,351	344,036	327,187
Prepaid expenses		28,114	28,114	21,113
Other expenses		410,622	290,455	252,605
		<u>1,806,892</u>	<u>1,637,831</u>	<u>1,494,619</u>
Accumulated amortization		<u>(1,373,804)</u>	<u>(1,248,242)</u>	<u>(1,033,486)</u>
		<u>\$ 433,088</u>	<u>\$ 389,589</u>	<u>\$ 461,133</u>

(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 \$125,562, \$214,756 and \$178,404 in 2021, 2020 and 2019, respectively, of which \$98,952, \$188,717 and \$125,061 is recognized as part of cost of sales at that date.

20. Intangible assets

	Amortization period	Balances as of December 31, 2020	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		<u>3,308,626</u>	<u>1,087,502</u>	<u>(122,958)</u>	<u>-</u>	<u>4,273,170</u>
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		<u>(435,581)</u>	<u>(49,636)</u>	<u>-</u>	<u>-</u>	<u>(485,217)</u>
Impairment Adjustments:						
Exploration and evaluation		(1,413,333)	-	-	-	(1,413,333)
		<u>\$ 1,459,712</u>	<u>\$ 1,037,866</u>	<u>\$ (122,958)</u>	<u>\$ -</u>	<u>\$ 2,374,620</u>

	Amortization period	Balances as of December 31, 2019	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)
		<u>\$ 1,470,388</u>	<u>\$ (7,299)</u>	<u>\$ -</u>	<u>\$ (3,377)</u>	<u>\$ 1,459,712</u>

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

21. Short and long-term debt

Are composed as follows:

	2021	2020	2019
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% with maturities in February 2021	33,606	-	-
Commercial loans entered during the fourth quarter at a fixed rate of 6.66% and 6.69% with maturities in February 2020.	-	-	215,879
Commercial loans entered during the fourth quarter at a fixed rate of 6.10% plus the 28-day TIE rate, with maturities in February and March 2020.	-	-	50,068
The unsecured loan in Peruvian soles renewed in the third quarter was settled in October 2020. In December, a new loan was contracted at a fixed rate of 2.95% and with maturity in February 2021.	-	19,282	-
Commercial loans entered during the fourth quarter at a fixed rate of 1.50%, plus 28-day TIE rate, with maturities in March 2020.	-	-	30,000
Other loans	84,176	94,154	29,685
	5,126,132	113,436	325,632
Add current portion of long-term debt	<u>394,614</u>	<u>3,177,531</u>	<u>91,911</u>
Short-term debt	\$ <u>5,520,746</u>	\$ <u>3,290,967</u>	\$ <u>417,543</u>
Long-term debt:			
Syndicated Loan of US\$ 496,000, with a variable interest rate equal to the LIBOR rate + 2.5, with maturity in January 2035.	\$ 9,920,685	\$ 9,720,455	\$ 9,274,661
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	-
Securitization certificates issued in Mexican pesos with 28-days maturities, one of which was issued, with maturity on March 12, 2021, and the other issued on March 11, 2020, with maturity on February 10, 2023.	<u>3,500,000</u>	<u>6,500,000</u>	<u>3,000,000</u>
	19,025,343	23,997,761	12,274,661
Less - current portion of long-term debt	(394,614)	(3,177,531)	(91,911)
Long-term debt	\$ <u>18,630,729</u>	\$ <u>20,820,230</u>	\$ <u>12,182,750</u>

Long-term debt accrues interest at variable rates. Interest rates for loans in Mexican pesos during 2021, 2020 and 2019 were a weighted average of 5.08%, 5.29% and 6.56%, respectively. The London InterBank Offered Rate (LIBOR) was 0.28% 0.42% and 1.05%, while the interbank interest rate (TIE) was 5.7150%, 4.4861%, and 7.6969% as of December 31, 2021, 2020 and 2019, respectively.

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:

	2021	2020	2019
Taxes payable	\$ 2,901,825	\$ 4,195,077	\$ 5,372,817
Other accounts payable	<u>3,000,348</u>	<u>2,767,664</u>	<u>2,847,466</u>
	\$ <u>5,902,173</u>	\$ <u>6,962,741</u>	\$ <u>8,220,283</u>

23. Provisions

2021

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

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
	<u>\$ 3,721,185</u>	<u>\$ 20,231,514</u>	<u>\$ (17,811,284)</u>	<u>\$ -</u>	<u>\$ (532,158)</u>	<u>\$ 5,609,257</u>

2019

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

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, 2021 with information as of October 31, 2021 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:

	2021	2020	2019
Discount rate	8.18%	7.19%	7.36%
Expected rate of salary increase	4.83%	5.11%	5.08%
Expected return on plan assets	7.67%	7.08%	7.31%
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:

	2021	2020	2019
Present value of the obligation from funded defined benefits	\$ (4,634,390)	\$ (4,663,156)	\$ (5,698,979)
Fair value of plan assets	<u>5,192,693</u>	<u>4,858,618</u>	<u>4,720,777</u>
Excess of plan assets as regards defined benefit obligation	\$ <u>558,303</u>	\$ <u>195,462</u>	\$ <u>(978,202)</u>

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

	2021	2020	2019
Liabilities from employee defined retirement benefits	\$ (348,351)	\$ (625,493)	\$ (1,204,563)
Assets from employee defined retirement benefits	906,654	820,955	226,361
	\$ <u>558,303</u>	\$ <u>195,462</u>	\$ <u>(978,202)</u>
Fund contributions	\$ <u>61,732</u>	\$ <u>110,430</u>	\$ <u>217,266</u>

The expense of the year is \$381,190, \$149,715 and \$224,542 in 2021, 2020 and 2019, 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:

	2021	2020	2019
Current labor service cost	\$ 214,332	\$ 248,168	\$ 197,333
Interest cost	318,926	364,731	364,858
Interest income	(158,722)	(151,351)	(397,754)
Labor cost of past services	(5,213)	(1,585,522)	63,034
Effect of any reduction or early settlement (other than a restructuring or a discontinued operation)	11,867	2,682	(2,929)
Net cost of the period	\$ <u>381,190</u>	\$ <u>(1,121,292)</u>	\$ <u>224,542</u>

Defined benefit cost entries recognized in other comprehensive income.

	2021	2020	2019
Actuarial gain (loss)	\$ <u>354,939</u>	\$ <u>(142,137)</u>	\$ <u>(1,331,398)</u>

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:

	2021	2020	2019
Opening balance of defined benefit obligation	\$ (4,663,156)	\$ (5,698,979)	\$ (3,908,938)
Current service cost	(214,332)	(248,168)	(197,333)
Past service cost	5,213	1,585,522	(63,034)
Interest cost	(318,926)	(364,731)	(364,858)
Actuarial (losses) gains	215,163	(173,172)	(1,172,653)
Benefits paid	177,862	125,153	144,764
Effect of any reduction or early settlement (other than restructuring or a discontinued operation)	198,292	98,229	(136,927)
Others (adjustment for ISR GSanborns adoption)	(34,506)	12,990	-
Closing balance of the defined benefit obligation	\$ <u>(4,634,390)</u>	\$ <u>(4,663,156)</u>	\$ <u>(5,698,979)</u>

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

	2021	2020	2019
Initial fair value of plan assets	\$ 4,858,618	\$ 4,720,777	\$ 4,303,161
Expected yield on plan assets	158,722	151,351	397,754
Personnel transfers	2,963	(1,655)	662
Actuarial gains (losses)	288,520	65,108	(38,234)
Plan contributions	61,732	110,430	217,266
Benefits paid	(177,862)	(125,153)	(144,764)
Assets distributed through settlements	-	26,768	(15,068)
Assets distributed through settlements	-	(89,008)	-
Final fair value of plan assets	\$ <u>5,192,693</u>	\$ <u>4,858,618</u>	\$ <u>4,720,777</u>

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 2021 in \$192,967 (increase of \$207,810).

If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by \$250,553 in 2021 (decrease of \$251,922).

If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by \$120,523 in 2021 (decrease of \$116,100).

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% capital instruments and 52% debt instruments.

The average duration of the benefit obligation as of December 31, 2021, 2020 and 2019 is 10.27, 10.81, and 11.66 years, respectively.

The Entity expects to make a contribution of \$200,354 to defined benefit plans during 2021.

The main categories of plan assets are:

	Fair value of plan assets			Fair value of plan assets		
	2021 %	2020 %	2019 %	2021	2020	2019
Capital instruments	45	48	48	\$ 2,306,626	\$ 2,105,049	\$ 2,316,402
Debt instruments	55	52	52	\$ 2,886,067	\$ 2,754,477	\$ 2,467,228
Weighted average expected return				\$ 373,748	\$ 333,722	\$ 379,381

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:

	2021	2020	2019
Short-term benefits	\$ 114,857	\$ 116,479	\$ 151,255
Defined benefit plans	99	217	1,952
Other long-term benefits	302,367	285,427	384,049

25. Stockholders' equity

- a. The historical amount of subscribed and paid-in common stock of Grupo Carso as of December 31, 2021, 2020 and 2019 is as follows:

	Number of shares			Amount		
	2021	2020	2019	2021	2020	2019
Series A1	2,261,166,416	2,745,000,000	2,745,000,000	\$ 530,746	\$ 644,313	\$ 644,313
Repurchased shares held by the Treasury	(5,917,301)	(477,335,910)	(465,351,256)	(1,389)	(112,040)	(109,227)
Historical common stock	<u>2,255,249,115</u>	<u>2,267,664,090</u>	<u>2,279,648,744</u>	<u>\$ 529,357</u>	<u>\$ 532,273</u>	<u>\$ 535,086</u>

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, 2021 authorized the payment of a cash dividend of \$0.96 (ninety-six cents) per share to be taken the balance of the Net Tax Income Account (CUFIN), This dividend would be distributed through two payments of \$0.48 (forty- eight cents) per share, on June 28 and December 20, 2021 based on coupons No. 42 and 43, respectively, on outstanding shares at the payment date. The total payment was \$2,167,121.

The Ordinary General Meeting of the Stockholders of Grupo Carso of April 30, 2020 resolved that, given the health contingency caused by Covid-19, no cash dividend would be paid to stockholders and that the entire balance of profits obtained during 2019 and the balance of accrued profits of prior years, aside from being available to the General Meeting of the Company's Stockholders, would also be made available to the Board of Directors, albeit with the exception of the total amount of the legal reserve, with the broadest powers delegated to the latter to wholly or partially allocate this amount as deemed appropriate to create or increase reserves and/or their distribution as a dividend(s) to the Company's stockholders. Applications for the purchase of the Company's own shares were also ratified.

The Ordinary General Meeting of the Stockholders of Grupo Carso of April 29, 2019 authorized the payment of a cash dividend of \$0.94 (ninety-two cents) per share to be taken the balance of the Net Tax Income Account (CUFIN). This dividend would be distributed through two payments of \$0.47 (forty-six cents) per share, on June 28 and December 20, 2019 based on coupons No. 40 and 41, respectively, on outstanding shares at the payment date. The total payment was \$2,143,741.

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, 2021, 2020 and 2019, 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:

	2021	2020	2019
Receivable-			
Red Nacional Última Milla, S. A. P. I. de C. V.	1,271,061	2,101,012	-
APTIV Contract Services Norest	995,530	857,504	-
Empresa de Servicios y Soporte Integral GC. S.A.P.I.	908,464	179	-
Miniso BF Holding, S. de R. L. de C. V.	178,254	165,846	153,793
Telmex Colombia, S. A.	170,613	64,940	157,086
Teléfonos de México, S. A. B. de C. V.	164,154	262,254	1,363,538
América Móvil Perú, S. A. C.	143,648	191,138	188,899
Infraestructura y Saneamiento de Atotonilco, S. A. de C. V.	140,201	138,958	105,124
Constructora MT Oaxaca, S. A. de C. V.	95,940	93,588	13,128
Claro comunicaciones, S. A	94,615	25,784	5,959
Telecomunicaciones de Guatemala, S.A.	92,823	35,986	49,948
Concesionaria de Carreteras y Libramientos del Pacífico Norte, S. A. de C. V.	91,389	91,389	-
FCC Construcción S.A. Sucursal de México	88,019	-	-
Comunicación Celular, S. A. de C. V.	87,279	22,202	38,277
Red Última Mila del Noroeste, S. A. P. I. de C. V.	82,142	80,803	-
Consortio Tramo Dos, S. A. de C. V.	67,836	11,599	-
Empresa Nicaragüense de Telecomunicaciones, S. A.	60,796	20,773	36,374
Radiomóvil Dipsa, S. A. de C. V.	56,087	112,107	104,038
Compañía de Telecomunicaciones de el Salvador, S. A. de C. V.	46,447	(199)	67,023
Concesionaria autopista Guadalajara-Tepic, S. A. de C. V.	42,547	42,547	42,547
Compañía Dominicana de Teléfonos, S. A.	37,808	25,808	81,924
FCC Américas Panamá	28,776	-	-
Servicios de Comunicaciones de Honduras, S. A. de C. V.	27,944	2,472	30,984
Nacional de Cobre, S. A. de C. V.	25,750	25,195	2,414
Claro, S. A.	23,784	94,776	141,592
Consortio Ecuatoriano de Telecomunicaciones, S. A.	22,063	20,862	42,399
Inmuebles Sercox, S.A. de C.V.	18,742	-	-
Compañía de Teléfonos y Bienes Raíces, S. A. de C. V.	16,100	9,570	27,952
Operadora de Sites Mexicanos, S. A. de C. V.	15,246	28,466	49,504
Uninet, S. A. de C. V.	12,569	12,636	17,683
Fideicomiso Opsimex 4594	10,502	508	-
Minera Real de Ángeles, S. A. de C. V.	10,404	14,739	51,275
Ocampo Mining, S. A. de C. V.	6,813	209,328	304
Fundación Carlos Slim, A. C.	6,141	13,379	16,292
Consortio FCC Corredor de Las Playas 1	5,573	16,956	-
Constructora Mexicana de Infraestructura Subterránea, S. A. de C. V.	-	250,006	356,762
Consortio Red Uno, S. A. de C. V.	-	22,686	14,584
Claro Chile, S. A.	-	13,411	-
Viakable, S. A. de C. V.	-	9,164	23,907
Constructora de Inmuebles PLCO, S. A. de C. V.	(634)	7,376	61,934
Delphi Packard Electric Systems, Inc.	-	5,825	535,768

	2021	2020	2019
Teléfonos del Noroeste, S. A. de C. V.	1,153	5,234	194,256
Trituradora y Procesadora de Materiales Santa Anita, S. A. de C. V.	340	4,700	25,333
Servicios Minera Real de Ángeles, S. A. de C. V.	-	4,458	12,589
Delco Electronic Systems	-	4,030	46,819
Claro Panamá, S. A.	7	3,006	13,409
Fideicomiso / 1815 Desarrollo Tlalnepantla	(29)	2,318	11,038
AMX Argentina, S. A.	-	2,032	20,384
Minera Tayahua, S. A. de C. V.	-	153	710,444
CRS Morelos, S. A. de C. V.	-	(138)	29,983
GBS Elementia, S. A. de C. V.	-	(372)	14,430
Makobil, S. de R. L. de C. V.	-	-	10,335
Telesites Costa Rica, S. A.	-	-	3,225
Puerto Rico Telephone Company, Inc.	-	-	5,959
Consortio Cargi - Propen, S. A. de C. V.	-	-	619
Claro CR Telecomunicaciones, S. A.	-	-	8,303
Alquiladora de Casas, S. A. de C. V.	-	-	2,012
Acolman, S. A. de C. V.	-	-	104
Others	90,612	60,986	64,339
	<u>\$ 5,237,509</u>	<u>\$ 5,187,980</u>	<u>\$ 4,954,593</u>
Payable-			
Radiomóvil Dipsa, S. A. de C. V.	\$ 376,239	\$ 268,168	\$ 239,910
Transform SR Brands LLC	87,961	-	-
Sears Brands Management	-	66,100	82,437
América Móvil Perú, S. A. C.	15,712	42,247	16,680
Delphi Packard Electric Systems, Inc.	27,119	39,926	34,721
Inmose, S. A. de C. V.	-	37,493	42,364
Aptiv Services US, LLC.	47,682	49,464	25,225
JM Distribuidores, S. A.	31,025	23,217	21,782
Consortio Tramo Dos, S. A. de C. V.	-	18,892	-
Fundación Carlos Slim, A. C.	40,533	14,015	121
Inversora Bursátil, S. A. de C. V.	3,498	10,849	90
Controladora de Servicios de Telecomunicaciones, S. A. de C. V.	150	10,565	150
Inmuebles SROM, S. A. de C. V.	17,808	9,517	17,022
Concesionaria ETRAM Cuatro Caminos, S.A. de C.V.	12,065	9,831	-
Consortio Red Uno, S. A. de C. V.	8,462	8,669	17,423
SELMEC Equipos Industriales, S. A. de C. V.	-	1,113	19,231
Emprendedora Administrativa, S. A. de C. V.	-	629	13,460
Inmuebles Desarrollados Eclo, S. A. de C. V.	-	-	28,679
Constructora de Inmuebles PLCO, S. A. de C. V.	-	-	19
AMX Contenido, S. A. de C. V.	31,807	617	2,097
Seguros Inbursa, S. A.	14,446	9,090	1,943
Anuncios en Directorios, S. A. de C. V.	-	-	4,452
Others	122,439	90,392	59,043
	<u>\$ 836,946</u>	<u>\$ 710,794</u>	<u>\$ 626,849</u>

- a. Borrowings from financial institutions includes balances with Banco Inbursa, S. A. of \$7,504,657, \$7,777,306 and \$30,000 as of December 31, 2021, 2020 and 2019, respectively; which accrued interest at a variable rate based on general market conditions 7.8705%, 5.29% and 9.20%, respectively; as of December 31, 2021, 2020 and 2019).
- b. Due to related parties includes advances from customers of \$62,679, \$59,194 and \$20,168 as of December 31, 2021, 2020 and 2019, 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:

	2021	2020	2019
Sales	\$ 19,575,101	\$ 20,685,328	\$ 21,332,764
Interest income	84,260	61,496	17,355
Inventories purchased	(1,264,732)	(933,071)	(1,170,401)
Insurance expenses	(224,571)	(285,125)	(303,643)
Lease expenses	(520,901)	(530,282)	(670,417)
(Expense) income for services rendered, net	(408,360)	(229,710)	12,229
Other expenses, net	(115,541)	(291,327)	(386,893)
Purchases of fixed assets	(815)	(5,218)	(23,037)

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

	2021	2020	2019
Sales	\$ 172,324	\$ 568,444	\$ 1,011,702
(Expense) income services, net	(29,919)	11,306	(32,810)
Inventories purchases	(66)	(34,117)	(30,928)
Lease expenses	(3,566)	(3,426)	(3,607)
Insurance	-	(10,264)	(8,500)
Other expenses, net	(18,617)	(12,306)	(20,853)
Purchases of fixed assets	-	(957)	(3,965)

27. Income

	2021	2020	2019
Net sales:			
Sale of goods	\$ 90,540,560	\$ 65,134,322	\$ 74,864,974
Construction	23,883,381	21,200,897	17,025,295
Interests	3,090,829	3,586,863	3,974,592
Services	3,511,892	2,921,757	4,682,397
Rentals	2,520,967	1,044,507	1,035,600
Dividends	900,244	651,900	745,028
Others	124,916	144,124	149,710
Total	\$ 124,572,789	\$ 94,684,370	\$ 102,477,596

28. Cost and expenses analyzed by nature

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

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

29. Other (income) expenses - net

	2021	2020	2019
(Gain) loss in sales of materials and waste	\$ (19,240)	\$ 62,806	\$ (12,113)
Gain on sales of property, plant and equipment	(14,298)	(6,968)	(12,071)
Revaluation of investment property revaluation	(867,066)	(115,708)	(225,440)
Reassessment of employee retirement benefits	73,507	(1,410,828)	-
Liabilities and provisions cancellation	(274,299)	(237,564)	(218,119)
Rehabilitation expenses Line 12	1,166,414	-	-
Loss on property, plant and equipment disposals	61,365	277,973	27,186
Impairment of capitalized exploration expenses	-	371,998	-
Impairment of property, plant and equipment	89,745	(20,856)	(68,887)
Environmental remediation	20,865	22,677	41,229
Other (income) expenses, net	(144,281)	(91,494)	93,767
	\$ 92,712	\$ (1,147,964)	\$ (374,448)

30. Income taxes

The Entity is subject to ISR. Under the ISR Law, the rate for 2021, 2020 and 2019 was 30% and will continue for the years thereafter. The applicable ISR rates in the countries where the Entity's main foreign subsidiaries operate are, United States of North America with rates 21%, 21% and 21%, for 2021, 2020 and 2019, respectively, and Brazil with the 25% rate, applicable for the three years. The Entity with only its Mexican subsidiaries incurred ISR on a consolidated basis until 2013. As the ISR Law applicable as of December 31, 2013 was superseded (2014 Law), the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax calculated as of that date over a 10-year period beginning in 2014, as illustrated below.

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

The Entity and its subsidiaries opted to join the new regime, so determined income tax for the year 2021, 2020 and 2019 as previously described.

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

As of 2008, the Asset Tax Law (LIMPAC) was eliminated, allowing under certain circumstances, the amount of such tax paid in the 10 years immediately prior to the ISR is first payment may be recovered in accordance with applicable tax provisions.

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

	2021	2020	2019
ISR:			
Current	\$ 2,523,532	\$ 3,545,246	\$ 2,876,663
Deferred	80,954	(905,827)	51,935
	\$ 2,604,486	\$ 2,639,419	\$ 2,928,598

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

	2021	2020	2019
ISR deferred (asset) liability:			
Property, plant and equipment	\$ (2,699,211)	\$ 3,049,044	\$ 2,379,184
Inventories	133,451	(171,403)	(624,142)
Leased assets	5,619,709	-	-
Advances from customers	(1,885,841)	(1,903,567)	(559,194)
Investment in associated entities	4,743,754	4,099,027	3,244,632
Metals swaps and forwards	(235,182)	(378,861)	(164,938)
Revenues and costs by percentage-of-completion method	110,808	(299,035)	192,588
Allowances for assets and reserves for liabilities	(895,865)	(1,070,135)	(1,209,390)
Others	272,897	285,588	54,940
Deferred ISR on temporary differences	5,164,520	3,610,658	3,313,680
Effect of tax loss carryforwards	(3,830,935)	(3,152,174)	(2,905,266)
Deferred assets valuation reserve	-	184	69,841
Deferred ISR payment (long-term CUFINRE)	1,742	2,703	2,606
	<u>1,335,327</u>	<u>461,371</u>	<u>480,861</u>
Total deferred tax asset	<u>5,216,710</u>	<u>5,354,451</u>	<u>4,627,641</u>
Total deferred tax liability	<u>\$ 6,552,037</u>	<u>\$ 5,815,822</u>	<u>\$ 5,108,502</u>

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

	2021	2020	2019
Opening balance	\$ 461,371	\$ 480,861	\$ 1,042,885
Income tax applied to results	80,954	(905,827)	51,935
Recognized in other comprehensive income	<u>793,002</u>	<u>886,337</u>	<u>(613,959)</u>
Closing balance	<u>\$ 1,335,327</u>	<u>\$ 461,371</u>	<u>\$ 480,861</u>

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

	2021 %	2020 %	2019 %
Statutory rate	30	30	30
Add (less) the effect of permanent differences - Non-deductible expenses	2	2	2
Effects of inflation	(1)	(1)	(1)
Effect of tax loss carryforwards from foreign operations	(7)	-	(2)
Participation in results of associated entities and joint ventures	(6)	(3)	(2)
Others	(1)	1	(1)
Effective rate	<u>17</u>	<u>29</u>	<u>26</u>

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, 2021 are as follows:

Year of expiration	Tax loss carryforwards
2022	\$ 11,925
2023	1,245,993
2024 and thereafter	<u>5,246,153</u>
	6,504,071
Foreign subsidiaries tax loss carryforwards without expiration term	<u>8,208,890</u>
Total	<u>\$ 14,712,961</u>

e. Tax consolidation:

The income tax liability at December 31, 2021 from the effects of benefits and tax deconsolidation is recorded in other accounts payable and accrued liabilities (the current portion) and the remainder in other long-term liabilities shall be paid in the following years:

Year	
2022	\$ 63,921
2024	44,498
	<u>\$ 108,419</u>

f. Tax integration:

ISR liability derived from the tax integration will be paid within a period of four years; as of December 31, 2021, 2020 and 2019, was amounts \$816,827, \$815,987 and \$1,251,180 respectively, which are recorded in long-term other liabilities.

31. Commitments

I. Commercial Group:

a. As of December 31, 2021, contracts are concluded with suppliers for the remodeling and construction of some of their stores. Commitments made for this concept amounts to approximately \$134,588.

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.

II. Infrastructure and Construction and Industrial:

a. In September 2021, GSM-Bronco, S. A. de C. V. (“GSM-Bronco”) and Canamex Energy Holdings, S. A. P. I. de C. V. received the award by PEP of a turnkey contract to drill and complete development wells for PEP’s onshore fields, for a minimum amount of US\$196,050, work began in September 2021 and is expected to be completed in December 2023, as of December 31, 2021, there is an advance of 6%.

b. In January and February 2021, Operadora signed 10 contracts with ICA Fluor Daniel S. de R. L. de C. V., for the supply of 320 heat exchanger equipment and air coolers, for the new Dos Bocas refinery in Tabasco, for an amount of US\$100,136, due in May 2022, as of December 31, 2021, approximate advances of 70% are made.

c. In May 2020, the Federal Government through Nacional Financiera S. N.C., Development Banking Institution as Trustee of the Trust called the National Fund for the Promotion of Tourism entered into a multi-year 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. Operadora has a 50% stake, for a contracted amount of \$15,994,602 and completion date in July 2022. As of December 31, 2021, there is an approximate advance of 13%.

d. In November 2019, GSM-Bronco, KB Tel and Petroservicios Integrales México, S. A. de C. V. signed a contract with PEP for integral and integrated works for interventions to oil wells of PEP assets, for a maximum amount of US \$ 88,063, the works began in January 2020, as of December 31, 2021 there is an advance of 77%.

e. In November 2018, Operadora signed a contract to carry out the construction of Section 2 of the Las Varas – Puerto Vallarta Highway, Type A2 of high specifications Starting at KM 107 +560 (Florida junction) ending KM 136+ 600 13+ 00 (Bucerías junction) in the state of Nayarit, due in April 2022, the amount of

this agreement amounts to \$ 4,134,434 and as of December 31, 2021 has an approximate advance of 66%.

f. In June 2018, the review process of the evaluation commission was concluded, the Ministry of Public Works (“MOP”) of the Republic of Panama awarded, as the best technical and economic proposal, to the consortium formed by Operadora and FCC Construcción, S.A., a contract for the “Expansion to six lanes -corridor of the beaches (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 stake in the consortium is 49%. As of December 31, 2021, there is an advance of 2% due mainly due to the revision of the scope of the contract by the MOP. The results, assets and liabilities, are recognized as a joint operation based on participation in the consortium.

g. The Ministry of Public Works of the Republic of Panama awarded the “FCC Consortium-Beach Corridor I”, formed by FCC Construcción, S. A. and Operadora, the execution of the project “Expansion to six (6) Lanes -beach corridor, Section 1: La Chorrera - Santa Cruz”, in the province of Panama Oeste, in Panama. Operadora’s stake is 49%. The amount of the contract amounts to B\$543,022, thousands of balboas, equivalent to \$10,368,618. In December 2018, work began on the project. The results, assets and liabilities, are recognized as a joint operation based on participation in the consortium. As of December 31, 2021, there is an approximate advance of 3%, mainly due to the revision of the scope of the contract by the MOP.

h. In December 2017, the Ministry of Transport and Infrastructure of the Republic of Nicaragua awarded the consortium made up Operadora and FCC Construcción, S.A., a contract for the execution of works for the project “Improvement of the Chinamos Road - El Ayote, Sections I and II. The amount of the contracts is C\$487,495 and C\$504,488.6 thousand of córdobas, respectively. Operatora’s stake in the consortium is 50%. In 16th of December 31, 2020, the Ministry of Transport and Infraestructura of the Republic of Nicaragua extended the certify of agreement related of the projects.

i. In September 2016, Operadora announced the award of a contract for the construction of one of the Air Runways of the New Airport of Mexico City through the CARGI - PROPEN consortium with a 25% stake for the purpose of design, planning, construction execution, operation, maintenance, supervision and construction of the preload system, construction will be 5 kilometers long for a contracted amount of \$7,359,204 and completion date in September 2018, In January 2018, an amending agreement was signed extending the execution period with termination in May 2019 and increasing the contract amount remaining at \$8,328,778. In January 2019, Grupo Aeroportuario Mexicano de la Ciudad de México, S. A. de C. V. and a public servant to order suspensions, notified the partial suspension of works related to the contract. As of December 31, 2020, all the commitments derived from the contract were concluded and the documentary settlement has been obtained.

j. On January 25, 2016, Cafig Constructores, S. A. de C. V. was incorporated, a subsidiary entity of Operadora with a 45% shareholding, whose purpose is to build the Samalayuca - Sásabe Gas Pipeline (the “Gas Pipeline”) between the states of Chihuahua and Sonora for the natural gas transportation service.

The pipeline is 36” in diameter, with a total length of 625 kilometers and capacity to transport natural gas up to the maximum daily amount of Four hundred and seventy-two million cubic feet per day (472 MMPCD). As of December 31, 2020, the work has been completed and work has begun on the completion of the project.

k. In November 2014, PEP issued a ruling in favor of GSM-Bronco for the contract for integral works of control fluids, solids separation and waste management to be used in oil wells in the southern region for US\$62,128, operations began in the second half of February 2015, during 2017, PEP decided to suspend the contract, however, during the second half of 2018, it was reactivated to continue with the works until September 2019, during the first quarter of 2019, the service is carried out in marine wells, being the first time we provide this service in the marine region. As of December 31, 2021, there is a 100% progress, an amending agreement is in the process of being formalized to extend the term and amount of the work.

l. In May 2014, PEP awarded a directional drilling contract in oil wells to Bronco for US \$88,786, to be executed in 882 days, work began in June 2014 and as of December 31, 2018, it had 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. As of December 31, 2021, 100% progress has been made, an amending agreement is in the process of being formalized to extend the term and amounts of the work.

m. In May 2010, the Federal Government through the Ministry of Communications and Transportation ("SCT") signed a concession title with the company Autovía Mitla Tehuantepec, S.A. de C.V., to build, exploit, operate, conserve, maintain, modernize and expand the Mitla-

Tehuantepec II federal highway of 169 kms long. For the construction of this highway, the specific purpose company Constructora MT de Oaxaca, S.A. de C.V. (MT), was incorporated in December 2010, of which Operadora owns 40%. MT signed a contract in September 2011 with the concessionaire for the construction of this highway with a value of \$9,318,200. 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 completion of the works for a value of \$5,905,000 and as of December 31, 2021 there is 38% progress and it is expected to be completed in August 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, 2021 and 2020, the Entity has entered into contracts and work orders with related parties in Mexico and Latin America for total amounts of \$7,201,597, \$9,505,086 and USD\$192,341 and US\$187,621, respectively. The contracts include professional services for the construction and modernization of copper wire networks (pairs) and outside-plant fiber optics, as well as the construction of ducts and installation of fiber optics, public works and other undertakings. Most of the projects contracted are expected to conclude during 2022.

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

Year of recruitment	Project	Contracted Subsidiary	Amount Contract	Sector
2019	Hotel GT Four Season Comprehensive drilling of oil wells	HYB	\$ 250,000	Civil Construction
2019		Bronco	\$ 73,868	Manufacturing and services
2018	Tunnel Emisor Oriente	CICSA	\$ 20,167,949	Infrastructure Manufacturing and services
2018	Leasing drilling rigs	Bronco	\$ 84,596	Manufacturing and services
2018	Hotel San Jerónimo, 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	Courts Building	Operadora	\$ 478,000	Civil Construction
2015	Ford NASA	Operadora	\$ 825,000	Civil Construction
2015	Hydraulic Pumping	Bronco	US 13,399	Manufacturing and services
	Brisamar Road to the connection with Cayaco - Puerto Marqués	Acatunel	\$ 1,938,043	Infrastructure
2013				
2012	Southern bypass Guadalajara	Operadora	\$ 7,863,881	Infrastructure
	Atotonilco Wastewater Treatment Plant	El Realito	\$ 2,004,000	Infrastructure
2010				

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, 2021 is \$755,360, for which the Entity has recognized a provision of \$222,479, which is included in other liabilities in the consolidated statements of financial position. During 2021, the Entity made payments related to these matters of approximately \$26,406. 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, 2021, 2020 and 2019, the Entity has contracted sureties, mainly on behalf of their clients, of \$15,938,508, US \$664,668, \$4,733,483 and US \$157,916, \$2,010,080 and US \$58,907, respectively, which were the liability amounts in those periods.

of credit or bonds, regarding the compliance with contracts or the quality of the developed works.

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

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:

	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	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 de 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, net	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 liabilities	19,247,068	5,276,747	11,928,197	29,388,053	3,271,691	69,111,756

2019

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	\$ 1,690,176	\$ 1,463,813	\$ 1,300,133	\$ 2,687,802	\$ 1,015,981	\$ 8,157,905
Accounts and loans receivable	11,857,040	4,284,840	8,900,054	10,011	(1,124,671)	23,927,274
Inventories	12,549,667	4,276,991	824,789	1,787	(668)	17,652,566
Total current assets	27,769,966	14,602,948	15,657,410	3,164,901	(69,878)	61,125,347
Property, plant and equipment	14,102,299	3,625,629	5,262,476	13,349,365	195,402	36,535,171
Right-of-use assets	5,158,750	554,642	208,949	23,211	(311,394)	5,634,158
Other assets	164,306	235,423	55,867	-	5,537	461,133
Total assets	56,692,075	29,375,817	22,913,173	24,502,644	16,970,216	150,453,925
Liabilities:						
Loans payable to financial institutions and current portion of long-term debt	\$ -	\$ 59,695	\$ 122,013	\$ 2,126,818	\$ (1,890,983)	\$ 417,543
Current lease liabilities	1,243,500	97,139	58,725	3,008	(33,053)	1,369,319
Trade accounts payable	8,550,057	1,405,452	974,957	21,587	(67,322)	10,884,731
Total current liabilities	15,898,978	3,298,720	9,087,807	6,673,015	(5,070,138)	29,888,382
Long-term debt	-	-	-	9,182,750	3,000,000	12,182,750
Non-current lease liabilities	4,964,449	524,121	161,693	20,672	(310,050)	5,360,885
Total liabilities	23,535,799	4,475,909	10,144,445	16,497,326	1,155,886	55,809,365

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 profit-sharing	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

2020

Consolidated statements of Comprehensive Income	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

Consolidated statements of Comprehensive Income	Retail	Industrial and Manufacturing	Infrastructure and construction	Energy	Holding, others and eliminations	Total consolidated
Net sales	\$ 52,841,975	\$ 31,746,579	\$ 19,537,994	\$ 51,570	\$ (1,700,522)	\$ 102,477,596
Cost of sales	32,507,579	26,309,991	16,348,929	41,055	(1,869,841)	73,337,713
Sales expenses	12,585,727	647,192	17,135	-	(143,269)	13,106,785
Administrative expenses	3,080,009	1,066,653	980,110	24,137	(456,464)	4,694,445
Employee participation in profits	135,646	67,225	56,008	-	996	259,875
Other (income) expenses - net	(166,177)	(181,278)	14,454	3,725	(45,172)	(374,448)
Interest expense	703,010	140,286	65,579	372,405	(95,608)	1,185,672
Interest income	(296,756)	(107,847)	(46,827)	(145,841)	(146,126)	(743,397)
Exchange gain	(143,806)	(629,368)	(102,286)	(12,101)	(57,252)	(944,813)
Exchange loss	114,463	742,023	151,896	96,721	67,268	1,172,371
Effects of derivative financial instruments	-	-	-	-	426,908	426,908
Equity in income of associated companies and joint ventures	(116,825)	526,187	(121,722)	(813,665)	(452,038)	(978,063)
Income before income taxes	4,439,105	3,165,515	2,174,718	485,134	1,070,076	11,334,548
Income taxes	1,349,506	1,066,988	624,295	(147,503)	35,312	2,928,598
Consolidated net income	3,089,599	2,098,527	1,550,423	632,637	1,034,764	8,405,950
Net income from controlling interest	2,948,504	1,831,659	1,555,870	633,794	577,534	7,547,361
EBITDA (1)	6,789,470	4,240,699	2,706,603	(9,324)	753,615	14,481,063
Depreciation and amortization	2,163,081	560,631	585,245	8,023	(36,045)	3,280,935

(1) Reconciliation of EBITDA

	2021	2020	2019
Income before income taxes	\$ 14,932,449	\$ 9,087,188	\$ 11,334,548
Depreciation and amortization	3,476,297	3,442,981	3,280,935
Interest income	(571,524)	(1,269,193)	(743,397)
Interest expense	1,684,778	2,272,753	1,185,672
Exchange loss (gain)	(43,230)	(814,564)	227,558
Surplus from appraisals of shopping centers	(867,066)	(115,708)	(225,440)
Impairment of property, plant and equipment and of exploration expenses	89,745	351,143	(68,887)
Environmental remediation	20,865	22,677	41,229
Effects of valuation of derivative financial instruments valuation	(319,373)	397,890	426,908
Equity in income of associated entities and joint ventures	(2,826,115)	(757,815)	(978,063)
Rethinking of Employee retirement benefits	78,561	(1,410,828)	-
Portfolio Impairment	25,197	-	-
Other items	43,118	(194)	-
EBITDA	\$ 15,723,702	\$ 11,206,330	\$ 14,481,063

Grupo Carso's EBITDA for the year ended December 31, 2021 increased by 40.3%



Cash flows from operating activities:

	2021	2020	2019
Retail	\$ 4,897,628	\$ (1,865,203)	\$ 4,861,658
Industrial	568,194	2,623,835	3,171,299
Infrastructure and construction	(2,417,610)	2,382,249	350,739
Energy	326,775	4,864,118	718,348
Others and eliminations	(258,019)	2,718,096	(711,748)
Total consolidated	\$ <u>3,116,968</u>	\$ <u>10,723,095</u>	\$ <u>8,390,296</u>

Cash flows from investing activities:

	2021	2020	2019
Retail	\$ (153,651)	\$ (5,875)	\$ (2,092,951)
Industrial	393,123	(1,120,542)	(1,030,624)
Infrastructure and construction	(331,002)	(1,074,963)	91,029
Energy	(609,102)	(17,073,255)	(1,758,344)
Others and eliminations	3,226,909	17,053,037	1,164,668
Total consolidated	\$ <u>2,526,277</u>	\$ <u>(2,221,598)</u>	\$ <u>(3,626,222)</u>

Cash flows from financing activities:

	2021	2020	2019
Retail	\$ (1,451,767)	\$ 2,740,187	\$ (3,556,189)
Industrial	(1,145,346)	(1,518,368)	(2,019,098)
Infrastructure and construction	1,240,099	(354,539)	(180,563)
Energy	(1,008,012)	11,629,916	2,114,283
Others and eliminations	(3,345,404)	(15,995,520)	(1,832,148)
Total consolidated	\$ <u>(5,710,430)</u>	\$ <u>(3,498,324)</u>	\$ <u>(5,473,715)</u>

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:

	2021	%	2020	%	2019	%
North America	\$ 15,472,093	12.42	\$ 12,415,739	13.11	\$ 10,293,921	10.05
Central and South America and the Caribbean	10,924,530	8.77	9,205,938	9.72	10,179,002	9.93
Europe	3,433,711	2.76	2,204,563	2.34	407,774	0.40
Rest of the world	490,180	0.39	372,642	0.39	274,158	0.26
Total exports and foreign income	30,320,514	24.34	24,198,882	25.56	21,154,855	20.64
Mexico	<u>94,252,275</u>	<u>75.66</u>	<u>70,485,488</u>	<u>74.44</u>	<u>81,322,741</u>	<u>79.36</u>
Net income	\$ <u>124,572,789</u>	<u>100.00</u>	\$ <u>94,684,370</u>	<u>100.00</u>	\$ <u>102,477,596</u>	<u>100.00</u>

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.

items or hedging instruments are modified as a result of the reform by the reference interest rate.

In the current year, the entity adopted phase 2 of the amendments to the Reference Interest Rate Reform - amendments to IFRS the 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 points. Adopting these modifications allows the entity to reflect the effects of the transition from the Interbank Offered Rate (IBOR) to a reference interest rate (also known as the "risk-free rate" or RFR) without generating an impact that could produce information that is not useful to users of financial statements. The entity did not reformulate the previous period. Instead, the amendments have been applied retrospectively with any adjustments recognized in the appropriate capital components as at 1 January 2021.

Both Phase 1 and 2 amendments are relevant to the Group, as it applies hedge accounting to its reference interest rate exposure, and in the current year some amendments have been made in response to the reform (but not all). financial derivative and non-derivative instruments expiring in 2021 (the date on which this reform is expected to be implemented).

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, 2021.

Initial impact of the application of the Amendments of the Reference Interest Rate.

In the previous year, the entity adopted phase 1 of the amendments to the Reference Interest Rate Reform: Amendments to IFRS the 9/IAS 39 and IFRS 7-point. These amendments specifically modify the hedge accounting requirements to allow them to continue to affect coverages during a period of uncertainty before covered

The modifications are relevant to the following types of hedging relationships and financial instruments of the entity, all extending beyond 2021, the date on which such reform is expected to be implemented:

- TAPs where LIBOR is linked to derivatives and are designated as TAPs for fixed debt rates with respect to the GBP LIBOR risk component Fair Value Measurement Fair Value Measurement
- Cash flow coverages where IBOR is linked to derivatives designated as IBOR cash flow coverages related to bank loans; and
- Exchange letters and lease liabilities that are referenced with LIBOR and are subject to reform by reference interest rate.

The application of the modifications impacts the accounting of the entity as follows:

- The entity has issued debt denominated at a fixed rate; its Fair Value Measurement share is covered using the fixed rate with LIBOR rate swaps. The modifications allow continuity of hedge accounting even if in the future the reference rate, LIBOR, cannot be separately identifiable and there is uncertainty about the replacement of variable free rates, including interest rate swaps. However, this does not extend to the requirement that interest-rate risk components should continue to be measured reliably. If the risk component cannot be reliably measured, the accounting relationship will be discontinued.

For those entities that apply the requirements of IAS 39 in hedge accounting, the following paragraph will be relevant.

- The entity will not discontinue hedge accounting, considering that retrospectively the effectiveness of the hedge falls outside the range of 80-125% and the hedge ratio is subject to the free reference rate. For those other than those not subject to the baseline rate reform, the entity continues to suspend hedge accounting if retrospective effectiveness is outside the range of 80-125%.

The Entity will continue to apply the modifications of Phase 1 of IFRS the 9/IAS 39 until the uncertainty arising from the reform of the reference rates regarding the time and amount of Statement of cash flows the underlying timings to which the entity is exposed is over. The entity expects the uncertainty to continue until its contracts referring to an IBOR are modified to a specific date by which the reference rates will be replaced and the basis of Statement of cash flows the alternative reference rates terms will be determined including any fixed spread.

As a result of the modifications in phase 2:

- Where the contractual terms of the entity's loans are modified, as a direct consequence of the reform of the reference rates and the new basis for determining Statement of cash flows the contractual terms is equivalent to the immediate basis preceding the change, The entity will change the basis for determining Statement of cash flows the contractual terms prospectively by reviewing the effective interest rate. If additional changes are made, which are not directly related to the reform, the requirements of IFRS the 9-time-based system are applied to other modifications.
- When a lease is modified as a result of the reference rate reform and the new basis for determining lease payments are economically equivalent to the previous basis, the entity remeasures the lease liability to reflect the discounted lease payment. using a revised discount rate that reflects the change in the basis for determining statement of cash flows the contractual terms.
- When changes are made to the hedge instruments, items and risk covered as a result of the baseline fee reform, the entity updates the coverage documentation without discontinuing the coverage relationship and, in the case of Statement of cash flows hedge, the cumulative amount in the cash flow hedge reserve.
- For the entity the Fair Value Measurement security of the coverages of a non-contractual reference interest rate, in transition to the alternative reference rate, if

that risk rate cannot be identified separately at the date of designation, it shall be deemed to have complied with the identifiable separation as of the date of designation, If the entity reasonably expects the term of the specific component of the interest rate to be within a period of 24 months from the date on which the alternative reference rate is designated, regardless of the term by which such coverage was determined. The 24-month period applies on a rate-by-rate basis.

The entity implemented a series of IFRS new and modified ISAs issued by the International Accounting Standards Board ("IASB"), which are mandatory and entered into force from the financial years that began on or after January 1, 2021.

Initial impact of concessions applied to the IFRS 16-TAD Revenue due to COVID-19 related issues after June 30, 2021, amendment to IFRS the 16-TAD

Due to issues related to COVID-19 (amendment to IFRS the 16-point) which provides practical resources for the accounting of concessions for tenants as a direct consequence of COVID-19, introducing a practical record to IFRS the 16-point.

In March 2021, the IASB issued income concessions related to COVID-19 after June 30, 2021 (amendment to IFRS the 16-point). When the IASB published the modifications to IFRS the 16-M in May 2020, the lessor was allowed to apply the practical record of the rent concession for any reduction in the lease payment affecting the original payments before or as of June 30, 2021. Due to the nature of the COVID-19 pandemic, the amendment extended a practical file to apply these original payments by or as of 30 June 2022.

In the current year, the entity has applied the modifications to IFRS the 16 (as issued by the IASB in May 2021) in advance of the effective date.

The practical record allows a tenant to choose not to evaluate whether a COVID-19 related rent is a lease modification. A tenant making this choice must account for any changes in

rent payments resulting from the granting of income related to COVID-19 by applying IFRS the 16-time-bracket as if the change were not a modification to the lease.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
- c. There is no substantive change to other terms and conditions of the lease.

Impact on accounting for changes in lease payments applying the exemption.

No adoption-derived affectations have been identified for the entity.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, marketing and disclosure of insurance contracts and replaces the 4-year-old insurance contracts.

IFRS 17 describes a general model, which is modified for insurance contracts with direct participation characteristics, which is described as the variable rate approach. IFRS The overall model is simplified if certain criteria are met by measuring the responsibility for remaining coverage using the premium allocation method.

The general model will use the current assumptions to estimate the amount, time and uncertainty of Statement of cash flows future market values and will explicitly measure the cost of such uncertainty, taking into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued modifications to IFRS the 17-post to focus on the concerns and implementation of the changes identified after IFRS the 17-post was published. The modifications differ the initial application date of IFRS the 17-point (incorporating the modifications) for the annual report beginning on or after January 1, 2023. At the same time, the IASB issued a Temporary Exemption Extension to apply IFRS 9-TAPER (modifications to IFRS 4-TAPER) Extending the expiry date of the temporary derogation to apply IFRS the 9-post on IFRS the 4-post for annual periods beginning on or after 1 January 2023.

IFRS 17 should be applied retrospectively unless it is not practical, in such a case the retrospective approach will be modified or the post approach will be applied. IFRS Fair Value Measurement.

According to the transition requirements, the initial application date is the beginning of Annual report the time period in which the entity applies the Standard for the first time. the transition date is the beginning of the period immediately before the initial application date.

Modifications to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint business

Modifications to IFRS the 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its partner or joint business. Specifically, the modifications state that the 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 joint business that is posted using the participation method, they are recognized in the benefit or loss of the controller only to the extent that the participation of unrelated investors in that associate or joint venture. Likewise, the gains and losses resulting from the remeasurement of investments held in

any former subsidiary (which has become an associate or joint business that is accounted for using the equity method) to Fair Value Measurement the they are recognized in the profit or loss of the previous controller, only to the extent of the participation of unrelated investors in the new partner or joint business.

The date of entry into force of the amendments has not yet been set by the IASB; however, advance implementation is permitted. The management of the entity foresees that the application of these modifications may have an impact on the consolidated financial statements of the entity in future periods in case of such transactions a commodity arise.

Modifications to IAS Presentation and Disclosure and liabilities as current and non-current

Changes to IAS 1 affect only the presentation current and non-current liabilities in the statement of financial position and not for the amount or time in which any assets, liability, income or expense is recognized, or the information disclosed about those items.

The amendments clarify that Presentation and Disclosure the record of liabilities as circulating and non-circulating is based on the rights of existence at the end of the reporting period, specifies that presentation and disclosure the unit is not affected by expectations about whether the entity will exercise the right to defer the cancellation of the liability, explain that there are rights if there are agreements that must be met at the end of the reporting period, and introduce a definition of the 'agreement' to make it clear that the agreement refers to the transfer of cash from the counterparty, capital instruments, other assets or services.

The modifications are applied retrospectively for annual periods beginning on or after January 1, 2023, with the anticipated application permitted.

Modifications to IFRS 3 - Reference to the Conceptual Framework

The modifications update IFRS 3 so that it can refer to the Conceptual Framework 2018 instead of the 1989 Framework. They also

added a requirement that, for obligations within the scope of IAS 37, a buyer applies IAS 37 to determine whether the date of acquisition is a present obligation or exists as a result of a past event. For liens that fall 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 liens that occurred on the date of acquisition.

Finally, the modifications add an explicit statement that the buyer will not recognize a contingent asset purchased from Business combination a retail company.

The modifications are effective for Business combinations those ISAs whose date of purchase is on or after the initial period of the first annual period beginning on or after January 1, 2022. With an option to apply early if the entity also applies all other updated references (published together with the Framework) at the same time or in advance.

Modifications to IAS 16 - Property, Plant and Equipment - before use.

Modifications prohibit the deduction of the cost of a property, plant, or equipment asset of any income from selling the asset after it is ready for use, for example, revenue while the asset is taken to the location and the necessary conditioning is made to be operable in the manner intended in accordance with management. Therefore, an entity must recognize that revenue from sales and costs in results. The entity measures the costs of these items in accordance with IAS 2 inventories.

The modifications clarify the meaning of 'testing whether an asset works properly'. IAS 16 now 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 rent or other, or administrative purposes.

If it is not presented separately in the statement of income and other comprehensive income, the financial statements shall disclose the amounts of income and costs in results related to items that are not an output by the ordinary activities of the entity, on the start line(s) in the end-to-end results statement that includes revenue

and costs.

Modifications are applied retrospectively, but only to property items, plant and equipment that are brought to the location and conditions necessary for them to be able to operate as the administration has planned it on or after the beginning of the period in which the financial statements of the entity in which it first applies them are presented modifications.

The entity shall recognize the cumulative effect of the initial application of the modifications as an adjustment to the balance sheet on retained earnings (or some capital component, as appropriate) at the beginning of the first period to be submitted.

The amendments are effective for annual periods beginning January 1, 2022 with an option of early application.

Modifications to IAS 37 - Inexpensive Contracts - Costs for Comply with a Contract

The modifications specify that the 'costs to be met' of a contract include the 'costs directly related to the contract'. Costs directly related to a contract consist of incremental costs and costs for fulfilling a contract (example: labor or materials) and the allocation of other costs that are directly related to fulfilling a contract (such as assigning depreciation to items of property, plant, and equipment to fulfill the contract).

The modifications apply to contracts in which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity applies the modifications for the first time. Comparisons should not be reformulated. Instead, the entity should recognize the cumulative effect of the initial application of the modifications as an adjustment to the balance sheet on retained earnings or some other capital component, as appropriate, for the initial application date.

The amendments are effective for annual periods beginning on or after January 1, 2022, with an option of early application.

Annual amendments to IFRS the rules 2018-2020

The annual amendments include the amendment to four standards.

The first adoption of the International Financial Reporting Standards, IFRS

The modification provides additional relief for the subsidiary that it adopts for the first time after its parent with respect to accounting for cumulative conversion differences. As a result of the modifications, a subsidiary uses IFRS the exception of D16(a): D16(a) can now choose to measure the cumulative effects of conversion of foreign transactions to book value that were included in the consolidated statements of the parent. Based on the transition date of the parent to IFRS a storage company, if there were no adjustments to the consolidation procedures and Business combination the consolidation effects on which the parent purchased from the subsidiary. A similar choice is available for a partner or joint business that uses IFRS the one-time exception: D16(a).

The amendment is effective for periods beginning on or after January 1, 2022, with the option of early adoption.

IFRS 9 financial instruments

The amendment clarifies that in applying the '10%' test to assess whether a Derecognition financial liability should be given by market, an entity includes only the contributions paid or received between the entity (the borrower) and the lender, including contributions paid or received by the entity or lender.

Amendments are applied prospectively to modifications or changes that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with an option for early application.

IFRS 16 Amendment

The modifications eliminate the figure of reimbursement for lease improvements.

Since modifications to IFRS the 16-TED are only for an illustrative example, there is no established start date.

Amendments to IAS 1 and 2 IFRS Statements of Practice Accounting Policy Disclosure

The amendments change requirements to IAS 1 regarding disclosure of accounting policies. The modification replaces the terms "significant accounting policies" with "material accounting policy information". Accounting policy information is material when it is considered that, in conjunction with other information contained in an entity's financial statements, they can influence the decision-making of the primary users of general-purpose financial statements and what are made on the basis of such financial statements.

The support paragraphs in IAS 1 are modified to clarify accounting policy information that relates to Class of Transactions intangible assets, other events or conditions that are themselves material.

To support these modifications, the IASB has developed a guide and examples to explain and demonstrate the application of the "4 steps in Materiality the process of the six-point manufacturing process" described in the statements in the 2 practices of IFRS the MASB.

Changes to IAS 1 will be in effect for the annual periods beginning January 1, 2021, with an option for early application and are applied prospectively. Modifications to the statements in the 2 practices of IFRS the TAMs do not contain an effective date or transition requirements.

Modifications to IAS 8 Definition of accounting estimates.

Modifications override the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement of uncertainty."

The definition of a change in accounting estimates was deleted. However, the IASB maintained the concept of changes to an Accounting estimate standard in a single-point-of-order with the following clarifications:

- A change to Accounting estimate a common-use is the results of new information or a new development is not the corrections of an error.
- The effects of a change in an input data or valuation technique used to develop Accounting estimate a QU are changes in accounting estimates if they do not result from a correction of errors from previous periods.

The IASB added two examples (Example 4-5) for the IAS 8 Implementation Guide that accompanies the standard. The IASB has removed an example (Example 3) as it could cause confusion about the modifications.

The amendments shall be in effect for the annual periods beginning on 1 January 2023 for changes in accounting policies and changes in accounting estimates occurring at or after the beginning of that period with an option for early application.

Modifications to IAS 12 Deferred taxes related to assets and liabilities arising from a single transaction.

The amendments introduced another additional exception apart from the exemption from the initial recognition. In modifications, an entity does not apply the initial recognition exception for Class of Transactions the TAMs that result in taxable and deductible temporary differences.

Depending on the applicable tax law, temporary taxable and deductible differences may occur in the initial recognition of an asset and liability in a non-Business combination-profit transaction that does not affect accounting or taxable profits. For example, it can be given with an acknowledgment of a lease liability and the corresponding right-to-use asset by applying IFRS the 16 Tenancy Tenancy at the date of the start of a lease.

Following the modifications to IAS 12, an entity is required to recognize deferred tax assets and liabilities, with the recognition of any deferred tax assets being subject to the recoverability criterion.

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

The modifications apply to Class of Transactions the ISOs that occur on or after the first comparative period of the reporting period. Additionally, at the beginning of the first comparative period an entity recognizes:

- An active deferred tax (to the extent that taxable income is likely to be available against the deductible temporary difference) and a passive deferred tax for all taxable and temporary deductions associated with:
- Assets by right of use and liabilities by leases.
- Decommissioning restoration and similar liabilities that correspond to amounts recognized as part of the costs related to the asset.
- The cumulative effect at the start of the application of the modifications as an adjustment to Account Balances the initial prices of retained earnings (or some other capital component, as appropriate) as of the date.

The amendments shall apply for the annual periods beginning on 1 January 2023, with an option for early application.

35. Significant accounting policies

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.

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.

Exceptions in this regard are share-based payments, which 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.

c. 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.

Profit and each component of other comprehensive income are attributed to controlling and noncontrolling interests. The comprehensive income of subsidiaries is attributed to controlling and noncontrolling interests even when resulting in a deficit for these entities.

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.

Non-controlling holdings in subsidiaries are identified separately from the capital of Grupo Carso in them. 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.

d. 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.

e. 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 fulfill the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- 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. Capital instruments designated as at FVTOCI

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 28) 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 as at fair value through profit or loss. In addition, debt instruments that meet the amortized cost or fair value through other comprehensive income criteria may be designated as at fair value through profit or loss on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (referred to as an “accounting disparity”) that would arise from measuring assets or liabilities or recognizing gains and losses on them on different bases. The Entity has not designated any debt instruments with fair value through profit or loss.

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 guarantee 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

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

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to fully pay its creditors, including the Entity (without considering any collateral held by the Entity).

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

(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).

f. 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.

Financial liabilities at FVTPL

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 28) 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 28) 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.

g. 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.

h. 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.

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.

i. 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.

j. 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 41.2	-

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.

k. 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.

l. 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.

m. 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.

n. 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.

o. 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.

p. 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.

q. 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.

r. 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 reevaluates 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 27).

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.

s. 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.

t. 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.

u. 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.

v. 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
Cablana, S. A.	Euro	Euro
Cablana do Brasil, Limitada	Brazilian Real	Brazilian Real
Carso Construcción de Costa Rica, S. A.	Colón	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
Conutel Austral Comercial e Industrial, Limitada	Chilean Peso	Chilean Peso



Subsidiary	Currency in which transactions are recorded	Functional currency
Cometel de Centroamérica, S. A.	Quetzal	Quetzal
Cometel de Honduras, S. A.	Lempira	Lempira
Cometel de Nicaragua, S. A.	Córdoba	Córdoba
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
Nacel de El Salvador, S. A.	US Dollar	US Dollar
Procisa Ecuador, S. A.	US Dollar	US Dollar
Procisa do Brasil Projetos, Construcoes e Instalacoes, Ltd.	Brazilian Real	Brazilian Real
Procosertel, S. A.	Argentinian peso	Argentinian peso
Procosertel Uruguay, S. A.	Uruguayan peso	Uruguayan peso
Corporación de Tiendas Internacionales, S. A. de C. V. (El Salvador)	US Dollar	US Dollar
Carso Construcción de Puerto Rico, L. L. C.	US Dollar	US Dollar
Procisa, S. A. S.	Peso colombiano	Colombian Peso
Carso Energy Corp.	US Dollar	US Dollar
Carso Gasoducto Norte, S. A. de C. V.	Mexican Peso	US Dollar

The entities listed above are considered foreign operations under IFRS.

w. 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.

x. 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.

Statutory employee profit-sharing (PTU)

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

As result of the 2014 Law, as of December 31, 2021, 2020 and 2019, PTU is determined based on taxable income, according to Section I of Article 10 of the that Law.

y. 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.

Since 2014, Grupo Carso has had the authorization of the Treasury Department to prepare its income tax returns according to the tax integration regime (see Note 29).

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.

z. 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.

aa. 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, 2021, 2020 and 2019, 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 34, 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, 2021 and 2020; the amounts generated are presented in the following table:

Amounts recognized in the consolidated statement of income	2021	2020	2019
Depreciation expense of the right-of-use assets	\$ 994,927	\$ 826,894	\$ 1,003,187
Interest expense from lease liabilities	482,896	556,929	563,954
Expense related to short-term leases	24,395	25,878	25,662

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

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

Amendments to IAS 1 Amendments to IFRS 3 Amendments to IAS 16	<i>Classification of Liabilities as Current or Non-current Reference to the Conceptual Framework Property, Plant and Equipment—Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2019-2021 Cycle	<i>Standards, IFRS 9 Financial Instruments, IFRS 16 Leases.</i>

Management does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Entity in future periods.

39. Events after the reporting period

On February 16, 2022, an amending agreement was signed related to the elaboration 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., described in the significant operations, signed in May 2020, the modifications of this agreement establish, among others, the extension in the definitions of the construction of the railway that include: stations, stops, archaeological zone and CATVI (Visitor Service Center) and modifications in the expiration of the contract to be on July 31, 2023 regarding the preparation of the executive project and construction of the railway and July 31, 2028, with regard to the maintenance of the railway.

40. Authorization to issue the consolidated financial statements

On March 25, 2022, 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, 2020, were approved at the Ordinary Shareholders' Meetings held on April 28, 2021.

Investor Relations:

Norma Angélica Piña Garnica
napinag@gcarso.com.mx

Stock Information:

The Series A-1 shares of Grupo Carso, S.A.B de C.V. are listed in the Bolsa Mexicana de Valores, S.A.B de C.V. under the symbol "GCARSO".

Information on Level 1 ADRs:

Symbol: GPOVY 2:1
Cusip number: 400485207

Depository Bank: BNY Mellon

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

Corporate Headquarters:

Plaza Carso
Lago Zurich No.245 Edificio Frisco Piso 6
Colonia Ampliación Granada
México, D.F. 11529

ANNUAL REPORT

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