

**Red de Carreteras de
Occidente, S.A.B. de C.V.
and Subsidiaries
(A Subsidiary of Matador
Infra B. V.)**

Consolidated financial
statements for the years
ended December 31, 2019,
2018 and 2017, and
Independent auditors' report
dated February 20, 2020



**Red de Carreteras de Occidente, S.A.B. de C.V. and
Subsidiaries (Subsidiary of Matador Infra B. V.)**

**Consolidated financial statements for the
years ended December 31, 2019, 2018
and 2017 and independent auditors'
report**

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Independent auditors' report to the Board of Directors and Stockholders of Red de Carreteras de Occidente, S.A.B. de C.V.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as of December 31, 2019, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) and with the Code of Ethics issued by the Mexican Institute of Public Accountants (IMCP Code of Ethics), and we have fulfilled all other ethical responsibilities in accordance with the IESBA Code of Ethics and the IMCP Code of Ethics. We believe that the audit evidence we have obtained is enough and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 3.b to the consolidated financial statements which describes the translation of Mexico peso amounts into U.S. dollar amounts. The translation of the consolidated financial statements amounts into U.S. dollar and the translation of the consolidated financial statements into English have been made solely for the convenience of the readers. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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 those matters. We have determined that the matters described below are the key audit matters to be reported in our report.



Major maintenance provision

The Entity recognizes a provision for maintenance costs of highways under concession as mentioned in Note 3.o and Note 11. The assumptions used by management mainly comprise the cost of major maintenance estimated by an external expert engaged by the Entity, inflation rates, the discount rate and judgments used by management to determine the provision. We considered that the calculation of the provision for major maintenance is a key audit matter because it involves significant judgments and estimates that have a material impact on the results of operations and on the financial position of the Entity. The Entity recognizes a provision equal to the amount of the present value of the projected major maintenance cost to be performed by type of repair and by stretch of highway. The Entity believes that the provision determined in this manner complies with the requirements of IAS 37 *Provisions and Contingent Liabilities and Assets* ("IAS 37") and IFRIC 12 *Service Concession Arrangements* ("IFRIC 12").

Our audit procedures included, among others:

We assessed the competence and independence of the experts used by the management to determine the estimated cost of maintenance, and with the assistance of an internal specialist from our firm, we evaluated the discount rates used and tested the completeness and accuracy of the information used in determining the provision. The results of our procedures indicate that the balance of the provision at the date of the financial statements is reasonably stated.

Long-Term Debt

As shown in the financial statements, the Entity's long-term debt represents 94% of total liabilities; the related loan agreements include various covenants that restrict the Entity's ability to incur additional debt, issue guarantees, sell current and long-term assets, and make distributions of excess cash. Due to the implications of a default, we identified noncompliance with long-term debt covenants as an audit risk given that such noncompliance could trigger the accelerated maturity of the long-term debt.

Our audit procedures included, among others:

We corroborated that the Entity complied with the positive and negative covenants stipulated in the contracts. The results of our tests indicate that, at the date of the financial statements, the Entity was in compliance with the long-term debt covenants.

Information other than the consolidated financial statements and auditors' report thereon

Management is responsible for the information different to the consolidated financial statements (Other information). Other information comprises the information that will be incorporated in the Annual Report that the Entity is obliged to prepare pursuant to Article 33 Fraction I, subsection b) of Title Four, First Chapter of the "Disposiciones de Carácter General Aplicables a las Emisoras y a otros Participantes del Mercado de Valores" (Stock Exchange Rules) in Mexico and the "Instructivo" accompanying those rules (collectively, the Regulations). The Annual Report is expected to be made available to us after the date of this auditors' report.

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



In connection with our audit of the consolidated financial statements, our responsibility is to read the Other information when it becomes available and, in doing so, consider whether the Other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Annual Report, we will issue the declarations surrounding the reading of the annual report required by Article 33 Fraction I, subsection b) number 1.2. of the Regulations. If based on the work we have done, we conclude that there is a material misstatement in the Other information, we would have to report that fact.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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



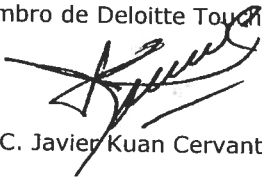
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves 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 the 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.
Miembro de Deloitte Touche Tohmatsu Limited



C.P.C. Javier Kuan Cervantes

February 20, 2020



**Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)**

Consolidated statements of financial position

As of December 31, 2019, 2018 and 2017

(Thousands of Mexican pesos and thousands of U.S. dollars)

Assets	Note	(Convenience translation, see Note 3b) 2019	2019	2018	2017
Current assets:					
Cash and cash equivalents, current	5	U.S.\$ 381,416	\$ 7,187,856	\$ 7,220,857	\$ 8,741,237
Trade accounts receivable, net	6	27,925	526,256	145,232	109,973
Recoverable taxes		7,795	146,903	68,589	60,196
Interest receivable on derivative financial instruments		109	2,063	4,250	342
Financial assets arising from concessions – current portion	7	21,288	401,174	403,683	388,502
Other accounts receivable and prepaid expenses	6	<u>11,952</u>	<u>225,238</u>	<u>163,405</u>	<u>189,566</u>
Total current assets		<u>450,485</u>	<u>8,489,490</u>	<u>8,006,016</u>	<u>9,489,816</u>
Non-current assets:					
Long-term restricted cash	5	7,907	149,010	105,612	98,833
Financial assets arising from concessions – long-term portion	7	43,960	828,436	846,821	868,967
Intangible asset derived from concessions	8	2,192,252	41,313,432	42,232,140	42,900,029
Goodwill	9	6,605	124,476	-	-
Furniture and equipment and franchise rights – net	10	1,184	22,321	19,021	18,193
Machinery and equipment - net	10	469	8,837	6,615	9,031
Right-of-use assets, net	11	2,488	46,886	62,393	61,383
Derivative financial instruments	13	1,118	21,075	227,418	140,093
Deferred income tax assets	16	349,226	6,581,230	6,734,048	6,791,394
Other assets		<u>444</u>	<u>8,375</u>	<u>6,481</u>	<u>5,869</u>
Total non-current assets		<u>2,605,653</u>	<u>49,104,078</u>	<u>50,240,549</u>	<u>50,893,792</u>
Total assets		<u>\$ 3,056,138</u>	<u>\$ 57,593,568</u>	<u>\$ 58,246,565</u>	<u>\$ 60,383,608</u>

**Liabilities and
stockholders' equity**

Current liabilities:					
Accounts payable to suppliers		\$ 16,200	\$ 305,301	\$ 317,349	\$ 296,193
Interest payable		71,552	1,348,411	835,461	878,430
Interest payable on derivative financial instruments		7	127	152	-
Other current liabilities		3,899	73,479	73,963	69,095
Provisions	12	17,868	336,732	299,351	462,989

(Continued)



**Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)**

Consolidated statements of financial position

As of December 31, 2019, 2018 and 2017

(Thousands of Mexican pesos and thousands of U.S. dollars)

	Note	(Convenience translation, see Note 3b) 2019	2019	2018	2017
Accounts payable to shareholders		-	4	4	4
Current portion of long-term debt	14	57,057	1,075,251	883,475	365,766
Short-term employee benefits	15	19,408	365,752	214,627	141,619
Provision for executed work, not estimated		-	-	7,127	63,376
Taxes other than income tax		15,471	291,563	136,014	218,308
Income taxes payable	16	<u>719</u>	<u>13,550</u>	<u>60,786</u>	<u>47,909</u>
Total current liabilities		<u>202,181</u>	<u>3,810,170</u>	<u>2,828,309</u>	<u>2,543,689</u>
Non-current liabilities:					
Long-term debt	14	2,619,062	49,356,745	41,532,798	40,847,814
Provisions for major maintenance	12	16,741	315,482	427,361	175,380
Long-term employee benefits	15	3,402	64,113	45,807	26,903
Post-employment benefits	15	299	5,636	3,674	3,270
Other long-term liabilities		1,700	32,043	33,615	33,300
Derivative financial instruments	13	6,680	125,894	604	19,494
Deferred income tax liability	16	<u>6,101</u>	<u>114,983</u>	<u>156,805</u>	<u>184,164</u>
Total non-current liabilities		<u>2,653,985</u>	<u>50,014,896</u>	<u>42,200,664</u>	<u>41,290,325</u>
Total liabilities		<u>2,856,166</u>	<u>53,825,066</u>	<u>45,028,973</u>	<u>43,834,014</u>
Contingencies	24				
Stockholders' equity	20				
Capital stock		150,594	2,837,968	13,256,968	18,258,968
Retained earnings (accumulated deficit)		53,431	1,006,909	(197,770)	(1,790,486)
Other comprehensive (loss) income		<u>(4,053)</u>	<u>(76,375)</u>	<u>158,394</u>	<u>81,112</u>
Total stockholders' equity		<u>199,972</u>	<u>3,768,502</u>	<u>13,217,592</u>	<u>16,549,594</u>
Total stockholders' equity and liabilities		<u>U.S.\$ 3,056,138</u>	<u>\$ 57,593,568</u>	<u>\$ 58,246,565</u>	<u>\$ 60,383,608</u>

(Concluded)

See accompanying notes to consolidated financial statements.



**Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)**

**Consolidated statements of profit or loss and other
comprehensive (loss) income**

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

	Note	(Convenience translation, see Note 3b) 2019	2019	2018	2017
Revenues:	17				
Toll revenues		U.S.\$ 431,579	\$ 8,133,194	\$ 7,462,709	\$ 6,639,551
Shadow toll payments from the SCT		45,811	863,312	823,705	773,670
Availability payments from the SCT		22,843	430,473	429,517	409,520
Ancillary revenues from the use of rights of way and other related revenues		16,058	302,613	289,610	212,835
Construction revenues		<u>11,146</u>	<u>210,058</u>	<u>624,446</u>	<u>614,658</u>
Total revenues		<u>527,437</u>	<u>9,939,650</u>	<u>9,629,987</u>	<u>8,650,234</u>
Costs and expenses:	18				
Amortization of intangible assets derived from concessions	8	64,113	1,208,219	1,129,897	879,728
Operation and maintenance of asset from concession		77,827	1,466,660	1,254,666	874,258
Toll collection costs		7,074	133,314	135,836	112,426
Construction costs		11,146	210,058	624,446	614,658
Cost of ancillary revenues from the use of right of way and other related revenues		9,207	173,516	139,949	119,324
General and administrative		<u>36,162</u>	<u>681,487</u>	<u>549,846</u>	<u>480,911</u>
		<u>205,529</u>	<u>3,873,254</u>	<u>3,834,640</u>	<u>3,081,305</u>
Income before other income – net		321,908	6,066,396	5,795,347	5,568,929
Other income – net		<u>1,672</u>	<u>31,510</u>	<u>30,965</u>	<u>29,646</u>
Income from operations		<u>323,580</u>	<u>6,097,906</u>	<u>5,826,312</u>	<u>5,598,575</u>
Interest expense		(236,279)	(4,452,725)	(3,931,617)	(3,554,913)
Interest income		25,256	475,960	361,357	332,433
Adjustments to principal amount of UDI denominated debt		(24,425)	(460,302)	(430,917)	(550,457)
Net foreign exchange loss		<u>(4)</u>	<u>(81)</u>	<u>(4)</u>	<u>(103)</u>
		<u>(235,452)</u>	<u>(4,437,148)</u>	<u>(4,001,181)</u>	<u>(3,773,040)</u>
Income before income taxes		88,128	1,660,758	1,825,131	1,825,535
Income tax expense (benefit)	16	<u>23,417</u>	<u>441,298</u>	<u>232,415</u>	<u>(69,090)</u>
Net income for the period		<u>64,711</u>	<u>1,219,460</u>	<u>1,592,716</u>	<u>1,894,625</u>

(Continued)



**Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)**

**Consolidated statements of profit or loss and other
comprehensive (loss) income**

For the years ended December 31, 2019, 2018 and 2017

(Thousands of Mexican pesos, unless otherwise stated, and thousands of U.S. dollars, except for per share amounts)

	Note	(Convenience translation, see Note 3b) 2019	2019	2018	2017
Other comprehensive income (loss) items:					
Items that will be reclassified subsequently to profit or loss:					
Valuation of derivative financial instruments		U.S.\$ (18,030)	\$ (339,788)	\$ 124,286	\$ 30,540
Deferred income taxes on derivative financial instruments		5,440	102,524	(37,286)	(9,217)
Reclassifications of derivative financial instrument to profit and loss		318	5,996	(14,316)	44,313
Deferred income taxes on derivative financial instrument amounts reclassified to profit and loss		<u>(127)</u>	<u>(2,387)</u>	<u>4,295</u>	<u>(13,239)</u>
		<u>(12,399)</u>	<u>(233,655)</u>	<u>76,979</u>	<u>52,397</u>
Items that not will be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		<u>(59)</u>	<u>(1,114)</u>	<u>303</u>	<u>(138)</u>
Other comprehensive (loss) income items		<u>(12,458)</u>	<u>(234,769)</u>	<u>77,282</u>	<u>52,259</u>
Comprehensive income for the period		<u>U.S.\$ 52,253</u>	<u>\$ 984,691</u>	<u>\$ 1,669,998</u>	<u>\$ 1,946,884</u>
Basic and diluted earnings per common share (<i>pesos</i>)	21	<u>U.S.\$ 0.002</u>	<u>\$ 0.042</u>	<u>\$ 0.055</u>	<u>\$ 0.066</u>

(Concluded)

See accompanying notes to consolidated financial statements.



Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)

Consolidated statements of changes in stockholders' equity

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

	Notes	Capital stock	Accumulated deficit	Other comprehensive income (loss)	Total stockholders' equity
Balance as of December 31, 2016		\$ 21,408,968	\$ (3,685,110)	\$ 28,853	\$ 17,752,711
Capital stock reduction	20	(3,150,000)	-	-	(3,150,000)
Dividends declared		-	(1)	-	(1)
Comprehensive income					
Valuation of derivative financial instruments		-	-	30,540	30,540
Deferred income taxes on derivative instruments		-	-	(9,217)	(9,217)
Reclassifications of financial derivative instruments to profit and loss		-	-	44,313	44,313
Deferred taxes on financial instruments reclassified to profit and loss		-	-	(13,239)	(13,239)
Remeasurement of defined benefit obligation		-	-	(138)	(138)
Net income for the period		-	1,894,625	-	1,894,625
		<u>-</u>	<u>1,894,625</u>	<u>52,259</u>	<u>1,946,884</u>
Balance as of December 31, 2017		18,258,968	(1,790,486)	81,112	16,549,594
Capital stock reduction	20	(5,002,000)	-	-	(5,002,000)
Comprehensive income:					
Valuation of derivative financial instruments		-	-	124,286	124,286
Deferred income taxes on derivative instruments		-	-	(37,286)	(37,286)
Reclassifications of financial derivative instruments to profit and loss		-	-	(14,316)	(14,316)
Deferred taxes on financial instruments reclassified to profit and loss		-	-	4,295	4,295
Remeasurement of defined benefit obligation		-	-	303	303
Net income for the period		-	1,592,716	-	1,592,716
		<u>-</u>	<u>1,592,716</u>	<u>77,282</u>	<u>1,669,998</u>
Balance as of December 31, 2018		13,256,968	(197,770)	158,394	13,217,592
Capital stock reduction	20	(10,419,000)	-	-	(10,419,000)
Share issuance cost, net of income tax		-	(14,781)	-	(14,781)
Comprehensive income:					
Valuation of derivative financial instruments		-	-	(333,792)	(333,792)
Deferred income taxes on derivative instruments		-	-	100,137	100,137
Reclassifications of financial derivative instruments to profit and loss		-	-	(1,114)	(1,114)
Net income for the period		-	1,219,460	-	1,219,460
		<u>-</u>	<u>1,219,460</u>	<u>(234,769)</u>	<u>984,691</u>
Balance as of December 31, 2019		<u>\$ 2,837,968</u>	<u>\$ 1,006,909</u>	<u>\$ (76,375)</u>	<u>\$ 3,768,502</u>

See accompanying notes to consolidated financial statements.



**Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)**

Consolidated statements of cash flows

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

	(Convenience translation, see Note 3b)		2019	2018	2017
	U.S.\$		\$	\$	\$
Operating activities:					
Income before income taxes	88,128		1,660,758	1,825,131	1,825,535
Adjustments for:					
Depreciation and amortization	65,740		1,238,887	1,158,739	903,530
Interest expense	223,961		4,220,592	3,830,226	3,388,659
Reclassifications of derivative financial instrument to profit and loss	422		7,957	(14,315)	44,313
Amortization of commissions and debt issuance costs	11,896		224,178	115,707	121,941
Unrealized exchange gain	-	(7)	(7)	(77)	(76)
Adjustments to principal amounts of UDI denominated debt	24,425		460,302	430,917	550,457
	<u>414,572</u>		<u>7,812,667</u>	<u>7,346,328</u>	<u>6,834,359</u>
(Increase) decrease in:					
Trade accounts receivable	(20,219)		(381,024)	(35,259)	664,207
Recoverable taxes	(4,156)		(78,314)	(8,393)	(3,592)
Financial assets arising from concessions	1,109		20,894	6,965	2,725
Other accounts receivable and prepaid expenses	(3,281)		(61,833)	26,161	(74,803)
Other assets	(101)		(1,894)	(612)	(1,461)
Increase (decrease) in:					
Accounts payable to suppliers	(639)		(12,041)	21,231	11,003
Other current liabilities	678		12,772	2,062	7,500
Provisions	(7,011)		(132,115)	64,725	(266,716)
Taxes payable other than income tax	6,678		125,853	(56,520)	(37,185)
Income taxes paid	(13,144)		(247,702)	(248,316)	(206,813)
Employee benefits	8,991		169,431	91,912	79,025
Post-employment benefits	45		848	707	500
Net cash provided by operating activities	<u>383,522</u>		<u>7,227,542</u>	<u>7,210,991</u>	<u>7,008,749</u>
Investing activities:					
Business acquisition	(6,605)		(124,476)	-	-
Acquisition of furniture and equipment	(633)		(11,929)	(3,849)	(1,095)
Acquisition of machinery and equipment	(574)		(10,821)	(9,682)	(11,597)
Intangible assets derived from concessions	(15,741)		(296,636)	(518,257)	(699,151)
Net cash used in investing activities	<u>(23,553)</u>		<u>(443,862)</u>	<u>(531,788)</u>	<u>(711,843)</u>

(Continued)



**Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries
(A Subsidiary of Matador Infra B.V.)**

Consolidated statements of cash flows

For the years ended December 31, 2019, 2018 and 2017

(Thousands of Mexican pesos and thousands of U.S. dollars)

		(Convenience translation, see Note 3b)												
			2019	2019	2018	2017								
Financing activities:														
Proceeds from long-term debt	U.S.\$	631,168	\$	11,894,491	\$	9,348,087	\$	2,858,931						
Payments of debt		(235,343)		(4,435,093)		(8,577,848)		(341,018)						
Interest paid		(193,519)		(3,646,905)		(3,845,895)		(3,374,960)						
Lease payments		(843)		(15,883)		(15,294)		(13,390)						
(Payments of) proceeds from derivative financial instruments		(422)		(7,957)		14,316		(44,313)						
Commissions and debt issuance costs paid		(6,800)		(128,155)		(114,170)		(164,551)						
Share issuance cost		(784)		(14,781)		-		-						
Capital stock reduction	20	<u>(552,873)</u>		<u>(10,419,000)</u>		<u>(5,002,000)</u>		<u>(3,150,000)</u>						
Net cash used in financing activities		<u>(359,416)</u>		<u>(6,773,283)</u>		<u>(8,192,804)</u>		<u>(4,229,301)</u>						
Increase (decrease) in cash and cash equivalents								553		10,397		(1,513,601)		2,067,605
Cash and cash equivalents at beginning of year							5	<u>388,770</u>		<u>7,326,469</u>		<u>8,840,070</u>		<u>6,772,465</u>
Cash and cash equivalents at end of year							5	<u>U.S.\$ 389,323</u>		<u>\$ 7,336,866</u>		<u>\$ 7,326,469</u>		<u>\$ 8,840,070</u>

(Concluded)

See accompanying notes to consolidated financial statements.



Red de Carreteras de Occidente, S.A.B. de C.V. and Subsidiaries (A Subsidiary of Matador Infra B.V.)

Notes to consolidated financial statements

For the years ended December 31, 2019, 2018 and 2017

(Thousands of Mexican pesos, except shares and earnings per share expressed in pesos)

1. Nature of business and significant events of 2019:

Red de Carreteras de Occidente, S.A.B. de C.V. (“RCO”) and subsidiaries’ (collectively, the “Entity”) main activity is to construct, operate, conserve and maintain the concessioned highways Maravatio-Zapotlanejo, Guadalajara-Aguascalientes-León and Tepic-San Blas (the “Concessioned Highways”), as well as the Querétaro-Irapuato and Irapuato-La Piedad highway sections under the service provision project agreements (“PPS”).

On October 3, 2007, the Department of Communications and Transportation (“SCT”) of the Federal Government granted a 30-year concession to the Entity (the “Concession Holder”) to build, operate, conserve and maintain the Maravatio-Zapotlanejo and Guadalajara-Aguascalientes-León highways, with a total length of 558.05 kilometers (as of such date), in the states of Michoacán de Ocampo, Jalisco, Guanajuato and Aguascalientes. The concession also included highway extension work. The investment in the Concessioned Highways will be recovered by collecting the tolls authorized by the SCT during the period agreed in the concession agreement, albeit with the right to annually adjust these tariffs according to the National Consumer Price Index (NCPI) or whenever the latter increases by 5% or more of the NCPI used with respect to the most recent adjustment in the rate. Effective July 16, 2019, the SCT authorized the maximum average rate methodology. Under this methodology, a toll can be implemented differentiating between vehicle classes and road sections, maintaining the current average rate, in order to optimize traffic and service levels of the concessioned highways subject to the Concession Title. Toll income secures the Entity’s long-term debt (see Note 14).

On June 26, 2014, the SCT amended the concession title granted to RCO in order to incorporate the construction, operation, conservation and maintenance of a toll-free segment of approximately 46 kilometers in length, commencing East of Jiquilpan, in the State of Michoacán de Ocampo, and ending at the Maravatio-Zapotlanejo toll road junction, in the state of Jalisco. Considering that the construction of the aforementioned segment constitutes an additional project that was not originally contemplated in the concession title, and in order to maintain the financial equilibrium of the concession, the aforementioned amendment also includes an extension to the original term of the concession of four years and six months, as well as a weighted average 2% adjustment in the tolls applicable to the total traffic on the concessioned Highways. This rate adjustment became effective in May 2019.

Concesionaria de Vías Irapuato Querétaro, S.A. de C.V. (“COVIQSA”), a subsidiary of the Entity, operates, maintains, and preserves the Querétaro – Irapuato highway of approximately 93 kilometers in length, and Concesionaria Irapuato La Piedad, S.A. de C.V. (“CONIPSA”), a subsidiary of the Entity, operates, maintains, and preserves the Irapuato - La Piedad highway of approximately 73.52 kilometers in length, being both concession terms for a period of 20 years from 2006 and 2005, respectively. These activities are carried out under the PPS Contract, in accordance with the concession titles of COVIQSA and CONIPSA, which consider the recovery of the investment, by charging the SCT with two types of revenue: i) shadow toll payments; and ii) availability payments.

Concesionaria Tepic San Blas, S. de R.L. de C.V. (“COTESA”), a subsidiary of the Entity, operates, builds, preserves and maintains the Tepic - San Blas highway with a length of 30.929 kilometers in the state of Nayarit for 30 years starting May 19, 2016. The investment will be recovered by collecting the tolls authorized by the SCT during the period agreed in the concession agreement, albeit with the right to annually adjust these tariffs according to the NCPI, or whenever the latter increases by 5% or more of the NCPI used with respect to the most recent adjustment in the rate.



Autovías de Michoacán, S. A. de C.V. (“AUTOVIM”), a subsidiary of the Entity, operates, builds, and maintains the Zamora – La Piedad highway with a length of 35 kilometers in the state of Michoacán de Ocampo for 30 years starting December 2, 2009. The investment will be recovered by collecting the tolls authorized by the SCT during the period agreed in the concession agreement, albeit with the right to annually adjust these tariffs according to the NCPI, or whenever the latter increases by 5% or more of the NCPI used with respect to the most recent adjustment in the rate. As of December 31, 2019, the concessioned highway granted to AUTOVIM is in the preoperative stage.

The Entity is incorporated in México and has its domicile at Av. Américas No.1592 4th floor, Colonia Country Club, C.P. 44610, Guadalajara, Jalisco.

Significant events of 2019:

a. ***Acquisition of 100% of the shares of the Zamora-La Piedad highway concession holder***

On September 21, 2018, RCO signed a Purchase Agreement to acquire 100% of the shares issued by AUTOVIM, becoming a subsidiary of the Entity. The acquisition of shares was subject to multiple conditions, including, the approval of the competent authorities. This acquisition was completed on February 21, 2019, as such, AUTOVIM’s financial information is included in the consolidated financial statements from that date.

The total consideration paid was \$125,435 in cash and the fair value of the net assets acquired amounted to \$959. As such, goodwill of \$124,476 was recognized for the difference between the consideration paid and the fair value of identified assets and liabilities acquired from AUTOVIM at the transaction date. This goodwill corresponds to the payment by RCO for the synergies of the interconnection of the AUTOVIM highways with those of RCO and which will generate an increase in its revenue, supported by the financial model of AUTOVIM with synergies. As of December 31, 2019, there are no impairment indicators regarding this goodwill.

b. ***Line of credit contracted by RCO***

On July 2, 2019, a line of credit was contracted with Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México (“Santander”), as creditor, for a senior debt for an amount of up to \$2,000,000 whose principal destination will be for working capital expenses. See also Note 13.

The signing of this line of credit contract occurs in the context of the recent refinancing carried out by the Entity on June 28, 2019 (through the first reopening of the issuance under ticker symbol “RCO 18U” and the issuance under ticker symbol “RCO 19”) and a prepayment of \$3,650,000 of the capital expenditure loans that the Entity had contracted with Santander in 2016 and 2017.

c. ***Capital reduction***

By unanimous resolutions dated March 5, June 5, September 6 and December 6, 2019, the Entity’s shareholders authorized reductions in the variable portion of its capital stock of \$950,000, \$1,000,000, \$7,000,000 and \$1,469,000, respectively, in accordance with the recommendation issued by the Board of Directors, which were paid during 2019.



d. ***Agreement for the sale of shares***

On October 11, 2019, the agreement reached by the shareholders who hold 70% of Series A shares for the sale of those shares to certain companies and investment firms was announced. The structure of the transaction includes the launch of a public offer to acquire shares through the Mexican Stock Exchange, to all the shareholders of the Entity, by which the Series B shareholders will have the right, but not the obligation, to sell all or a portion of its shares at the same price as part of the offer. The RCO share purchase offer is estimated to start and close in the first half of 2020. The launch of the offer and the offer itself are subject to a series of conditions set forth in the respective contract, among which are the obtaining of the necessary government authorizations.

2. **Adoption of new and revised International Financial Reporting Standards (“IFRS” or “IAS”)**

a. ***Application of new and revised IFRS” or “IAS” that are mandatorily effective for the current year***

In the current year, the Entity has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (the Board) that are effective for an annual period that begins on or after 1 January 2019.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the “solely payments of principal and interest” (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The amendment was adopted on January 1, 2019. The Entity’s management has determined that this adoption has not had any material impact on the Entity’s consolidated financial position, net and comprehensive income.

Amendment to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment to IAS 28 *Long-term Interests in Associates and Joint Ventures* clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture.

The amendment was adopted on January 1, 2019. The Entity’s management has determined that this adoption has not had any material impact on the Entity’s consolidated financial position, net and comprehensive income.

Annual improvements to IFRS Standards 2015–2017 Cycle

The Annual Improvements include amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.

The amendments to IFRS 3 *Business Combinations* clarify that when the Entity obtains control of a business that is a joint operation, the Entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation. The amendments to IFRS 11 *Joint Arrangements* clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Entity does not remeasure its PHI in the joint operation.



The amendments to IAS 12 *Income Taxes* clarify that the Entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Entity originally recognized the transactions that generated the distributable profits.

The amendments to IAS 23 *Borrowing Costs* clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

These amendments were adopted on January 1, 2019. The Entity's management has determined that these adoptions have not had any material impact on the Entity's consolidated financial position, net and comprehensive income.

Amendments to IAS 19 *Employee Benefits*

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The new standard applies prospectively to modifications, reductions or liquidations of the plan that are generated on or after the beginning of the annual period in which the modifications to IAS 19 are applied for the first time.

The amendment was adopted on January 1, 2019. The Entity's management has determined that this adoption has not had any material impact on the Entity's consolidated financial position, net and comprehensive income.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation requires that an entity:

- Use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together.
- Assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.
- Consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.
 - If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.



- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty

Moreover, the Entity has to reassess its judgements and estimates if facts and circumstances change.

The amendment was adopted on January 1, 2019. The Entity's management has determined that this adoption has not had any material impact on the Entity's consolidated financial position, net and comprehensive income.

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

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

Amendments to IAS 1 and IAS 8	Definition of material ¹
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²
Conceptual framework	To update those pronouncements with regards to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework ¹ .
Amendments to IFRS 3	Definition of a business ¹ .

¹ Effective for annual periods beginning on or after January 1, 2020 with earlier application permitted.

² Effective for annual periods beginning on or after a certain date yet to be determined.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. The amendments contemplate a definition of the materiality for the financial statements stating that the information is material or material if its omission, inadequate expression or overshadowing could reasonably be expected to influence the decisions of the principal users of the financial statements of an Entity that inform.

The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

The Entity's management estimates that these amendments will not have an impact on its consolidated financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

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



The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Entity's management anticipates that the application of these amendments will not have an impact on the Entity's consolidated financial statements since the Entity has no investments in associate companies or joint ventures.

Amendments to the conceptual framework in IFRS

Together with the revised Conceptual Framework, which became effective upon publication on March 29, 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS. The document contains amendments to IFRS 1, IFRS 2, IFRS 3, IFRS 5, IFRS 6, IFRS 8, IFRS 9, IFRS 10, IFRS 12, IFRS 14, IFRS 15, IFRS 16, IFRS 17, IAS 1, IAS 8, IAS 12, IAS 16, IAS 19, IAS 21, IAS 28, IAS 32, IAS 34, IAS 36, IAS 37, IAS 38, IAS 40, IAS 41, IFRIC 5, IFRIC 12, IFRIC 14, IFRIC 17, IFRIC 19, IFRIC 20, IFRIC 22, SIC-29, SIC-32 and IFRS practice statements n° 1 and n° 2.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Entity's management anticipates that the application of these amendments will not have an impact on the Entity's consolidated financial statements.

Amendments to IFRS 3 *Business Combinations*, regarding business definition

The IASB has issued "Definition of a Business (Amendments to IFRS 3)" aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- And add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

3. Significant accounting policies

a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with IFRS issued by the IASB.



b. ***Convenience translation***

Solely for convenience of readers, Mexican peso amounts included in the consolidated financial statements as of December 31, 2019 and for the year then ended have been translated into U.S. dollar amounts at the rate of \$18.8452 pesos per U.S. dollar as published by the Central Bank of Mexico. Such translation should not be construed as a representation that the Mexican peso amounts have been, could have been or could, in the future, be converted into U.S. dollars at such rate or any other rate.

c. ***Basis of preparation***

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in more detail in the accounting policies below.

Historical cost

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

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

d. ***Basis of consolidation of financial statements***

The consolidated financial statements include the financial statements of RCO and those of its subsidiaries over which it exercises control. Control is achieved when the Entity:

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

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



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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries accounting policies are consistent with the Entity's accounting policies.

RCO's shareholding percentage in capital stock of its subsidiaries is shown below:

Subsidiary name	Ownership percentage	Activity
Prestadora de Servicios RCO, S. de R.L. de C.V. ("Prestadora")	99.97%	Specialized services
RCO Carreteras, S. de R. L. de C. V. ("RCA")	99.97%	Specialized services
Concesionaria de Vías de Irapuato Querétaro, S.A. de C.V. ("COVIQSA")	100%	Concession under a PPS scheme
Concesionaria Irapuato La Piedad S.A. de C.V. ("CONIPSA")	100%	Concession under a PPS scheme
Concesionaria Tepic San Blas, S. de R. L. de C. V. ("COTESA")	100%	Concession to build, operate, exploit, conserve and maintain the Tepic-San Blas highway.
Autovías de Michoacán, S. A. de C. V. ("AUTOVIM")	100%	Concession to build, operate, exploit, conserve and maintain the Zamora-La Piedad highway (Since February 21, 2019).

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



Changes in the Entity's ownership interests in existing subsidiaries

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

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

e. ***Monetary unit of the financial statements***

The 2019, 2018 and 2017 consolidated financial statements and notes include balances and transactions denominated in thousands of Mexican pesos.

f. ***Financial instruments***

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

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

g. ***Cash, cash equivalents and restricted cash***

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value, or if they are financial instruments that the Entity expects to recover the contract cash flow, it is valued at its amortized cost or its nominal value if there is no explicit financing component; any fluctuations in value are recognized in profit or loss of the period. Cash equivalents are represented mainly by investments in treasury certificates or risk-free instruments. Cash and cash equivalents subject to restrictions or intended for a specific purpose are classified as restricted cash and presented separately under current or non-current assets as the case may be.

h. ***Financial assets***

Financial assets are recognized and measured in the consolidated financial statements as described as follows:



i. Recognition, initial measurement and derecognition

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

ii. Initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs.

All income and expenses related to financial assets are recognized in profit or loss and are presented within financial costs, financial income or other financial items; except for impairment of accounts receivable from customers that is presented in expenses.

iii. Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Entity's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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

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

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

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. Interest income is recognized in profit or loss and is included in the interest income line.



For financial assets that were not purchased or financial assets without credit-impaired on the date of initial recognition, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except for financial assets that subsequently they have suffered credit-impaired; for these assets, interest income is recognized by applying the effective interest rate at the amortized cost of the financial asset. If in subsequent reporting periods, the credit risk in the on credit-impaired financial instrument improves so that the financial asset no longer has credit-impaired, interest income is recognized by applying the effective interest rate to the gross book value of the asset financial. For purchased financial assets or financial assets with credit impairment at the date of initial recognition, the Entity recognizes interest income by applying the effective interest rate adjusted for risk credit at the amortized cost of the financial asset upon initial recognition. The calculation is not made on the gross book value, even if the credit risk of the financial asset improves later, so that the financial asset is no longer credit-impaired.

Financial assets at fair value through other comprehensive income (FVOCI)

The Entity accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell the financial assets and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI financial assets are valued first at amortized cost and subsequently adjusted at fair value with effect on other comprehensive income (“OCI”). Any gain or loss recognized in OCI will be recycled to net income or loss at the time of the derecognition of the financial asset

Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets that are held within a business model different from “hold to collect” or “hold to collect and sell” are valued at FVTPL. In addition, regardless of the business model, financial assets whose contractual cash flows are not only capital and interest payments are accounted to FVTPL. Derivative financial instruments fall into this category, except those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

i. Impairment of financial assets

The Entity use more forward-looking information to recognize expected credit losses – the “expected credit loss (ECL) model”. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments.

For financial instruments at amortized cost, the Entity considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supported forecasts that affect the expected collectability of the future cash flows on the financial instrument.

For purposes of the previous analysis, the Entity determines the ECL based on the following stages of credit risk:

“Stage 1” of credit risk. They are those instruments that since their initial recognition have not significantly increased their credit risk. For these instruments, the Entity determines the ECL relative only to the events of default expected during the next 12 months of the life of the instrument. Where applicable, the corresponding interest is determined on the value of the financial instrument without considering the ECL.



“Stage 2” of credit risk. They are those instruments that since their initial recognition have significantly increased their credit risk. For these instruments, the Entity determines the ECL relative to all the default events expected during the remaining life of the financial instrument. Where applicable, the corresponding interest is determined on the value of the financial instrument without considering the ECL.

“Stage 3” of credit risk. They are those instruments with objective evidence of impairment. For these instruments, the Entity determines the ECL relative to all the default events expected during the remaining life of the financial instrument. Where applicable, the corresponding interest is determined on the value of the net financial instrument of the ECL.

The ECL is determined by the difference between the estimated recovery value of the financial instrument and its book value, when this is greater. The recovery value is the present value of the cash flows that are expected to be recovered from the financial instrument.

The Entity applies the simplified model of IFRS 9 for the recognition of the ECL of short-term financial instruments without an explicit financing component or when this is not significant, using an estimations matrix. This consists of using your historical credit loss experience based on the number of due dates of accounts receivable. No cash flows are determined at present value.

i. ***Intangible assets and financial asset in concession***

The Entity applies, IFRIC 12 *Service Concession Arrangements*, for the recognition of additions, improvements and extensions to concessioned highways. This interpretation establishes guidance regarding the accounting by private sector operators engaged in providing infrastructure assets and services to the public sector under concession agreement, requiring such assets to be classified as either financial or intangible assets or as a combination of both.

- A financial asset results when an operator constructs or makes improvements to the infrastructure, in which the operator has an unconditional right to receive a specific amount of cash or other financial assets during the term of the agreement.
- An intangible asset results when the operator constructs or makes improvements and does not have an unconditional right to receive a specific amount of consideration. In exchange for its construction services, the Entity receives a license to operate the resulting asset for a given period. The future cash flows generated by the asset vary based on the use of such asset.

In both a financial and intangible asset model, revenue and costs related to construction or improvements are recognized in profit or loss.

The payment initially made to the SCT in exchange for the concession title was recognized as an intangible asset.

The intangible asset recognized in the consolidated financial position statement is amortized during the concession period, described in Note 1, using the unit-of-use method based on the traffic volume. Estimated useful life and amortization method are reviewed at each year end, with the effect of any changes in estimates being accounted for on a prospective basis.

j. ***Furniture and equipment and franchise rights***

Expenses for furniture and equipment are recognized when the Entity has been transferred the benefits and risks attributable to them and are valued at acquisition cost (historical cost) less accumulated depreciation and any impairment loss.



Depreciation is recognized to write-off the cost of assets, less their residual value, using the straight-line method over their useful lives. The useful lives of these assets are estimated between 4 and 10 years.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Franchise rights are stated at cost less accumulated amortization and any impairment loss. The useful life is determined by the period of use and operation of the franchise asset.

A component of furniture and fixtures is canceled when it is sold or when no future economic benefits are expected to be obtained from continued use of the asset. The gain or loss arising from the sale or retirement of an item of furniture and fixtures is the result of the differences between the resources received for the sale and the book value of the asset and is recognized in profit or loss.

k. ***Machinery and equipment***

Expenditures for machinery and equipment are recognized when the benefits and risks attributable to them have been transferred to the Entity and are recorded at acquisition cost (historical cost), less accumulated depreciation and impairment loss.

Depreciation is recognized to write-off the cost of assets, less their residual value, using the straight-line method over their useful lives. The useful lives of assets are 6 years.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

A component of machinery and equipment is canceled when it is sold or when no future economic benefits are expected to be obtained from continued use of the asset. The gain or loss arising from the sale or retirement of an item of plant and equipment is the result of the differences between the resources received for the sale and the book value of the asset and is recognized in profit or loss.

l. ***Right-of-use assets***

The right-of-use assets is initially calculated at cost and subsequently valued at cost less accumulated depreciation and impairment losses and adjusted for any revaluation of the lease liability.

The lease liability is initially valued at the present value of the future lease payments and is subsequently adjusted for interest and lease payments, as well as the impact of changes in the lease, among others. This liability is presented in the consolidated statement of financial position within the balance of other accounts payable in both, short and long term.

The Entity evaluates whether a contract contains a lease at the beginning of the contract.

Lease payments are divided into principal and interest and are presented as financing cash flows.

In leases with a term of 12 months or less without an option to purchase, as well as in contracts where the underlying assets have a low-value (as personal computers and office furniture), the lease payments are recorded as an expense on a straight-line basis, over the term of the lease.

m. ***Goodwill***

Goodwill represents the future economic benefits that arise from other acquired assets that are not individually identifiable or recognized separately. Goodwill is not amortized, but is subject to impairment tests at each reporting and when impairment indicators are noted.



n. ***Borrowing costs***

Borrowing costs directly attributable to the acquisition or construction of the intangible asset (qualifying asset), which is an asset that necessarily takes a substantial period of time before it is available for their intended use, are added to the cost of that asset, up to the time as the asset is ready for its intended use.

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 when they are incurred.

o. ***Impairment of long-lived assets and goodwill***

At the end of each reporting period, the Entity reviews the carrying amounts of its long-lived 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). Where 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise they are allocated to the group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of the asset (or cash generating unit) is the higher of its fair value less the cost of selling it and its value in use. In determining the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the value of money over time and the specific risks of the asset for the year. which estimates of future cash flows have not been adjusted. This impairment analysis is prepared by an independent expert appointed by the Entity's management. The value of use of these assets is determined by the discounted cash flow method; as the discount rate, the Entity uses the weighted average cost of capital, whose capital cost component is estimated by using the "Capital Asset Pricing Model".

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is then reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. These losses are first distributed, to reduce the carrying amount of any goodwill distributed to the cash generating unit and then to reduce the carrying amount of the remaining assets of the unit, on a pro-rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

p. ***Provisions, maintenance and repairs***

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



The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with 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 value of money over time is material).

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

The Entity recognizes a provision for costs that are expected to be incurred that affect the results of the periods from the time when concessioned highways are available for use to the year in which maintenance and/or major repairs are carried out. This projection is recognized at net present value and is determined based on IAS 37 and IFRIC 12.

Provisions are classified as current or non-current based on the estimated period of time estimated to perform the obligations required.

q. ***Employee benefits***

Short-term employee benefits

These benefits are granted to the employees and are paid during the employment relationship within a period no longer than 12 months after the end of the year in which the benefit was granted; they include, among others, salaries and wages, compensated absences, vacation, holiday bonus, bonuses and the Statutory employee profit sharing ("PTU"). They are valued in proportion to the services provided, considering the current salaries and the liabilities are recognized as they accrue.

PTU is recognized in profit or loss of the year in which it is incurred, and it is presented in general and administrative expenses in the accompanying consolidated statements of profit (loss) and other comprehensive income (loss).

Long-term employee benefits

There are benefits that are granted to employees and are paid while the employment relationship is in effect, but after the 12 months following the end of the period in which such benefits were granted. Long-term employee benefits also include a provision for bonuses granted by the Entity, as discussed in Note 15.

The provision is recognized when: 1) the Entity acquires an obligation as the result of past events, and 2) the amount payable can be reliably estimated. The time value of money with respect to this obligation is recognized when significant.

Post-employment employee benefits

These are benefits that are granted to employees while the employment relationship is in force, but which are paid at the end or after the end of the employment relationship. The Entity grants seniority premiums to all its employees when they are separated and have been with the Entity 15 years or more or to those who are laid off regardless of the length of time in the Entity. These benefits consist of a single payment equivalent to twelve days of salary per year of service, valued at the employee's most recent salary without exceeding twice the current general minimum wage.

Seniority premium liability is determined using the Projected Unit Credit Method, with independent actuarial valuations determined at the end of each reporting period.



Remeasurements comprising actuarial gains and losses are recognized immediately in the consolidated statement of financial position with a charge or credit to other comprehensive income in the period in which they occur and are not subsequently reclassified to profit or loss. Past service cost is recognized in profit or loss when the plan amendment occurs.

Payments to defined contribution benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs (within the scope of IAS 37) which involves the payment of termination benefits.

Share-based payment arrangements

For cash-settled share-based payments for the executives of the Entity, a liability is recognized for the goods or services allocated, measured initially at the fair value of the liability and affecting profit or loss. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

r. ***Income taxes***

Income tax expense represents the sum of current and deferred income tax.

Current tax

Current income tax (“ISR”) is recognized in profit or loss of the year in which is incurred.

Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.



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.

Current and deferred taxes

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

s. ***Financial liabilities and equity instruments***

Classified as debt or equity

Financial liabilities and equity instruments issued by the Entity are classified as debt or equity instruments in accordance with the economic substance of the contractual agreement.

Financial liabilities

The Entity's financial liabilities are initially valued at their fair value and after the initial recognition at amortized cost, unless they are short-term liabilities and do not have an explicit financial component, in which case they are valued at their nominal value or at transaction cost. The amortized cost of a financial liability is the initial recognized amount of such liability less capital payments and plus/minus the accumulated amortization, using the effective interest rate method, of any difference between the initial amount and the amount at maturity.

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

Derecognition of financial liabilities

The Entity derecognizes financial liabilities if, and only if, its obligations are settled, cancelled or when they expire.

Equity instruments

An equity instrument is any contract that demonstrates a residual interest in an entity's assets after deducting all liabilities. The equity instruments issued by the Entity are recognized at the value of the consideration received, net of share issue costs.

The repurchase of the Entity's own equity instruments is recognized and decreased directly in stockholders' equity. No gains or losses are recognized in the Entity's profit or loss, as a result of the purchase, sale, issuance or cancellation of the Entity's own equity instruments.



t. ***Derivatives financial instruments***

The Entity enters into a variety of financial derivatives to manage its exposure to interest rate risks, including interest rate swaps. Further details of financial derivatives are disclosed in Note 13.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset while a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 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.

Hedge accounting:

The Entity designates certain derivative financial instruments, mainly with respect to those that hedge interest rate risk, as hedging instruments, either as fair value hedges or as cash flow hedges.

To classify a derivative financial instrument as a hedge, there must be an economic hedging relationship between the derivative and the hedged item, changes in the fair value of derivative financial instruments compensate, in whole or in part, changes in fair value or cash flows of the hedged item, for which a hedge effectiveness must exist.

Hedge effectiveness will be the degree to which changes in fair value or cash flows attributable to the risk of the hedged item are offset by the derivative instrument.

Hedge accounting recognizes in the result of the period, the effects of compensation of changes in the fair value of the hedging instrument and the hedged item.

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the 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 credit risk does not dominate the value changes that result from that economic relationship; and
- The coverage ratio is balanced.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Entity adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

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



Fair value hedges

Changes in the fair value of qualifying and designated as fair value hedges are recognized in profit or loss immediately, along with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Change in the fair value of the hedging instrument is recognized in the same line item of the effects of the hedged item.

Hedge accounting is interrupted prospectively when the hedging instrument expires, is sold, terminates, is exercised, when it no longer meets the criteria for accounting for hedges or when the Entity revokes the hedge designation for not being aligned to the Entity's management risk strategy. The adjustment to fair value of the book value of the hedged item generated by the hedged risk is amortized in profit or loss as of that date.

Cash flow hedges

The effective portion of changes in the fair value of qualifying derivatives that are designated as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of profit (loss) and other comprehensive income (loss) and is included in the "interest expenses" line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity until the previously hedged item is finally recognized in profit or loss.

The Entity assesses that the hedging relationships are balanced; if this is not the case, the coverage ratio is rebalanced, that is, the hedged item or hedging instrument is adjusted in order to achieve the highest possible degree of efficiency.

Embedded derivatives

The Entity reviews all contracts for goods and services of which it is a part, in order to identify embedded derivatives that should be segregated from the host contract to recognize them at fair value. When an embedded derivative is identified and the host contract has not been valued at fair value, the embedded derivative is segregated from the host contract and recognized at fair value; Changes in such fair value are recognized in profit or loss of the period, as part of the financing cost or income. As of December 31, 2019, 2018 and 2017 there are no embedded derivatives that must be segregated from the host contract.

u. ***Revenues from ordinary activities***

Toll revenue recognition

The Entity's management recognizes the concession toll revenues at the time the vehicles make use of highways and pay the fee in cash or through electronic means in the collection places. In the case of shadow toll payments from the SCT, they are received directly from the SCT and are recorded at the time the vehicles make use of the highways.



Recognition of availability payments from the SCT

When operating the PPS, COVIQSA and CONIPSA recognize availability payment revenues related to their unconditional right to receive availability payments for making the Irapuato – La Piedad and Querétaro – Irapuato highways available to users. These revenues are equivalent, in accordance with IFRIC 12, to the accrued interest on the financial asset from the concession recognized in the consolidated statement of financial position, at amortized cost, using the effective interest rate method.

Recognition of ancillary revenues from the use of right of way and other related revenues

In concessioned highways, ancillary revenues from the use of right of way are recognized, and in FARAC I and COTESA revenues derived from restaurants and convenience stores are recognized. The use of the right of way is marketed through roadside lease contracts.

Ancillary revenues from the use of right of way are those charged to tenants such as gas stations and convenience stores, as well as for the construction or passing of electrical installations and telecommunications, aqueducts and gas pipelines.

Recognition of construction revenues

In accordance with IFRIC 12, the Entity recognizes construction revenues and costs as the construction of the extension and rehabilitation works to the concession infrastructure progresses (“Percentage of completion”), when such works allow increasing the capacity to generate future economic benefits.

Recognition model of revenue from ordinary activities

In order to carry out the appropriate recognition of revenue, the following five-step model is used.

- Identify the contract with a customer
- Identify performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

The following table shows the application of the five-step revenue recognition model by revenue type.

Five-step model	Toll revenues	Revenues			
		Shadow toll payments	Availability payments	Ancillary revenues from the use of rights of way and other related revenues	Construction revenues
1 Identify the contract with a customer	Contract; toll payment voucher is issued	Concession contract	Concession contract	Contract/ proof of sale of goods	Concession contract
2 Identify performance obligations (PO) in the contract	One PO = Granting right-of-use to highways	One PO = Granting right-of-use to highways	One PO = Maintaining availability of highways	One PO = Granting right of way / sale of goods	One PO = Construction of highway infrastructure



Five-step model	Toll revenues	Revenues			
		Shadow toll payments	Availability payments	Ancillary revenues from the use of rights of way and other related revenues	Construction revenues
3 Determine the transaction price	Toll fee based on rates authorized by the SCT	Shadow payment for use established in the contract with the SCT	Availability payment established in the contract with the SCT	Costs related to the intangible asset from concession / Cost of product plus a profit margin	Cost incurred in construction, approximates fair value
4 Allocate the transaction price to the performance obligations in the contract	The transaction price = price of the single PO	The transaction price = price of the single PO	The transaction price = price of the single PO	The transaction price = price of the single PO	The transaction price = price of the single PO
5 Recognize revenue when (or as) the entity satisfies a performance obligation	At a point in time = Use of the highways	At a point in time = Use of the highways	At a point in time = Use of the highways	At a point in time = Use of the right of way / Delivery of goods to customer	Over time = Work in progress that is recognized throughout the construction period

v. ***Foreign currencies***

Mexican peso is the Entity's functional currency. Foreign currency transactions are recorded at the exchange rate in effect at the date of the transaction. Balances receivable or payable of foreign currency assets and liabilities are adjusted monthly to the market exchange rate at the closing date of the consolidated financial statements. The effects of exchange rate fluctuations are recorded in the consolidated statement of profit and loss and other comprehensive income, except in cases where they may be capitalized.

w. ***Earnings per share***

Basic earnings per common share are calculated by dividing net income attributable to the controlling interest by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined on the assumption that the Entity's commitments to issue or exchange its own shares are to be met.

x. ***Consolidated statement of profit or loss and other comprehensive income (loss)***

The Entity opted to present a single consolidated statement of profit or loss and comprehensive income (loss), combining the presentation of profit and loss, including an operating profit line item, and comprehensive income (loss) in the same statement.

The costs and expenses were classified according to their function due to the different economic and business activities, so they were separated in amortization of intangible assets derived from concessions, operation and maintenance of asset from concession, toll collection costs, construction costs, cost of ancillary revenues from the use of right of way and other related revenues and general and administrative expenses.



Toll collection costs do not include the amortization of intangible assets nor the costs of operation and maintenance of assets derived from the concession, because they are shown separately in the consolidated statement of profit and loss and other comprehensive income (loss).

y. ***Consolidated statement of cash flows***

The Entity presents the cash flow from operating activities using the indirect method, in which the profit is adjusted for the effects of transactions that do not require cash flows, including those associated with investing or financing activities.

The Entity classifies the total interest income (those related to financial assets by concession and those received from other financial assets) as operating activities and interest paid as financing activity.

4. Critical accounting judgments and key sources of estimation uncertainty

In applying the Entity's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following transactions are those in which management has exercised its professional judgment in applying accounting policies that may have a material effect on the amounts recorded in the consolidated financial statements:

- Management has determined, based on IFRIC 12 and the conditions established in the concession titles granted, the mechanism for the recovery of investment and operating expenses of the concessions through payments made for availability charges and the collection of other concepts from the SCT, and has recognized, as appropriate, an intangible asset for the variable revenue expected to be received and a financial asset for the payments that will be obtained directly from the SCT.
- Management has determined that it does not recognize a profit margin for extension and rehabilitation work. Accordingly, the amount of revenues recognized is equal to construction costs, given that the fair value of such revenues and costs are substantially similar.
- The estimate of future vehicle flow is a critical assumption which has a significant effect on the following assets and liabilities: amortization of intangible assets from the concession, calculation of impairment on intangible assets, determination of the provision for major maintenance and projections of future taxable income. The Entity makes this estimate with the assistance of an outside expert.

The key sources of uncertainty in the estimates made at the date of the consolidated statement of financial position, and which have a significant risk of deriving in an adjustment in the carrying values of assets and liabilities during the following financial period are as follows:

- The Entity has recoverable tax loss carryforwards for which it has assessed their recoverability and recognized a deferred income tax asset with respect to such amounts.
- The Entity values, at fair value, financial derivatives it has entered into to mitigate the risk of interest rate fluctuations. Financial derivatives which comply with the accounting criteria to be recognized as hedging instruments have been classified as cash flow hedges. Notes 13 and 19 describe the techniques and methodologies used to value derivative financial instruments.



- The Entity reviews the estimated useful life and amortization methods used for intangible assets derived from the concessions (described in Note 3.i) at the end of each reporting period. The effects of any modifications to estimates are recognized prospectively. Similarly, at the end of each reporting period, the Entity reviews the carrying values of its tangible and intangible assets (including goodwill) to determine if any indications of impairment exist.
- Management makes an estimate to determine and recognize the provision to cover the maintenance and repair expenses of the Concessioned Highways that affects the results of the periods that comprise from which the Concessioned Highways are available for use until the maintenance and/or repairs works are carried out. (Note 12).

5. Cash, cash equivalents and restricted cash

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

	December 31, 2019	December 31, 2018	December 31, 2017
Cash	\$ 880,164	\$ 1,428,313	\$ 1,267,361
Cash equivalents	<u>6,307,692</u>	<u>5,792,544</u>	<u>7,473,876</u>
	7,187,856	7,220,857	8,741,237
Long-term restricted cash	<u>149,010</u>	<u>105,612</u>	<u>98,833</u>
	<u>\$ 7,336,866</u>	<u>\$ 7,326,469</u>	<u>\$ 8,840,070</u>

Seven management trusts have been established by the Entity for specific purposes in their use and destination and whose nature in some cases represents cash and in some other cash equivalents:

- (i) The first trust No. 300195, was established with respect to the resources obtained from the toll collection and related services, which guarantee and are mainly destined for the payment of the contracted debt and maintenance of the concessioned asset, whose balance held in this trust as of December 31, 2019, 2018 and 2017 amounts to \$6,273,501, \$5,783,506 and \$7,234,704, respectively.

In accordance with the twenty-eighth clause of the concession title, a Conservation and Maintenance Fund must be established that must be equal to three days of the annual gross income, as of December 31, 2019, 2018 and 2017 balance of such Fund amounts to \$67,758, \$54,185 and \$48,202, respectively.

- (ii) The second trust No. 300209 was established for the construction of expansion projects of the Concessioned Highways, whose balance held in this trust as of December 31, 2019, 2018 and 2017 amounts to \$28,441, \$1,428 and \$223,838, respectively.
- (iii) The third trust No. 661 was established for the issuance of Long-Term Infrastructure Development Equity Certificates, whose balance held in this trust as of December 31, 2019, 2018 and 2017 amounts to \$4,924, \$7,352 and \$15,218, respectively.
- (iv) The fourth irrevocable administration trust, source of payment and issuance of securities No. 32-6 of the COVIQSA project, in which all shadow toll and availability payment revenues are received in accordance with the PPS agreements, and from which distributions of all operating and financial expenses as well as dividends, if applicable, are paid, whose balance at December 31, 2019, 2018 and 2017 amounts to \$372,947, \$694,026 and \$689,756, respectively.



- (v) The fifth irrevocable administration trust, source of payment and issuance of securities No. 31-8 of the CONIPSA project, in which all shadow toll revenues are received in accordance with the PPS agreements, and from which distributions of all operating and financial expenses as well as dividends, if applicable, are paid, whose balance at December 31, 2019, 2018 and 2017 amounts to \$170,220, \$389,667 and \$412,248, respectively.
- (vi) The sixth trust No. 2792 established for the administration of resources derived from the exploitation of the COTESA project, in which all the toll revenues from the Concessioned Highway are received. Balance held in this trust as of December 31, 2019, 2018 and 2017 is \$58,402, \$22,304 and \$38,785 respectively.

Within this trust, according to obligations contracted in the concession title, the Entity created a fund of \$5,000 for 2016 intended as a contingency fund for the right of way. Upon completion of the construction project, the resources of this fund were transferred to the Conservation and Maintenance fund in accordance with the twenty-fifth clause of the concession title whereby this should correspond to the greater between (i) the amount of \$17,200 restated annually by inflation according to the NCPI as of the date this contribution is required; or (ii) the amount corresponding to 6 (six) months of maintenance and conservation costs plus value added tax. As of December 31, 2019, 2018 and 2017 the balance of such fund amounted to \$11,079, \$10,336, and \$18,080, respectively.

- (vii) The seventh trust No. 871 established for the administration of resources derived from the exploitation of the AUTOVIM. Balance held in this trust as of December 31, 2019 is \$187,462. In accordance with the ninth clause of the concession title, a Contingent Works Fund must be established whose balance at December 31, 2019, is \$17,889.

The trustee of trust No. 300195 and No. 300209 is HSBC México, S.A. Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria, and the trustee of trust No. 661 is CI Banco, S.A., Institución de Banca Múltiple, División Fiduciaria. In the case of COVIQSA and CONIPSA, Grupo Financiero Multiva, S.A. is the trustee of trust No. 32-6 and No. 31-8. In the case of COTESA and AUTOVIM, Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero is the trustee of trusts No. 2792. and No. 871, respectively.

The long-term restricted cash account whose balance at December 31, 2019, 2018 and 2017 amounts to \$149,010, \$105,612 and \$98,833, respectively, corresponds to COVIQSA and CONIPSA, which originated mainly from the cash reserves to which they are bound by their PPS Contracts and their Loan Agreements.

6. Trade accounts receivable, other accounts receivable and prepaid expenses

- a. Accounts receivable at the end of the reporting period are as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Trade accounts receivable	\$ 543,427	\$ 158,667	\$ 121,413
Expected credit losses	<u>(17,171)</u>	<u>(13,435)</u>	<u>(11,440)</u>
	<u>\$ 526,256</u>	<u>\$ 145,232</u>	<u>\$ 109,973</u>

Accounts receivable from customers disclosed above are classified as financial instruments that are subsequently valued at amortized cost.

The electronic toll income is recorded as an account receivable that is passed on to FARAC I due to the electronic toll company grants credit to certain customers, the contract establishes that the toll collection company will be obliged to pay the revenue only when the final customer who pays electronically the toll service has paid.



The account receivable for use of right of way includes primarily companies dedicated to: i) sale of fuels and lubricants and ii) sale of advertising through spectacular advertisements, which have a credit term of at least 90 days.

The account receivable with the SCT from PPS agreements of COVIQSA and CONIPSA have a low credit risk, due to the SCT pays according to the current expenditure budget of the federal government.

Customer aging

	December 31, 2019	December 31, 2018	December 31, 2017
Current and overdue less than 90 days	\$ 526,256	\$ 145,232	\$ 109,973
Overdue more than 90 days	<u>17,171</u>	<u>13,435</u>	<u>11,440</u>
Total	<u>\$ 543,427</u>	<u>\$ 158,667</u>	<u>\$ 121,413</u>

Movements in expected credit losses are as follows:

	Total
Balance as of January 1, 2017	\$ (3,660)
Applications, net	<u>(7,780)</u>
Balance as of December 31, 2017	(11,440)
Estimates, net	<u>(1,995)</u>
Balance as of December 31, 2017	(13,435)
Estimates, net	<u>(3,736)</u>
Balance as of December 31, 2019	<u>\$ (17,171)</u>

b. Other accounts receivable and prepaid expenses are comprised as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Advances to suppliers	\$ 47,186	\$ 74,761	\$ 18,124
Premiums paid in advance for insurance and bonds	66,776	63,642	67,961
Creditable VAT not yet paid	52,328	-	86,255
Other accounts receivable	<u>58,948</u>	<u>25,002</u>	<u>17,226</u>
	<u>\$ 225,238</u>	<u>\$ 163,405</u>	<u>\$ 189,566</u>

7. Financial assets arising from concessions

The financial asset arising from concession comprising current and long-term portions corresponds to assets in accordance with the concession titles of COVIQSA and CONIPSA which grant the right to collect an availability payment from the SCT. The total current portion of the financial asset as of December 31, 2019, 2018 and 2017 is \$401,174, \$403,683 and \$388,502, respectively, while the long-term asset as of December 31, 2019, 2018 and 2017 is \$828,436, \$846,821 and \$868,967, respectively. Main features of each concession are detailed below:



- a. The investment classification of the COVIQSA concession for the Querétaro-Irapuato toll-free segment, considering the characteristics of the concession title, was determined as a combination of 25% financial asset and 75% intangible asset.

On June 21, 2006, the Federal Government granted, through the SCT, a concession for 20 years to operate, maintain and conserve the toll-free stretch of federal jurisdiction Querétaro-Irapuato of approximately 93 kilometers in length, in the states of Querétaro and Guanajuato in the Mexican Republic, as well as to execute works for the modernization of said section, including the exclusive right to sign the PPS Contract with the Federal Government for the provision of road capacity in the above-mentioned section. The total value of the project is \$1,465 million pesos, a figure that includes \$1,172 million pesos for the engineering, procurement and construction of the sections to be modernized and expanded; and the remainder includes financing, maintenance and operation during the modernization stage.

The recovery of the concession investment will be carried out through quarterly collections made up of: (1) the payment from the SCT for keeping the concessioned highway available for use and (2) for the shadow toll payment received from the SCT for the number of vehicles that use the concessioned highway according to the defined tariff.

The income generated by the availability payments and toll payments received from the SCT has been used to secure COVIQSA's long-term debt, due in 2025. These funds are held in a trust, No. 32-6, as discussed in Note 5.

As the concession and PPS agreement are related instruments, the PPS agreement will be terminated when the concession title expires, without affecting the rights and obligations of the parties to each agreement. The PPS model represents a way of contracting the services required by public federal administration entities, to enable them to fulfill a public mission through private investment to increase basic infrastructure and provide higher quality public services, among other objectives. Prior to July 21, 2006, COVIQSA delivered a signed notice to the SCT regarding commencement of operations and maintenance work. In addition, on July 31, 2006, COVIQSA delivered a signed notice concerning the commencement of modernization work on the existing highway.

At the end of the concession period, the concessioned highway, rights-of-way, permanently adhered facilities and any related infrastructure and improvements and auxiliary services rights will revert back to the Mexican Government at no cost and free from liens and encumbrances, with all the works that have been carried out for its exploitation.

The significant terms contained in the concession title agreement are as follows:

- Through the SCT, COVIQSA must make a fixed annual payment, authorized by the Treasury Department, to the Federal Government, equal to 0.000001% of the sum of payments for shadow toll payments and availability payments received from the SCT (integrated payment) prior year payment, excluding value-added tax. This payment must be made on the final business day of January of each year during the 20-year concession period.
- COVIQSA may not assign the rights or obligations derived from the concession or the assets utilized in the operation, maintenance and modernization of the existing highway without the prior written authorization from the SCT. Under no circumstances would an assignment to a foreign government or state be authorized.
- Pursuant to the Fourteenth clause of the concession title agreement, without the prior consent of the SCT, COVIQSA's stockholders may not provide shares representing COVIQSA's common stock as collateral, and the concessionaire may not mortgage, encumber or alienate the rights derived from this concession or from the assets related to the operation and maintenance.



- COVIQSA must establish a conservation and maintenance fund for the concessioned highway, beginning with an amount of at least the equivalent to the budget of the concessionaire's costs for the subsequent six months of the calendar year immediately following that of the date of signature of the concession title. These funds are held in trust No. 32-6 as mentioned in Note 5.

Pursuant to an amendment to COVIQSA's PPS agreement, payments by the SCT are subject to a quarterly maximum cap of \$192,459, based on December 31, 2011 prices and adjusted annually based on inflation.

At December 31, 2019, COVIQSA complies with all conditions mentioned above.

- b. In the case of CONIPSA, the concession for the Irapuato - La Piedad highway, considering the characteristics of the Service Provision contract, was classified as a combination of a financial asset in 88% and an intangible asset in 12%, respectively.

On September 12, 2005, the Federal Government, through the SCT, granted the Entity a 20-year concession and the contract for the provision of services for the operation, conservation and maintenance of the Irapuato-La Piedad free highway in the States of Guanajuato and Michoacán de Ocampo with a length of 74.32 kilometers under the PPS scheme. The original investment amounts to approximately \$735 million pesos. The recovery of the investment will be through quarterly collections made up of: (1) the payment from the SCT for keeping the concessioned highway available for use; and (2) the payment from the SCT for the number of vehicles that use the concessioned highway according to the defined tariff.

The income generated by the availability payments and shadow toll payments received from the SCT has been used to secure CONIPSA's long-term debt, due in August 2024. These funds are held in a trust, No. 31-8, as discussed in Note 5.

As the concession and PPS agreement are related instruments, the PPS agreement will be terminated when the concession title expires, without affecting the rights and obligations of the parties to each agreement. The PPS model represents a way of contracting the services required by public federal administration entities, to enable them to fulfill a public mission through private investment to increase basic infrastructure and provide higher quality public services, among other objectives.

On July 31, 2008, the SCT was officially notified of the completion of construction and the commencement of the highway's operation.

On April 13, 2009, CONIPSA entered into an amending contract to the concession title, by which a decrease was agreed of the original length from 74.32 kilometers to 73.52 kilometers, originating at the junction of the Querétaro - Irapuato Highway with the Irapuato - La Piedad highway and ending at kilometer 76 + 520 at the junction with the future release of La Piedad de Cabadas, in the States of Guanajuato and Michoacán de Ocampo, in the Mexican Republic. The amount of this decrease was reflected in the payment for keeping the concessioned highway available for use, which decreased from \$146 million pesos to \$143 million pesos (nominal value).

At the end of the concession period, the concessioned highway, rights-of-way, permanent facilities and any related infrastructure and improvements and auxiliary services rights will revert to the Mexican Federal Government at no cost and free from liens and encumbrances.



The significant terms contained in the concession title agreement are as follows:

- Through the SCT, CONIPSA must make a fixed annual payment, authorized by the Treasury Department, to the Federal Government, equal to 0.000001% of the total prior year payment, excluding value-added tax. This payment must be made on the final business day of January of each year during the 20-year concession period, beginning with the second quarter of 2007.
- CONIPSA may not assign the rights or obligations derived from the concession or the assets utilized in the operation, maintenance and modernization of the existing highway without the prior written authorization from the SCT. Under no circumstances would an assignment to a foreign government or state be authorized.
- Pursuant to the Fourteenth Clause of the Concession Agreement, without the prior consent of the SCT, CONIPSA's stockholders may not provide shares representing CONIPSA's common stock as collateral, and the concessionaire may not mortgage, encumber or alienate the rights derived from this concession or from the assets related to the operation and maintenance.
- CONIPSA must establish a conservation and maintenance fund for the concessioned highway, beginning with an amount of at least the equivalent to the budget of the concessionaire's costs for the subsequent six months of the calendar year immediately following that of the date of signature of the concession title. These funds are held in trust No. 31-8, as discussed in Note 5.

At December 31, 2019, CONIPSA complies with all conditions mentioned above.

8. Intangible asset derived from concessions

The intangible asset related to concession is as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Intangible from concession	\$ 52,602,533	\$ 52,383,646	\$ 51,807,495
Capitalized financing cost	<u>203,380</u>	<u>203,380</u>	<u>203,380</u>
	52,805,913	52,587,026	52,010,875
Accumulated amortization	<u>(11,580,524)</u>	<u>(10,372,305)</u>	<u>(9,242,408)</u>
	41,225,389	42,214,721	42,768,467
Advances to suppliers	<u>88,043</u>	<u>17,419</u>	<u>131,562</u>
	<u>\$ 41,313,432</u>	<u>\$ 42,232,140</u>	<u>\$ 42,900,029</u>
	Intangible from concession	Capitalized financing cost	Total
Acquisition cost:			
Balance as of January 1, 2017	\$ 51,151,080	\$ 203,380	\$ 51,354,460
Additions	<u>656,415</u>	<u>-</u>	<u>656,415</u>
Balance as of December 31, 2017	51,807,495	203,380	52,010,875
Additions	<u>576,151</u>	<u>-</u>	<u>576,151</u>
Balance as of December 31, 2018	52,383,646	203,380	52,587,026
Additions	<u>218,887</u>	<u>-</u>	<u>218,887</u>
Balance as of December 31, 2019	<u>\$ 52,602,533</u>	<u>\$ 203,380</u>	<u>\$ 52,805,913</u>



Accumulated amortization:	Intangible from concession
Balance as of January 1, 2017	\$ (8,362,680)
Amortization	<u>(879,728)</u>
Balance as of December 31, 2017	(9,242,408)
Amortization	<u>(1,129,897)</u>
Balance as of December 31, 2018	\$ (10,372,305)
Amortization	<u>(1,208,219)</u>
Balance as of December 31, 2019	<u>\$ (11,580,524)</u>

- a. As of December 31, 2019, 2018 and 2017, revenues were recorded in the period for the construction of expansion and rehabilitation works for the exchange of an intangible asset for \$210,058, \$624,446 and \$614,658, respectively, and costs for the same amounts were also recorded, in each of the periods.
- b. The principal characteristics of the concession agreement are as follows:

As part of its economic policy, on October 3, 2007, the Mexican Federal Government, through the SCT, granted a concession agreement to RCO, to construct, operate, conserve and maintain, for a 30-year period, the Concessioned Highways (Maravatio-Zapotlanejo, Zapotlanejo-Lagos, León-Aguascalientes and Guadalajara-Zapotlanejo), with a total length of 558.05 kilometers (as of such date) in the states of Michoacán de Ocampo, Jalisco, Guanajuato and Aguascalientes; the concession agreement includes expansion works established in the concession agreement.

As mentioned in Note 1, on June 26, 2014, the SCT amended the Concession Title granted to RCO, in order to incorporate the construction, operation, conservation and maintenance of a toll-free segment of approximately 46 kilometers in length, commencing East of Jiquilpan, in the State of Michoacán de Ocampo, and ending at the Maravatio-Zapotlanejo toll road junction, in the State of Jalisco. Considering that the construction of the aforementioned segment constitutes an additional project which had not been originally contemplated in the Concession Title, and in order to maintain the financial equilibrium of the Concession, the aforementioned amendment also includes an extension to the original term of the Concession of four years and six months, as well as a weighted average 2% adjustment in the tolls applicable to the total traffic in the Concessioned Highways. Toll adjustment was effective in May 2019, as the construction of such branch was successfully concluded.

Regarding the Concessioned Highways, the recovery of the investment will be carried out through the collection of the tariffs authorized by the SCT during the agreed term in the concession title, being entitled to adjust those tariffs annually according to the NCPI or when this suffers an increase of 5% or more, with respect to the index existing on the date the last adjustment was made. As of July 16, 2019, the SCT authorized the maximum average rate methodology. Under this methodology, a toll can be implemented differentiating between vehicle classes and road sections, maintaining the current average rate, in order to optimize the capacity and service level of the Concessioned Highways subject to the Concession Title. Toll revenues are guaranteeing long-term debt (See Note 14).

- c. The significant terms contained in the concession title agreement of RCO are as follows:

Carry out the extension works established in the RCO concession title, of which as of December 31, 2019, the following are in construction process: (a) Zacapu highway - junction of the Maravatio-Zapotlanejo highway with an approximate length of 8.67 kilometers in the State of Michoacán de Ocampo and (b) Toll-free branch highway with an approximate length of 46 kilometers starting east of Jiquilpan, Michoacán Ocampo, and termination at the junction with the Maravatio - Zapotlanejo Highway, in the state of Jalisco.



The rights and obligations derived from the concession may not be subject to transmission by the Concessionaire unless: (i) it has the prior written authorization of the SCT, (ii) has fulfilled all its obligations arising from the concession title at the date of the request for authorization to the SCT, (iii) a period of not less than three years after the effective date of the concession has elapsed, (iv) the assignee fulfills the requirements established in the bases and applicable laws for the granting of the concession and the Concessionaire and (v) the Concessionaire and/or the assignee comply with the provisions regarding concentrations provided for in the Federal Antitrust Law.

Neither the concessionaire nor its stockholders may transfer or pledge their interests in the Entity, or the rights derived from the concession without the prior written authorization of the SCT.

By virtue of the assignment of the concession title, the Concessionaire made an initial payment equivalent to \$44,051,000, under the terms indicated by the SCT, which is part of the intangible asset.

Federal government retains the right to revoke the concession in accordance with the terms established in article 19 of the Mexican General Law on State Property. In the event this should occur, the government must establish the general basis applicable to settle any compensation payable to the concessionaire, taking into account the duly substantiated investment made, as well as the depreciation of equipment and other assets used directly for purposes of the concession.

On the termination date of the concession or, in the case of the extension, the highways, including all assets permanently attached thereto, as well as the operating, conservation and maintenance rights and other ancillary services rights will revert to the Mexican government, in good condition, at no cost and free of any and all encumbrances.

As discussed in Note 3.o, the Entity performs annual impairment tests. At December 31, 2019, there is no indication of impairment losses involving the carrying value of intangible asset from concession.

The value in use of the highways has been determined using the discounted cash flow method. For this purpose, the weighted average cost of capital estimated through the Capital Asset Pricing Model ("CAPM") is used as a discount rate.

The Entity must create and maintain a conservation fund to ensure compliance with the conservation and maintenance program, which must include a minimum amount equal to three days of the annual expected gross revenue with respect to the year in question. Such conservation fund must be used solely and exclusively for the conservation and maintenance of the highways.

The Entity is obliged to pay to the Federal Government an annual consideration equivalent to 0.5% of the gross toll tariff revenues (excluding the value-added tax), of the immediately prior year derived from the operation of the Concessioned Highways during the concession term. For the years ended December 31, 2019, 2018 and 2017, consideration paid was \$40,369, \$37,030 and \$32,962, respectively.

- d. The main characteristics of the intangible asset from concession in COTESA are as follows:

On May 19, 2016, the Mexican Federal Government, through the SCT, granted a Concession agreement to COTESA, to build, operate, conserve and maintain for a 30-year period, the Concessioned Highways Tepic-San Blas, with a total length of 30.929 kilometers in the state of Nayarit, as well as the expansion works that are indicated in the concession title.

With respect to the Concessioned Highways, the recovery of the investment will be made through the collection of tolls established by the SCT over the term established in the concession agreement, having the right to adjust those tolls on an annual basis according to the NCPI or sooner in the event of an increase of 5% or more of the NCPI used with respect to the most recent adjustment in the rate.



- e. The significant terms contained in the concession title agreement of COTESA are as follows:

The rights and obligations derived from the concession may not be subject to transmission by the Concessionaire unless: (i) it has the prior written authorization of the SCT, (ii) has fulfilled all its obligations arising from the concession title at the date of the request for authorization to the SCT, (iii) a period of not less than three years after the effective date of the concession has elapsed, (iv) the assignee fulfills the requirements established in the bases and applicable laws for the granting of the concession and the Concessionaire and (v) the Concessionaire and/or the assignee comply with the provisions regarding concentrations provided for in the Federal Antitrust Law.

Neither the concessionaire nor its stockholders may transfer or pledge their interests in the Entity, or the rights derived from the concession without the prior written authorization of the SCT.

By virtue of the assignment of the concession title, the Concessionaire made an initial payment equivalent to \$10,059, under the terms indicated by the SCT, which is part of the intangible asset.

On the termination date of the concession, the highways, including all assets permanently attached thereto, as well as the operating, conservation and maintenance rights and other ancillary services rights will revert to the Mexican government, in good condition, at no cost and free of any and all encumbrances.

As discussed in Note 3.o, the Entity performs annual impairment tests. At December 31, 2019, there is no indication of impairment losses involving the carrying value of intangible asset from concession.

The value in use of the highways has been determined using the discounted cash flow method. For this purpose, the weighted average cost of capital estimated through the Capital Asset Pricing Model ("CAPM") is used as a discount rate.

The Entity must establish and maintain the Reserve Fund for Maintenance and Conservation, in order to ensure compliance with the conservation and maintenance program, which must be maintained with a minimum amount that is greater between: i) \$17,200 updated annually or ii) the amount corresponding to 6 months of maintenance and conservation costs plus value-added tax (VAT) according to the highway maintenance and periodic maintenance program. This Conservation Fund must be used solely and exclusively for the conservation and maintenance of the Concessioned Highway.

The Entity is obliged to pay to the Federal Government an annual consideration equivalent to 0.5% of the gross toll tariff revenues (excluding the value-added tax), of the immediately prior year derived from the operation of the Concessioned Highways during the concession term. For the years ended December 31, 2019, 2018 and 2017, consideration paid was \$7,036, \$6,639 and \$4,254, respectively.

- f. The main characteristics of the intangible asset from concession in AUTOVIM are as follows

On December 2, 2009, the Mexican Federal Government, through the SCT, granted a Concession agreement to AUTOVIM, to project, build, operate, leverage, conserve and maintain for a 30-year period, the Concessioned Highways Zamora-La Piedad, with a total length of 35.000 kilometers in the state Michoacán de Ocampo, as well as the expansion works that are indicated in the concession title.

With respect to the Concessioned Highways, the recovery of the investment will be made through the collection of tolls established by the SCT over the term established in the concession agreement, having the right to adjust those tolls on an annual basis according to the NCPI or sooner in the event of an increase of 5% or more of the NCPI used with respect to the most recent adjustment in the rate.



g. The significant terms contained in the concession title agreement of AUTOVIM are as follows:

According to the Concession Title, all revenue and expenses related to the Concessioned Highway must be informed to an Administration Trust, which will have a Technical Committee formed by representatives of the State Government, the Concessionaire and the creditors. Likewise, the Concession Title establishes that the recovery of the investment along with its yields will be subordinated to the payment of: (i) taxes paid by the Concessionaire, (ii) refunds by Right of Way, (iii) the consideration in favor of the Government of the State, (iv) the expenses of use, operation and maintenance of the Concessioned Road, (v) the constitution of the required reserve funds and (vi) the service of the credits.

The concession title does not provide for any condition or require any explicit authorization by the Ministry of Communications and Public Works of the State of Michoacán de Ocampo (the “SCOP”) to be able to pay dividends as long as: (i) Section 1 of the Concessioned Highway is put into operation and (ii) the subordination for the recovery of the investment described in the previous paragraph is respected. Likewise, the Concession Title foresees the possibility of a financial rebalancing of the Concession in case the Concessionaire demonstrates that the internal rate of return (the “IRR”) supported by the Concession Title and its annexes has not materialized in the course of the original life of the Title.

All expenditures related to the construction of the Concessioned Highway will have to be approved by the SCOP through the approval, by the Independent Work Engineer, of each of the progress estimates presented. The Independent Engineer will present, on a monthly basis, its opinion regarding the construction progress to the Technical Committee of the Administration Trust on a monthly basis.

The Concessionaire must pay the following consideration in favor of the State Government:

- Restitution by Right of Way. Up to 50% of the Surplus Resources obtained in the previous year must be paid annually in favor of the State Government to restore the cost of releasing of the right of way of the Concession.
- Initial Consideration. It will be for an amount of up to 50% of the Surplus Resources obtained in the previous year until the amount of 30 (thirty) million pesos has been completed as long as the Restitution by Right of Way has been paid in full.
- Periodic Consideration. It will be for an amount equal to 5% of net revenues of the operation of the Concessioned Highway, without exceeding 50% of the Surplus Resources obtained in the previous year as long as the Initial Consideration has been paid in full.

For the purposes of the consideration related to the Concession Title, the “Surplus Resources” are defined as the revenue derived from vehicles that exceed the forecasted Annual Average Daily Traffic (the “TPDA”) and included in Annex 16. Financial Run of the Concession title.

A Contingent Works Fund must be created, which must be constituted for an amount of up to 30 (thirty) million pesos to be contributed proportionally to Section 1 and Section 2 respectively; This Fund has been duly constituted for the amount corresponding to Section 1, which is equivalent to 40% (forty percent) of the total length of the Concessioned Road. Likewise, the Concessionaire may, but will not be obliged to, establish a Conservation Fund.

After written approval by the SCOP, new shareholders may be incorporated into the Concessionaire through the subscription of new shares and the corresponding increase in share capital.



At the concession termination date, the assets subject to the Concessioned Highway, its improvements and accessions will fully revert to the control and administration of the executive power of the State of Michoacán de Ocampo.

As of December 31, 2019, AUTOVIM has complied with all the conditions included in the concession title agreement.

As of December 31, 2019, the concession highway granted to AUTOVIM is in the preoperative stage.

- h. The main characteristics of the CONIPSA and COVIQSA concession titles are the following:

The intangible asset from concession includes the corresponding portion of CONIPSA and COVIQSA, whose main conditions are described in Note 7. As of December 31, 2019, the carrying amount of these assets does not show any indicators of having suffered an impairment loss. The value in use of the highways has been determined using the discounted cash flow method. For this purpose, the weighted average cost of capital estimated through the CAPM is used as a discount rate.

9. Goodwill

As mentioned in Note 1, on February 21, 2019, 100% of the voting shares of AUTOVIM were acquired. The results of AUTOVIM are included in the consolidated financial statements from that date.

The total consideration paid was \$125,435 in cash and the fair value of the net assets acquired amounted to \$959. As such, goodwill of \$124,476 was recognized. As of December 31, 2019, no impairment indicators have been identified regarding goodwill.

10. Franchise rights, furniture and machinery and equipment

- a. Franchise rights correspond to the consideration payments to Subway International, B.V., Papa John's Eum, S. de R.L. de C.V., Operadora Cuarto de Kilo, S. de R.L. de C.V. (since September 15, 2017), Black Coffee Galerías de Jalisco, S. de R.L. de C.V (since December 21, 2018) and YF Yogurts, S. de R.L. de C.V. (until July 26, 2017) to operate restaurants and yogurt establishments located on the Concessioned Highways and are as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Acquisition cost	\$ 5,916	\$ 3,724	\$ 2,946
Accumulated amortization	<u>(3,558)</u>	<u>(2,862)</u>	<u>(2,248)</u>
	<u>\$ 2,358</u>	<u>\$ 862</u>	<u>\$ 698</u>

- b. Furniture and equipment consist of the following:

	December 31, 2019	December 31, 2018	December 31, 2017
Acquisition cost:			
Computer equipment	\$ 278	\$ 155	\$ 155
Furniture and fixtures	39,679	33,376	30,044
Vehicles	<u>65</u>	<u>65</u>	<u>65</u>
	40,022	33,596	30,264
Accumulated depreciation	<u>(20,059)</u>	<u>(15,437)</u>	<u>(12,769)</u>
	<u>\$ 19,963</u>	<u>\$ 18,159</u>	<u>\$ 17,495</u>



c. Machinery and equipment consist of the following:

	December 31, 2019	December 31, 2018	December 31, 2017
Acquisition cost	\$ 21,328	\$ 17,112	\$ 16,268
Accumulated depreciation	<u>(12,491)</u>	<u>(10,497)</u>	<u>(7,237)</u>
	<u>\$ 8,837</u>	<u>\$ 6,615</u>	<u>\$ 9,031</u>

d. The following useful lives are used in the calculation of depreciation and amortization:

Franchise rights	5 years
Computer equipment	4 years
Furniture and fixtures	10 years
Vehicles	4 years
Machinery and equipment	6 years

11. Rights-of-use assets, net

The Entity maintains leases, which are shown below classified by class of underlying asset:

	December 31, 2019	December 31, 2018	December 31, 2017
Acquisition cost:			
Offices	\$ 27,063	\$ 29,889	\$ 22,773
Vehicles and construction equipment	62,397	61,635	61,195
Computer equipment	<u>6,142</u>	<u>6,142</u>	<u>2,820</u>
	95,602	97,666	86,788
Accumulated depreciation	<u>(48,716)</u>	<u>(35,273)</u>	<u>(25,405)</u>
	<u>\$ 46,886</u>	<u>\$ 62,393</u>	<u>\$ 61,383</u>

	Property	Vehicles and construction equipment	Computer equipment	Total as of December 31, 2019
Depreciation charge	\$ 3,828	\$ 8,017	\$ 1,598	\$ 13,443
Interest expense on lease liabilities	1,696	1,162	263	3,121
Total cash outflow for leases	5,021	9,163	1,698	15,882

	Property	Vehicles and construction equipment	Computer equipment	Total as of December 31, 2018
Depreciation charge	\$ 4,833	\$ 3,821	\$ 1,214	\$ 9,868
Interest expense on lease liabilities	1,969	3,531	405	5,905
Total cash outflow for leases	6,705	6,961	1,628	15,294

	Property	Vehicles and construction equipment	Computer equipment	Total as of December 31, 2017
Depreciation charge	\$ 3,373	\$ 2,336	\$ 1,524	\$ 7,233
Interest expense on lease liabilities	2,208	5,091	206	7,505
Total cash outflow for leases	4,738	6,917	1,735	13,390



Lease liabilities as of December 31, 2019, 2018 and 2017 amount to \$77,369, \$56,923 and \$55,434, respectively.

12. Provisions

As of December 31, 2019, 2018 and 2017, the most significant provisions are comprised as follows:

	December 31, 2018	Increases	Applications	Cancelations	December 31, 2019
Provision for:					
Major maintenance ST(1)	\$ 299,351	\$ 1,286,883	\$ (1,249,502)	\$ -	\$ 336,732
Major maintenance LT(1)	<u>427,361</u>	<u>(111,879) (2)</u>	<u>-</u>	<u>-</u>	<u>315,482</u>
	<u>\$ 726,712</u>	<u>\$ 1,175,004</u>	<u>\$ (1,249,502)</u>	<u>\$ -</u>	<u>\$ 652,214</u>

	December 31, 2017	Increases	Applications	Cancelations	December 31, 2018
Provision for:					
Major maintenance ST(1)	\$ 458,989	\$ 757,455	\$ (917,093)	\$ -	\$ 299,351
Major maintenance LT(1)	175,380	251,981 (2)	-	-	427,361
Other	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>	<u>-</u>
	<u>\$ 638,369</u>	<u>\$ 1,009,436</u>	<u>\$ (917,093)</u>	<u>\$ (4,000)</u>	<u>\$ 726,712</u>

	January 1, 2017	Increases	Applications	Cancelations	December 31, 2017
Provision for:					
Major maintenance ST(1)	\$ 742,898	\$ 599,948	\$ (883,857)	\$ -	\$ 458,989
Major maintenance LT(1)	158,187	17,193 (2)	-	-	175,380
Other	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
	<u>\$ 905,085</u>	<u>\$ 617,141</u>	<u>\$ (883,857)</u>	<u>\$ -</u>	<u>\$ 638,369</u>

(1) As of December 31, 2019, 2018 and 2017, the financial cost associated with the maintenance provision is for \$57,617, \$23,618 and \$ -, respectively, for the value of the passage of time between the provision at net present value and its projection.

(2) The amount includes the reclassification of long-term and short-term provisions during the year.

13. Financial derivatives

The Entity uses swaps to set interest rates from variable rates to fixed rates.

The following table shows the financial instruments that the Entity has entered into to hedge interest rate fluctuations through interest rate swaps:



Hedge	Date		Rate		December 31,	December 31,	December 31,
	Contracting	Maturity	Received	Paid	2019	2018	2017
\$ 165,620	Jul 19	Jun 34	TIIE *28 d(1)	9.0850%	\$ (125,894)	\$ -	\$ -
-	Oct. 07/ Mar. 08	Oct. 18/ Dic. 21	TIIE *28 d(1)	8.3700%	-	110,858	11,838
1,196,957	Mar. 17 Sep. 15	Sep. 28 Feb. 25	TIIE *28 d(1)	6.1100%	17,493	100,656	93,457
75,661	Feb. 16	Ago. 24	TIIE *28 d(1)	5.7800%	<u>3,582</u>	<u>15,300</u>	<u>15,304</u>
					<u>\$ (104,819)</u>	<u>\$ 226,814</u>	<u>\$ 120,599</u>

(1) As of December 31, 2019, 2018 and 2017, the 28-day TIIE rate is 7.5555%, 8.5956% and 7.6241%, respectively.

- Variable rate to fixed rate:

During the concession, RCO has contracted several swaps that change the financing profile from a variable interest rate to a fixed interest rate. On June 28, 2019, through the first reopening of the RCO 18U ticker symbol issuance and the RCO 19 ticker symbol issuance, an advance payment was made for a total principal amount of \$3,650,000, of the credits for capital expenditures that RCO had held with Santander since 2016 and 2017, derived from the foregoing, existing derivatives at that date were totally canceled. On July 2, 2019, a line of credit agreement was signed with Banco Santander (Mexico), as creditor, whose main destination will be for working capital expenses (Capex), for which reason, a swap was contracted to change the financing profile from a variable interest rate to a fixed interest rate of 9.0850% for an amount of \$851,108.

In September 2015, COVIQSA entered into two swaps that change the profile from a variable interest rate to a fixed interest rate of 6.1100%; the amount of the swaps was \$1,751,218.

In February 2016, CONIPSA entered into two swaps that changed the profile from a variable interest rate to a fixed interest rate of 5.7800%; the amount of the swaps was \$262,424.

The Entity deems that the estimated net amount of the gains or losses originated by the derivative financial instruments included in the other comprehensive income as of December 31, 2019 for a total of \$121,715 and \$(138,617) will be reclassified to net profit or loss during in 2020.

During 2019, 2018 and 2017 there were no ineffective portions that should be recognized in profit or loss for the period.

14. Long-term debt

Long-term debt consists of the following:

	December 31, 2019	December 31, 2018	December 31, 2017
Line of credit for up to \$500,000, contracted by RCO, payable quarterly beginning on December 10, 2015, bearing interest at the TIIE rate plus 350 basis points.	\$ -	\$ -	\$ 117,647
Securitized certificates of RCO of 1,481,044,500 UDIs maturing in 2032, bearing interest payable biannually at a fixed interest rate of 5.2500%. (RCO12U)	2,484,883	2,557,585	8,789,334



	December 31, 2019	December 31, 2018	December 31, 2017
Securitized certificates of RCO of \$2,841,000 maturing in 2027, bearing interest payable biannually at a fixed interest rate of 9.0000%. (RCO12)	1,121,190	1,246,320	2,841,000
Senior debt instruments issued by RCO for \$7,500,000 maturing in 2028, bearing interest payable biannually at a fixed rate of 9.0000%.	7,275,000	7,500,000	7,500,000
Securitized certificates of RCO for \$4,400,000 maturing in 2030, bearing interest payable biannually at fixed interest rate of 9.0500%. (RCO14)	4,400,000	4,400,000	4,400,000
Credit line contracted by RCO up to \$11,135,561 with an original maturing date in 2032, and extended maturity to 2037 on December 21, 2017. Tranche A for \$4,990,000 bearing interest at a fixed rate of 10.1000% and Tranche B for \$2,145,561 bearing interest at the TIIE rate plus 325 basis points through October 2016, 375 basis points through October 2018 and bearing interest at the fixed rate of 10.1000% through 2032. On December 21, 2017, tranche C of the credit line was contracted for up to \$4 million, of which \$2 million were withdrawn and such amount bears interest at a fixed interest rate of 10.7100%.	9,675,561	9,315,561	9,135,561
Credit line contracted by RCO up to \$4,596,000 maturing in 2029, bearing interest payable biannually at a fixed rate of 9.5270%.	4,586,808	4,596,000	4,596,000
Unsecured loan contracted by RCO for up to \$2,000,000 with a term of 11 years, accruing monthly interest at TIIE rate plus 2.750 basis points (1).	-	1,119,872	405,762
Unsecured loan issued by RCO up to \$1,000,000 due in seven years, bears monthly interest at the TIIE rate plus 2.7500%. On November 9, 2016, RCO agreed to amend the loan agreement with Santander, obtaining additional proceeds of \$650,000 and extending the maturity date from the original date December 10, 2021 to September 10, 2028 (1). After such amendment, Banco Santander (México), S. A., Institución de Banca Múltiple Grupo Financiero Santander México ("Santander"), became creditor of \$600,000, to Banco Interacciones, S. A., Institución de Banca Múltiple Grupo Financiero Interacciones ("Interacciones"), the latter acting as creditor.	-	1,650,000	1,501,018
Secured loan contracted by CONIPSA for up to \$580,000 to modernize and extend the Irapuato - La Piedad highway section, with maturity in November 2024, bearing interest at a rate equal to the 91-day TIIE plus a spread (2). This loan is secured by the Entity's shares in CONIPSA.	175,661	203,408	227,527



	December 31, 2019	December 31, 2018	December 31, 2017
Secured loan contracted by COVIQSA for up to \$1,048,782, with maturity in 2025, bearing interest at a fixed rate of 8.0800% payable on a quarterly basis. This loan is secured by the Entity's shares in COVIQSA.	716,842	813,331	897,233
Secured loan contracted by COVIQSA for up to \$1,751,217, with maturity in 2025, bearing interest at the THIE rate plus a spread (3). This loan is secured by the Entity's shares in COVIQSA.	1,196,957	1,358,069	1,498,167
Securitized certificates of RCO of 1,341,055,699 UDIs maturing in 2040, bearing interest payable biannually at a fixed interest rate of 6.0000%. (RCO18U)	16,431,583	8,350,259	-
Unsecured loan contracted by RCO for up to \$2,000,000 with a term of 13 years, accruing monthly interest at THIE rate plus 2.250 basis points (1).	165,620	-	-
Securitized certificates of RCO for \$2,800,000 maturing in 2038, bearing interest payable biannually at fixed interest rate of 9.6700%. (RCO19)	<u>2,800,000</u>	<u>-</u>	<u>-</u>
Total debt	51,030,105	43,110,405	41,909,249
Less: current portion	<u>1,075,251</u>	<u>883,475</u>	<u>365,766</u>
Long-term debt	49,954,854	42,226,930	41,543,483
Commissions and debt issuance costs	(2,170,429)	(2,042,274)	(1,928,104)
Accumulated amortization	<u>1,572,320</u>	<u>1,348,142</u>	<u>1,232,435</u>
Total	<u>\$ 49,356,745</u>	<u>\$ 41,532,798</u>	<u>\$ 40,847,814</u>

(1) The applicable spread is 2.7500% from the signing date of the contract through November 9, 2018; 3.5000% from November 10, 2018 through November 9, 2021; 3.7500% from November 10, 2021 through November 9, 2025; and 4.0000% from November 10, 2025 through the maturity date.

(2) The applicable spread is 1.9500% from the signing date of the contract through August 27, 2018; 2.1000% from August 27, 2018 through August 27, 2020; 2.3500% from August 27, 2020 through August 27, 2023; and 2.5500% from August 27, 2023 through the maturity date.

(3) The applicable spread is 1.9500% from the signing date of the contract through May 27, 2018; 2.1000% from May 27, 2018 through May 27, 2021; 2.3500% from May 27, 2021 through May 27, 2024; and 2.5500% from May 27, 2024 through the maturity date.

As of December 31, 2019, 2018 and 2017, the 28-day THIE rate is 7.5555%, 8.5956% and 7.6241%, respectively.



Reconciliation of obligations derived from financing activities:

	Long-term debt	Interest payable	Derivative financial instruments, net	Interest payable on derivative financial instruments, net	Lease liabilities
Balances, January 1, 2017	\$ 38,187,820	\$ 868,418	\$ (51,073)	\$ 4,985	\$ 38,312
Changes that represent cash flows-					
Loans obtained	2,858,931	-	-	-	-
Payments	(341,018)	(3,374,960)	-	(44,313)	(13,390)
Commissions and debt issuance costs	(164,551)	-	-	-	-
Changes that do not represent cash flows-					
Lease contracts obtained	-	-	-	-	23,007
Interest expense	-	3,384,972	-	-	7,505
Valuation effects of derivative financial instruments	-	-	(69,526)	38,986	-
Adjustments to principal amounts of UDI denominated debt	550,457	-	-	-	-
Accumulated amortization of commissions and debt issuance costs	<u>121,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balances, December 31, 2017	41,213,580	878,430	(120,599)	(342)	55,434
Changes that represent cash flows-					
Loans obtained	9,348,087	-	-	-	-
Payments	(8,577,848)	(3,845,895)	-	14,316	(15,294)
Commissions and debt issuance costs	(114,170)	-	-	-	-
Changes that do not represent cash flows-					
Lease contracts obtained	-	-	-	-	10,878
Interest expense	-	3,802,926	-	-	5,905
Valuation effects of derivative financial instruments	-	-	(106,215)	(18,072)	-
Adjustments to principal amounts of UDI denominated debt	430,917	-	-	-	-
Accumulated amortization of commissions and debt issuance	<u>115,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balances, December 31, 2018	42,416,273	835,461	(226,814)	(4,098)	56,923



	Long-term debt	Interest payable	Derivative financial instruments, net	Interest payable on derivative financial instruments, net	Lease liabilities
Balances, December 31, 2018	42,416,273	835,461	(226,814)	(4,098)	56,923
Changes that represent cash flows-					
Loans obtained	11,894,491	-	-	-	-
Payments	(4,435,093)	(3,646,905)	-	(7,957)	(15,883)
Commissions and debt issuance costs	(128,155)	-	-	-	-
Changes that do not represent cash flows-					
Lease contracts obtained	-	-	-	-	33,209
Interest expense	-	4,339,959	-	-	3,120
Valuation effect of derivative financial instruments	-	-	331,633	10,119	-
Adjustments to principal amounts of UDI denominated debt	460,302	-	-	-	-
Accumulated amortization of commissions and expenses	224,178	-	-	-	-
Balances, December 31, 2019	<u>\$ 50,431,996</u>	<u>\$ 1,528,515</u>	<u>\$ 104,819</u>	<u>\$ (1,936)</u>	<u>\$ 77,369</u>



The aforementioned loan agreements contain various covenants that restrict the Entity's ability to incur additional indebtedness, issue guarantees, sell fixed and other non-current assets and make capital distributions of excess cash.

The Entity is only permitted to make distributions of excess cash if: i) the historic debt service coverage ratio (twelve months before the date of distribution) is equal to or greater than 1.25 to 1.00, ii) reasonable projections demonstrate a debt service coverage ratio (twelve months after the date of distribution) equal to or greater than 1.25 to 1.00 and iii) has neither occurred nor continues any default event. Likewise, compliance with certain financial ratios is required.

With respect to COVIQSA and CONIPSA, as mentioned in Note 5, these entities maintain long-term restricted cash. Additionally, they are required to maintain a debt service coverage ratio of 1.2 and have certain restrictions to make capital distributions. Undistributed profits by COVIQSA and CONIPSA as of December 31, 2019, 2018 and 2017 amount to \$1,561,660, \$1,686,994 and \$1,608,406, respectively

For the years ended December 31, 2019, 2018 and 2017, the Entity has complied with these restrictions.

The scheduled maturities of long-term debt as of December 31, 2019, without including commissions and debt issuance costs, are as follows:

2020	\$	1,079,217
2021		1,356,537
2022		1,671,369
2023		2,087,554
2024		2,596,018
2025 and thereafter		<u>41,750,667</u>
	\$	<u>50,541,362</u>

Interest payable based on debt maturity is as follows:

2020	\$	4,157,402
2021		4,066,620
2022		3,940,260
2023		3,789,120
2024		3,611,971
2025 and thereafter		<u>26,411,493</u>
	\$	<u>45,976,866</u>

15. Employee benefits

- a. The Entity grants eligible executives an annual performance bonus equivalent to 2 to 12 months of salary in accordance with the Entity's performance parameters and specific function. As of December 31, 2019, 2018 and 2017, the liabilities for this concept amount to \$23,591, \$18,367 and \$20,910, respectively and are presented in the consolidated statement of financial position as short-term employees benefits. The expense for this concept was \$ 30,150, \$ 18,723 and \$ 16,135 as of December 31, 2019, 2018 and 2017, respectively.
- b. The Entity must pay its employees a seniority premium. The net cost of these obligations for the years ended December 31, 2019, 2018 and 2017 is \$1,001, \$851 and \$707, respectively. Other disclosures required under accounting provisions are not deemed material.



- c. The Entity has a share-based benefit plan, payable in cash for its relevant executives. As of December 31, 2019, 2018 and 2017, this compensation plan is determined as follows:

Type of agreement	Appreciation rights units	Appreciation rights units	Appreciation rights units
Grant date	March 19, 2019	March 13, 2018	February 10, 2017
Units	45,000,000	30,000,000	30,000,000
Reference value at grant date	\$2.1870	\$2.1835	\$2.0000
Term	3 years	3 years	3 years
Granting conditions	Awarded in equal annual parts with reference value of the share	Awarded in equal annual parts with reference value of the share	Awarded in equal annual parts with reference value of the share
Type of agreement	Deferred compensation units	Deferred compensation units	Deferred compensation units
Grant date	March 19, 2019	March 13, 2018	February 10, 2017
Units	5,364,398	4,766,243	5,017,220
Reference value at grant date	\$2.1870	\$1.977	\$1.977
Term	3 years	3 years	3 years
Granting conditions	Awarded in equal annual parts with reference value of the share	Awarded in equal annual parts with reference value of the share	Awarded in equal annual parts with reference value of the share
Type of agreement	Rights equivalent to distributions	Rights equivalent to distributions	Rights equivalent to distributions
Grant date	March 19, 2019	March 13, 2018	February 10, 2017
Units	50,364,398	34,766,243	5,017,220
Reference value at grant date	N/A	N/A	N/A
Term	3 years	3 years	3 years
Granting conditions	Awarded in equal annual parts with reference value of the share	Awarded in equal annual parts in relation to the dividends or capital reductions	Awarded in equal annual parts in relation to the dividends or capital reductions

On March 13, 2018, the Corporate Practices Committee of the Entity approved granting additional rights equivalent to distributions, retroactively to the year 2017, for 30,000,000 units.

As of December 31, 2019, 2018 and 2017, the liability recorded for the compensation plan is \$374,070, \$216,101 and \$127,540, respectively, and the related expense in 2019, 2018 and 2017 was \$157,969, \$88,561 and \$74,774, respectively.

- e. The Entity grants to the relevant Level 2 directors, a deferred performance bonus equivalent to between 6 and 12 months of base salary, whose formula considers parameters of the Entity's performance and specific function; the deferred performance bonus is awarded in 3 years.

As of December 31, 2019, 2018 and 2017, the liabilities for this concept amount to \$10,683, \$8,702 and \$6,678, respectively, and are presented in the consolidated statement of financial position as Employee Benefits. The expense for this concept was \$6,409, \$4,783 and \$3,538 in 2019, 2018 and 2017, respectively.



- f. The compensation package contracts for relevant executives establish the immediate award of compensation in the event of a change of control in the Entity, as of December 31, 2019, amounts to \$417,579, as long as the relevant executive remains as an employee of the Entity continuously from the date of granting, until the date of the change of control.

Likewise, such contracts establish the immediate payment of a bond in case of change of control and another retention bonus that will be paid as long as the director remains as an employee of the Entity for a period from 12 to 36 months, after the date of change of control, as of December 31, 2019 amount to \$127,781.

16. Income taxes

The Entity is subject to ISR. According to ISR Law, tax rate for 2019, 2018 and 2017 was 30%.

- a. Income tax (benefit) expense for the years ended December 31, 2019, 2018 and 2017 are as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
ISR:			
Current	\$ 230,162	\$ 235,419	\$ 224,738
Deferred	<u>211,136</u>	<u>(3,004)</u>	<u>(293,828)</u>
Total income tax expense (benefit) in profit and loss	<u>\$ 441,298</u>	<u>\$ 232,415</u>	<u>\$ (69,090)</u>

- b. The reconciliation of the statutory and effective ISR rates expressed as a percentage of gain or loss before income tax (benefit) is:

December 31, 2019	Amount	Tax	%
Income before income tax	\$ 1,660,758	\$ 498,228	30.0
Changes to current tax:			
Non-deductible	477,097	143,129	8.6
Annual inflation adjustment	1,107,168	332,149	20.0
Other temporary items	<u>(2,477,815)</u>	<u>(743,344)</u>	<u>(44.8)</u>
	<u>(893,550)</u>	<u>(268,066)</u>	<u>(16.2)</u>
Current Tax	<u>767,208</u>	<u>230,162</u>	<u>13.8</u>
Changes to deferred tax:			
Other temporary items	2,477,815	743,344	44.8
Inflation effects	(1,770,861)	(531,258)	(32.0)
Others	<u>(3,168)</u>	<u>(950)</u>	<u>(0.1)</u>
Deferred tax	<u>703,786</u>	<u>211,136</u>	<u>12.7</u>
Income tax	<u>\$ 1,470,994</u>	<u>\$ 441,298</u>	<u>26.5</u>



December 31, 2018	Amount	Tax	%
Income before income tax	\$ 1,825,131	\$ 547,539	30.0
Changes to current tax:			
Non-deductible	242,947	72,884	3.9
Annual inflation adjustment	1,725,980	517,794	28.3
Other temporary items	<u>(3,009,333)</u>	<u>(902,798)</u>	<u>(49.4)</u>
	<u>(1,040,406)</u>	<u>(312,120)</u>	<u>(17.2)</u>
Current Tax	784,725	235,419	12.8
Changes to deferred tax:			
Other temporary items	3,009,333	902,800	49.4
Inflation effects	(3,011,237)	(903,371)	(49.4)
Others	<u>(8,110)</u>	<u>(2,433)</u>	<u>(0.1)</u>
Deferred tax	<u>(10,014)</u>	<u>(3,004)</u>	<u>(0.1)</u>
Income tax	<u>\$ 774,711</u>	<u>\$ 232,415</u>	<u>12.7</u>
December 31, 2017	Amount	Tax	%
Income before income tax	\$ 1,825,535	\$ 547,661	30.0
Changes to current tax:			
Non-deductible	19,870	5,961	0.3
Annual inflation adjustment	2,237,042	671,112	36.7
Other temporary items	<u>(3,333,323)</u>	<u>(999,996)</u>	<u>(54.7)</u>
	<u>(1,076,411)</u>	<u>(322,923)</u>	<u>(17.7)</u>
Current Tax	749,124	224,738	12.3
Changes to deferred tax:			
Other temporary items	3,334,364	1,000,309	54.7
Inflation effects	(4,326,144)	(1,297,843)	(71.0)
Others	<u>12,355</u>	<u>3,706</u>	<u>0.2</u>
Deferred tax	<u>(979,425)</u>	<u>(293,828)</u>	<u>(16.1)</u>
Income tax benefit	<u>\$ (230,301)</u>	<u>\$ (69,090)</u>	<u>(3.8)</u>

c. Deferred income tax assets are comprised of the following:

	December 31, 2019	December 31, 2018	December 31, 2017
Assets:			
Furniture and equipment	\$ 1,676	\$ 25	\$ 114
Intangible assets derived from the concessions	3,497,427	3,404,185	3,025,092
Instrumentos financieros derivados	30,865	-	-
Costo de deuda	146,623	-	-
Accrued liabilities and provisions	<u>348,659</u>	<u>321,220</u>	<u>257,395</u>
	<u>4,025,250</u>	<u>3,725,430</u>	<u>3,282,601</u>



	December 31, 2019	December 31, 2018	December 31, 2017
Liabilities:			
Derivative financial instruments	\$ -	\$ (69,319)	\$ (36,897)
Commissions and debt issuance costs	(142,631)	(192,493)	(208,701)
Prepaid expenses and advances to suppliers	(47,575)	(57,258)	(35,177)
Financial assets arising from concessions	(368,883)	(375,151)	(377,241)
	<u>(559,089)</u>	<u>(694,221)</u>	<u>(658,016)</u>
Net deferred income tax asset from temporary differences	3,466,161	3,031,209	2,624,585
Tax loss carryforwards	<u>3,000,085</u>	<u>3,546,034</u>	<u>3,982,645</u>
Net deferred income tax asset	<u>\$ 6,466,246</u>	<u>\$ 6,577,243</u>	<u>\$ 6,607,230</u>

Realization of deferred tax assets depends on the future generation of taxable profits during the period in which the temporary differences will be deductible. Management considers the reversal of deferred tax liabilities and projections of future taxable profits when making its assessment of the realization of deferred tax assets. Based on the results obtained in the previous years, in the future projections of profits and that maturity for the main deferred tax assets equals the term of the concessions, management that deferred tax assets will be realized.

As of December 31, 2019, a deferred tax liability of \$262,160, related to the investment in subsidiaries has not been recognized, for the following reasons:

- The Entity has control over the time in which the time difference can be reversed.
- It is unlikely that the temporary difference will be reversed in the near future.

d. Reconciliation of changes in deferred taxes balances is presented below:

2019	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Furniture and equipment	\$ 25	\$ 1,651	\$ -	\$ 1,676
Intangible assets derived from concessions	3,404,185	93,242	-	3,497,427
Derivative financial instruments	(69,319)	45	100,139	30,865
Debt cost	-	146,623	-	146,623
Accrued liabilities and provisions	321,220	27,439	-	348,659
Commissions and debt issuance costs	(192,493)	49,862	-	(142,631)
Prepaid expenses and advances to suppliers	(57,258)	9,683	-	(47,575)
Financial assets arising from concessions	(375,151)	6,268	-	(368,883)
	<u>3,031,209</u>	<u>334,813</u>	<u>100,139</u>	<u>3,466,161</u>
Tax loss carryforwards	<u>3,546,034</u>	<u>(545,949)</u>	<u>-</u>	<u>3,000,085</u>
	<u>\$ 6,577,243</u>	<u>\$ (211,136)</u>	<u>\$ 100,139</u>	<u>\$ 6,466,246</u>



	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
2018				
<i>Temporary differences</i>				
Furniture and equipment	\$ 114	\$ (89)	\$ -	\$ 25
Intangible assets derived from concessions	3,025,092	379,093	-	3,404,185
Derivative financial instruments	(36,897)	569	(32,991)	(69,319)
Accrued liabilities and provisions	257,395	63,825	-	321,220
Commissions and debt issuance costs	(208,701)	16,208	-	(192,493)
Prepaid expenses and advances to suppliers	(35,177)	(22,081)	-	(57,258)
Financial assets arising from concessions	<u>(377,241)</u>	<u>2,090</u>	<u>-</u>	<u>(375,151)</u>
	2,624,585	439,615	(32,991)	3,031,209
Tax loss carryforwards	<u>3,982,645</u>	<u>(436,611)</u>	<u>-</u>	<u>3,546,034</u>
	<u>\$ 6,607,230</u>	<u>\$ 3,004</u>	<u>\$ (32,991)</u>	<u>\$ 6,577,243</u>
2017				
<i>Temporary differences</i>				
Furniture and equipment	\$ (340)	\$ 454	\$ -	\$ 114
Intangible assets derived from concessions	2,380,910	644,182	-	3,025,092
Derivative financial instruments	(15,298)	858	(22,457)	(36,897)
Accrued liabilities and provisions	314,994	(57,599)	-	257,395
Commissions and debt issuance costs	(195,918)	(12,783)	-	(208,701)
Prepaid expenses and advances to suppliers	(25,177)	(10,000)	-	(35,177)
Financial assets arising from concessions	<u>(378,058)</u>	<u>817</u>	<u>-</u>	<u>(377,241)</u>
	2,081,113	565,929	(22,457)	2,624,585
Tax loss carryforwards	<u>4,254,746</u>	<u>(272,101)</u>	<u>-</u>	<u>3,982,645</u>
	<u>\$ 6,335,859</u>	<u>\$ 293,828</u>	<u>\$ (22,457)</u>	<u>\$ 6,607,230</u>

- e. In accordance with rule I.3.3.2.4 of the omnibus tax ruling published on April 21, 2019, taxpayers engaged in the operation of a concession granted by the federal government may utilize their tax losses until they are fully utilized, or the concession expires or the Entity is liquidated, whichever occurs first. As of December 31, 2019, the amount of the tax loss carryforward benefits (restated for the effects of inflation as permitted by Mexican Income Tax Law) is \$9,999,362.
- f. In December 2019, the tax reform to the ISR law for fiscal year 2020 was published, which, among other provisions, limits the deduction of interest derived from debts contracted by taxpayers who allocate resources to public works. The Entity is in the process of evaluating the possible application of this provision. Likewise, even if such provision applies to the Entity, no impact is expected on the financial statements and their fiscal situation because they have estimated that interest may be deducted in the current year considering the figures for the year ended on December 31, 2019.



17. Revenue from ordinary activities

The ordinary income of the Entity is toll revenues, shadow toll payments from the SCT, availability payments from the SCT, ancillary revenues from the use of rights of way and other related revenues and construction revenues are mainly related to the provision of highways operation services, use of right-of-way, own roadside services such as restaurants and convenience stores, the Entity presents financial information based on operating segments that are regularly reviewed by the Board of Directors.

Segments	December 31, 2019					
	Toll revenues	Shadow toll payments from the SCT	Availability payments from the SCT	Ancillary revenues from the use of rights of way and other related revenues	Construction revenues	Total
FARAC I	\$ 8,070,771	\$ -	\$ -	\$ 299,583	\$ 110,481	\$ 8,480,835
COVIQSA	-	806,175	209,341	295	-	1,015,811
CONIPSA	-	57,137	221,132	58	-	278,327
COTESA	62,423	-	-	2,677	-	65,100
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,577</u>	<u>99,577</u>
Total	<u>\$ 8,133,194</u>	<u>\$ 863,312</u>	<u>\$ 430,473</u>	<u>\$ 302,613</u>	<u>\$ 210,058</u>	<u>\$ 9,939,650</u>

Revenue recognition calendar of:

	Toll revenues	Shadow toll payments from the SCT	Availability payments from the SCT	Ancillary revenues from the use of rights of way and other related revenues	Construction revenues	Total
Goods and services transferred immediately	\$ 8,133,194	\$ 863,312	\$ -	\$ 302,613	\$ -	\$ 9,299,119
Effective interest rate method	-	-	430,473	-	-	430,473
Construction revenues from percentage of completion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,058</u>	<u>210,058</u>
Total	<u>\$ 8,133,194</u>	<u>\$ 863,312</u>	<u>\$ 430,473</u>	<u>\$ 302,613</u>	<u>\$ 210,058</u>	<u>\$ 9,939,650</u>

Segments	December 31, 2018					
	Toll revenues	Shadow toll payments from the SCT	Availability payments from the SCT	Ancillary revenues from the use of rights of way and other related revenues	Construction revenues	Total
FARAC I	\$ 7,405,426	\$ -	\$ -	\$ 280,497	\$ 555,848	\$ 8,241,771
COVIQSA	-	760,649	206,585	7,310	-	974,544
CONIPSA	-	63,056	222,932	305	-	286,293
COTESA	57,283	-	-	1,498	68,598	127,379
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,498</u>	<u>68,598</u>	<u>127,379</u>
Total	<u>\$ 7,462,709</u>	<u>\$ 823,705</u>	<u>\$ 429,517</u>	<u>\$ 289,610</u>	<u>\$ 624,446</u>	<u>\$ 9,629,987</u>



Revenue recognition calendar of:

	Toll revenues	Shadow toll payments from the SCT	Availability payments from the SCT	Ancillary revenues from the use of rights of way and other related revenues	Construction revenues	Total
Goods and services transferred immediately	\$ 7,462,709	\$ 823,705	\$ -	\$ 289,610	\$ -	\$ 8,576,024
Effective interest rate method	-	-	429,517	-	-	429,517
Construction revenues from percentage of completion	-	-	-	-	624,446	624,446
Total	<u>\$ 7,462,709</u>	<u>\$ 823,705</u>	<u>\$ 429,517</u>	<u>\$ 289,610</u>	<u>\$ 624,446</u>	<u>\$ 9,629,987</u>

December 31, 2017

Segments	Toll revenues	Shadow toll payments from the SCT	Availability payments from the SCT	Ancillary revenues from the use of rights of way and other related revenues	Construction revenues	Total
FARAC I	\$6,591,874	\$ -	\$ -	\$ 212,265	\$ 434,119	\$ 7,238,258
COVIQSA	-	712,646	195,634	26	-	908,306
CONIPSA	-	61,024	213,886	544	-	275,454
COTESA	<u>47,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,539</u>	<u>228,216</u>
Total	<u>\$ 6,639,551</u>	<u>\$ 773,670</u>	<u>\$ 409,520</u>	<u>\$ 212,835</u>	<u>\$ 614,658</u>	<u>\$ 8,650,234</u>

Revenue recognition calendar of:

	Toll revenues	Shadow toll payments from the SCT	Availability payments from the SCT	Ancillary revenues from the use of rights of way and other related revenues	Construction revenues	Total
Goods and services transferred immediately	\$ 6,639,551	\$ 773,670	\$ -	\$ 212,835	\$ -	\$ 7,626,056
Effective interest rate method	-	-	409,520	-	-	409,520
Construction revenues from percentage of completion	-	-	-	-	614,658	614,658
Total	<u>\$ 6,639,551</u>	<u>\$ 773,670</u>	<u>\$ 409,520</u>	<u>\$ 212,835</u>	<u>\$ 614,658</u>	<u>\$ 8,650,234</u>



18. Costs and expenses by nature

Total costs and expenses classified by nature are as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Amortization of assets derived from the concessions	<u>\$ 1,208,219</u>	<u>\$ 1,129,897</u>	<u>\$ 879,728</u>
Major maintenance expenditures	1,117,386	985,818	617,141
Minor maintenance expenditures	57,911	51,987	47,719
Operating costs	169,514	108,583	100,851
Other	<u>121,849</u>	<u>108,278</u>	<u>108,547</u>
Operation and maintenance provisions	<u>1,466,660</u>	<u>1,254,666</u>	<u>874,258</u>
Insurance and bonds	79,474	87,420	70,563
Payment to Federal Government	47,405	43,669	37,217
Other	<u>6,435</u>	<u>4,747</u>	<u>4,646</u>
Toll collection costs	<u>133,314</u>	<u>135,836</u>	<u>112,426</u>
Construction costs	<u>210,058</u>	<u>624,446</u>	<u>614,658</u>
Cost of ancillary revenues from the use of right of way and other related	<u>173,516</u>	<u>139,949</u>	<u>119,324</u>
Salaries	521,624	406,174	341,196
Consultants	49,665	51,394	52,076
Other	<u>110,198</u>	<u>92,278</u>	<u>87,639</u>
General and administrative expenses	<u>681,487</u>	<u>549,846</u>	<u>480,911</u>
	<u>\$ 3,873,254</u>	<u>\$ 3,834,640</u>	<u>\$ 3,081,305</u>

19. Risk management

a. Significant accounting policies

Details of the significant accounting policies and methods adopted (including recognition criteria, bases of valuation and revenue and expense recognition bases) for each class of financial asset, financial liability and equity instruments are disclosed in Note 3.

b. Financial instrument categories and risk management policies

The main financial instrument categories are as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Financial assets			
Cash and cash equivalents	\$ 7,187,856	\$ 7,220,857	\$ 8,741,237
Long-term restricted cash	149,010	105,612	98,833
Trade accounts receivable	526,256	145,232	109,973
Other accounts receivable	58,948	25,002	17,226
Financial assets arising from concessions	1,229,610	1,250,504	1,257,469
Derivative financial instruments	21,075	227,418	140,093
Interest receivable on derivative financial instruments	2,063	4,250	342



	December 31, 2019	December 31, 2018	December 31, 2017
<i>Financial liabilities</i>			
Accounts payable to suppliers	\$ 305,301	\$ 317,349	\$ 296,193
Interest payable	1,348,411	835,461	878,430
Interest payable on derivative financial instruments	127	152	-
Other current liabilities	73,479	73,963	69,095
Accounts payable to shareholders	4	4	4
Long-term debt	50,431,996	42,416,273	41,213,580
Other long-term liabilities	32,042	33,616	33,300
Derivative financial instruments	125,894	604	19,494

The Entity's financial assets and liabilities are exposed to different economic risks including (i) financial market risks (traffic, foreign currency and prices), (ii) interest rates risk (iii) credit risks, and (iv) liquidity risks.

The Entity seeks to minimize the potential negative effects of the above risks on its financial performance by implementing different strategies. It uses financial derivatives to hedge against its exposure to financial risks derived from those transactions recognized in the consolidated statements of financial position (recognized assets and liabilities). The Entity does not hedge against other types of exposure because it considers potential risks to have an insignificant effect on its operations.

The Entity only enters into financial derivatives as hedges to reduce the financial exposure of its liabilities. The financial derivatives entered into for this purpose can be designated for accounting purposes as hedges or for trading purposes without affecting their primary objective of mitigating the risks to which the Entity's is exposed through its projects.

The Entity's internal control policy establishes that the contracting of loans and assessment of risks involved in the projects require the collegial analysis of the representatives of the areas of finance, legal and administration, prior to their authorization. As part of this analysis, the use of derivatives to hedge financing risks is also evaluated. By internal control policy, the contracting of derivatives is the responsibility of the areas of finance and administration of the Entity once the aforementioned analysis is completed.

When evaluating the use of financial derivatives to hedge against financial risks, the Entity analyzes the sensitivity of pertinent variables at different potential levels. This is carried out to define the economic efficiency of each alternative proposed for hedging the measured risk. This process is then matched with the obligations and/or conditions of each alternative to define the most appropriate solution. Furthermore, the Entity performs effectiveness tests with the support of an expert appraiser to determine the treatment applicable to each derivative financial instrument once contracted.

In the case of interest rate hedges, instruments are contracted in order to fix maximum financial costs to support the viability of the projects or to link them to the allowed tariffs' increases.

It is common that counterparties of financial derivatives that hedge the Entity's debt are the same financial institutions (or their affiliates) that issue the related debt.

c. ***Market risk***

The Entity's activities primarily expose it to financial risks derived from highway traffic and their maintenance cost.



Revenues of the Entity are directly related to the operation of the Concessioned highways, any government action that had a negative effect on the Concession, a recession in the regions where it operates, a natural disaster or any other event that could affect traffic level on highways operated, could have a material adverse effect on the financial position and operating results of the Entity. Additionally, the interference of the moving in the tolls related from social movements could adversely affect the income of the highways in operation.

On the other hand, the revenues from toll collection by the Entity are regulated according to the increase in inflation. The Concession Title allows RCO to increase annually levels of tolls according to inflation, or earlier if cumulative inflation is equal or higher than 5.0% over the last tariff increase. However, also inflation is a variable key in the cost structure of the financing that RCO has agreed and considerable inflation could affect the financial results of RCO.

The Entity is exposed to the risk in prices, mainly of the maintenance cost of the highways which may have an adverse material effect on the financial position and operating results of the Entity.

Regarding foreign exchange risk, the Entity considers its exposure to be insignificant due to the few transactions and balances being denominated in foreign currency. The Entity contracts its financings in the same currency as the source of payment. In case the exposure to this risk becomes significant in a particular period, it will be managed within the parameters of approved policies.

d. ***Interest rate risk management***

The Entity is mainly exposed to interest rate risks because it has entered into debt at variable rates. The Entity manages this risk by maintaining an adequate combination of variable-rate loans and interest rate swap contracts. The Entity's hedging activities are regularly monitored so that they align with interest rates identified as risk in order to implement the most effective hedging strategies.

In order to mitigate the risk of interest rate fluctuations, the Entity utilizes interest swaps to fix variable rates (see Note 13).

The interest rate swaps entered into by the Entity change variable interest rate profiles to fixed interest rate profiles. The Entity performs a stress analysis to determine the most appropriate combination of fixed payments and those linked to inflation, while considering that concessions generally allow the Entity to increase toll rates based on inflation and demand elasticity. A TIIE rate increase / (decrease) of 100 basis point would result in decrease of stockholders' equity of \$57,590 and \$(61,958), respectively. The effect on net income of the year would be insignificant because the instruments that expose the Entity to these risks are protected by highly effective cash flow hedges.

The carrying value of the Entity's financial derivatives as of December 31, 2019, 2018 and 2017 is a net of \$(104,819), \$226,814 and \$120,599, respectively, and the debt amounts to \$50,541,362, \$43,110,405 and \$41,909,249, respectively.

e. ***Credit risk management***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss for the Entity. The Entity's main credit risk primarily involves cash and cash equivalents and, to a lesser extent, its accounts receivable from its customers. In the case of the accounts receivable and financial assets of COVIQSA and CONIPSA, as the main customer is the SCT, despite the level of concentration, the credit risk is deemed to be insignificant. FARAC I does not have significant clients, hence, no concentration exists. With regards to cash and cash equivalents, the Entity maintains a policy only to perform transactions with institutions with an acknowledged reputation and high credit rating. The main funds are held in trusts. The Entity's maximum credit risk exposure as of December 31, 2019 is approximately \$9,092,732. Notes 5 and 6 describe the main financial assets subject to credit risks.



The Entity applies the IFRS 9 simplified model of recognizing lifetime expected credit losses throughout life for all trade receivables, using the provision matrix approach, as these items do not have a significant financing component.

Trade receivables are written off when there is no reasonable expectation of recovery.

	Trade receivables days past due		
	Current	More than 90 days	Total
December 31, 2019			
Expected credit loss rate	0%	100%	
Gross carrying amount	\$ 526,256	\$ 17,171	\$ 543,427
Lifetime expected credit loss	-	17,171	17,171
December 31, 2018			
Expected credit loss rate	0%	100%	
Gross carrying amount	\$ 145,232	\$ 13,435	\$ 158,667
Lifetime expected credit loss	-	13,435	13,435
December 31, 2017			
Expected credit loss rate	0%	100%	
Gross carrying amount	\$ 109,973	\$ 11,440	\$ 121,413
Lifetime expected credit loss	-	11,440	11,440

f. **Liquidity risk management**

The Entity manages its liquidity risk by maintaining adequate reserves of cash and bank credit lines available, and consistently monitoring its projected and actual cash flows. Long-term debt maturities are presented in Note 13. The Entity maintains funds in trusts based on its contractual obligations, and these funds are used for debt repayment, as well as highway maintenance and extension costs, among other purposes. The Entity also has lines of credit under its bank loans, as discussed in Note 13. The following table shows the amounts of bank credit lines that the Entity has available to reduce liquidity risk:

	December 31, 2019	December 31, 2018	December 31, 2017
Bank credit lines			
Amounts drawn	\$ 51,030,105	\$ 43,110,405	\$ 41,909,249
Amounts not yet drawn	<u>3,294,380</u>	<u>2,700,128</u>	<u>3,743,200</u>
	<u>\$ 54,324,485</u>	<u>\$ 45,810,533</u>	<u>\$ 45,652,449</u>

The liquidity risk associated with cash and cash equivalents and long-term restricted cash of the Entity, as of December 31, 2019 amounts to \$7,336,866.

The following table details the remaining contractual maturities of the Entity's financial liabilities, based on repayment periods. The tables have been designed based on the undiscounted cash flows of the financial assets using the nearest date on which the Entity must make the payments. The tables include both the cash flows for interest and principal. As long as the interest is variable-rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. Contractual maturity is based on the nearest date on which the Entity must make the payment:



	Less than 1 year	Over 1 year and less than 5 years	Over 5 years	Total
December 31, 2019				
Accounts payable to suppliers	\$ 305,301	\$ -	\$ -	\$ 305,301
Interest payable	4,157,402	15,407,971	26,411,493	45,976,866
Interest payable on derivative financial instruments	127	-	-	127
Other current liabilities	73,479	32,042	-	105,521
Long-term debt (1)	1,079,217	7,711,478	41,750,667	50,541,362
Derivative financial instruments	<u>273,236</u>	<u>869,420</u>	<u>720,062</u>	<u>1,862,718</u>
Total	<u>\$ 5,888,762</u>	<u>\$ 24,020,911</u>	<u>\$ 68,882,222</u>	<u>\$ 98,791,895</u>
December 31, 2018				
Accounts payable to suppliers	\$ 317,349	\$ -	\$ -	\$ 317,349
Interest payable	3,280,498	11,970,001	16,071,424	31,321,923
Other current liabilities	152	-	-	152
Interest payable on derivative financial instruments	73,963	33,615	-	107,578
Long-term debt (1)	883,475	6,880,253	35,346,677	43,110,405
Derivative financial instruments	<u>690,720</u>	<u>2,082,301</u>	<u>1,120,501</u>	<u>3,893,522</u>
Total	<u>\$ 5,246,157</u>	<u>\$ 20,966,170</u>	<u>\$ 52,538,602</u>	<u>\$ 78,750,929</u>
December 31, 2017				
Accounts payable to suppliers	\$ 296,193	\$ -	\$ -	\$ 296,193
Interest payable	3,563,741	13,603,642	18,027,884	35,195,267
Other current liabilities	69,095	33,303	-	102,398
Long-term debt (1)	365,766	7,634,815	33,908,668	41,909,249
Derivative financial instruments	<u>899,017</u>	<u>1,895,327</u>	<u>1,182,283</u>	<u>3,976,627</u>
Total	<u>\$ 5,193,812</u>	<u>\$ 23,167,087</u>	<u>\$ 53,118,835</u>	<u>\$ 81,479,734</u>

(1) Amount does not include commissions and debt issuance costs.

g. ***Fair value of financial instruments***

The fair value of the Swap interest rates and debt entered into by the Entity is determined according to the present value of future cash flows. This method consists in estimating future cash flows, in the case of derivatives, it is determined in accordance with the fixed rate of the derivative and the market curve at that date to determine the variable cash flows, using the appropriate discount rate to estimate the present value. Additionally, the Entity uses recognized sources of information to obtain risk factors, such as interest rate curves.

All the Entity's derivatives are classified as Level 2 of the fair value hierarchy established by IFRS 13 *Fair value measurement*. Level 2 fair value measurements are based on information other than the quoted prices included within Level 1 (fair value measurements derived from quoted prices (unadjusted) on active markets for identical assets and liabilities), which can be observed for assets or liabilities, whether directly (e.g. prices) or indirectly (e.g. derived from prices).



Except for what is detailed in the following table, Management considers that carrying values of financial assets and financial liabilities recognized at amortized cost in the consolidated financial statements, approximate their fair value:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	\$ 7,187,856	\$ 7,187,856	\$ 7,220,857	\$ 7,220,857
Trade accounts receivable	526,256	526,256	145,232	145,232
Other accounts receivable and prepaid expenses	58,948	58,948	25,002	25,002
Financial assets arising from concessions	1,229,610	1,229,610	1,250,504	1,250,504
Long-term restricted cash	149,010	149,010	105,612	105,612
Derivative financial instruments	21,075	21,075	227,418	227,418
Interest receivable on derivative financial instruments	2,063	2,063	4,250	4,250
Financial liabilities:				
Accounts payable to suppliers	\$ 305,301	\$ 305,301	\$ 317,349	\$ 317,349
Interest payable	1,348,411	1,348,411	835,461	835,461
Interest payable on derivative financial instruments	127	127	152	152
Other current liabilities	73,479	73,479	73,963	73,963
Accounts payable to shareholders	4	4	4	4
Long-term debt	49,943,253	53,446,647	42,416,273	41,422,455
Other long-term liabilities	32,042	30,469	33,615	32,303
Derivative financial instruments	125,894	125,894	604	604
			<u>December 31, 2017</u>	
			Carrying value	Fair value
Financial assets				
Cash and cash equivalents			\$ 8,741,237	\$ 8,741,237
Trade accounts receivable			109,973	109,973
Other accounts receivable and prepaid expenses			17,226	17,226
Financial assets arising from concessions			1,257,469	1,257,469
Long-term restricted cash			98,833	98,833
Derivative financial instruments			140,093	140,093
Interest receivable on derivative financial instruments			342	342
			<u>December 31, 2017</u>	
			Carrying value	Fair value
Financial liabilities:				
Accounts payable to suppliers			\$ 296,193	\$ 296,193
Interest payable			878,430	878,430
Other current liabilities			69,095	69,095
Accounts payable to shareholders			4	4
Long-term debt			41,213,580	42,037,012
Other long-term liabilities			33,303	36,411
Derivative financial instruments			19,494	19,494

The Entity engages experts to value and recognize financial instruments at their fair value.



20. Stockholders' equity

- a. Common stock at par value is as follows:

As of December 31, 2019:

	Number of shares	Amount
Fixed capital		
Series A	55,393	\$ 50
Variable capital		
Series A	20,105,331,110	2,647,608
Series B	<u>8,609,634,800</u>	<u>190,310</u>
Total	<u>28,715,021,303</u>	<u>\$ 2,837,968</u>

As of December 31, 2018:

	Number of shares	Amount
Fixed capital		
Series A	55,393	\$ 50
Variable capital		
Series A	20,105,331,110	9,942,676
Series B	<u>8,609,634,800</u>	<u>3,314,242</u>
Total	<u>28,715,021,303</u>	<u>\$ 13,256,968</u>

As of December 31, 2017:

	Number of shares	Amount
Fixed capital		
Series A	55,393	\$ 50
Variable capital		
Series A	20,105,331,110	13,729,858
Series B	<u>8,609,634,800</u>	<u>4,529,060</u>
Total	<u>28,715,021,303</u>	<u>\$ 18,258,968</u>

Series A shares refer to fixed capital without right of withdrawal and Series B shares refer to variable capital; all the shares are common, nominative, at no par value and are fully subscribed and paid in.

- b. During 2019, by Unanimous Resolution of stockholders, reductions in variable common stock were approved, which are payable in proportion to the amount contributed by each of the stockholders, as follows:

Meeting date	Amount
March 05, 2019	\$ 950,000
June 05, 2019	1,000,000
September 06, 2019	7,000,000
December 06, 2019	<u>1,469,000</u>
	<u>\$ 10,419,000</u>

- c. During 2018, by Unanimous Resolution of stockholders, reductions in variable common stock were approved, which are payable in proportion to the amount contributed by each of the stockholders, as follows:



Meeting Date	Amount
February 19, 2018	\$ 2,600,000
May 28, 2018	700,000
August 31, 2018	650,000
November 23, 2018	<u>1,052,000</u>
	<u>\$ 5,002,000</u>

On March 18, 2018, June 18, 2018, September 18, 2018, and December 11, 2018, payments related to such capital reductions were made in the amounts of \$2,422,000, \$700,000, \$650,000 and \$1,230,000 respectively, which were paid proportionally to all the shareholders of RCO and, in the case of the Series B shares, through S. D. Indeval, Institución para el Depósito de Valores (Indeval).

- d. During 2017, by Unanimous Resolution of stockholders, reductions in variable common stock were approved, which are payable in proportion to the amount contributed by each of the stockholders, as follows:

Meeting Date	Amount
May 23, 2017	\$ 1,200,000
August 23, 2017	950,000
November 22, 2017	<u>1,000,000</u>
	<u>\$ 3,150,000</u>

On June 9, 2017, June 12, 2017, September 11, 2017, September 15, 2017 and December 21, 2017, payments related to such capital reductions were made in the amounts of \$359,797, \$840,203, \$772,047, \$177,953 and \$1,000,000 respectively, which were paid proportionally to all the shareholders of RCO and, in the case of the Series B shares, through Indeval.

- e. Stockholders' equity, except restated taxable paid-in capital and tax retained earnings, will be subject to income tax at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against the income tax payable of the year in which the tax on the dividend is paid and the two fiscal years following such payment.

The common stock reductions made during 2019, 2018 and 2017 were not subject to income tax.

- f. Equity risk management - The Entity manages its equity to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of capital structure. The Entity's management reviews the capital structure when presenting its financial projections to the Board of Directors and stockholders as part of the business plan. When performing its review, the Board of Directors considers the cost of equity and its associated risks.
- g. At December 31, 2019, 2018 and 2017, the tax value of the contributed capital account balance is \$16,652,717, \$26,461,619 and \$32,511,833, respectively.
- h. In connection with the public offer of acquisition of shares described in Note 1.d, during 2019, the Entity has incurred share issue costs for an amount of \$14,781. There is no income tax effect on these share issue costs due to the amortization of tax losses carryforwards. Therefore, those share issuance costs, net of income taxes, amounts to \$14,781, which have been reduced from stockholders' equity.



21. Earnings per share

Consolidated net income and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Consolidated net income for the period	<u>\$ 1,561,304</u>	<u>\$ 1,592,716</u>	<u>\$ 1,894,625</u>
Weighted average number of ordinary shares for the calculation of basic and diluted earnings per share	<u>28,715,021,303</u>	<u>28,715,021,303</u>	<u>28,715,021,303</u>

22. Segment information

The Entity's activities are primarily related to building, operating, conserving and maintaining concessioned highways considering their locations, regulators and conditions of Concession agreements, among others. Therefore, based on results of operations, for which there is available financial information, and which are reviewed regularly by the Board of Directors, who determine the resources that will be allocated to each segment and evaluate their performance, the segments, in accordance with IFRS 8, are as follows:

- FARAC I, is the concession granted to RCO under the Concession Title of RCO, which was adjudicated as of October 3, 2007, said Concession Title, grants the right and obligation to build, operate, operate and conserve (i) Zapotlanejo-Guadalajara, (ii) Maravatío-Zapotlanejo, (iii) Zapotlanejo-Lagos and, (iv) León-Aguascalientes members of the package for a period of 30 years as from the date of award of the agreement same. Also, within the RCO Concession Title, the obligation to build and maintain the Expansion Works is integrated. The FARAC I segment integrates RCO, Prestadora and RCA.
- CONIPSA is the concessionaire responsible for operating, conserving and maintaining, for a period of 20 years from 2005, the stretch of federal toll-free highway starting at the junction of the Querétaro-Irapuato highway and the Irapuato-La Piedad highway, and ends at kilometer 76 +520, at the junction with the bypass of Cabadas La Piedad, in the state of Guanajuato and Michoacán de Ocampo. The stretch of highway under CONIPSA's concession is part of a highway corridor from east to west, linking together various cities located in the Bajío region in central Mexico, and the west of Guadalajara and eastern Mexico City.
- COVIQSA is the concessionaire responsible for operating, conserving and maintaining, for a period of 20 years from 2006, the 93 kilometer stretch of federal toll-free highway located in the states of Querétaro, Guanajuato and Michoacán de Ocampo. This stretch of highway corridor is an important part of the Bajío region, from east to west that connects the cities of Querétaro and Irapuato, and gives way to large number of carriers that do business in the city of Querétaro, Irapuato and La Piedad, plus regions such as northern León, southern Morelia, western Guadalajara and eastern Mexico City.
- COTESA is the concessionaire responsible for operating, conserving and maintaining, for a period of 30 years counted from May 19, 2016, the Tepic - San Blas highway which starts at the El Trapicho junction located in the kilometers 6 + 600 of the federal highway Mex-015D Tepic-Villa Union and ends on the federal highway Mex-015 Santa Cruz- San Blas, in the kilometers 8 + 060 with a total length of 30.929 kilometers located in the State of Nayarit.
- AUTOVIM is the concessionaire responsible for operating, conserving and maintaining, for a period of 30 years counted from December 2, 2009, the Zamora – La Piedad highway with a total length of 35.000 kilometers located in the State of Michoacán de Ocampo.

These reporting segments, are presented for the years ended December 31, 2019, 2018 and 2017, except for AUTOVIM because it was acquired on February 21, 2019, and it is in preoperative stage at 2019 year end.



	December 31, 2019						Eliminations and others	Total
	FARAC I	COVIQSA	CONIPSA	COTESA	AUTOVIM			
Total revenues	\$ 8,591,797	\$ 1,015,811	\$ 278,326	\$ 65,102	\$ 99,577	\$ (110,963)	\$ 9,939,650	
Income from operations	5,454,765	531,346	119,868	14,097	(922)	(21,248)	6,097,906	
Net income	1,683,773	440,790	83,876	14,275	3,472	(664,882)	1,561,304	
Total liabilities	53,042,946	2,571,689	427,107	26,360	1,373	(2,733,153)	53,336,322	

	December 31, 2018						Eliminations and others	Total
	FARAC I	COVIQSA	CONIPSA	COTESA				
Total revenues	\$ 8,333,016	\$ 974,543	\$ 286,294	\$ 129,049	\$ (92,915)	\$ 9,629,987		
Income from operations	5,140,175	654,402	38,509	15,838	(22,612)	5,826,312		
Net income	1,512,635	540,005	36,648	16,884	(513,456)	1,592,716		
Total liabilities	44,518,409	2,867,836	407,175	18,965	(2,783,412)	45,028,973		

	December 31, 2017						Eliminations and others	Total
	FARAC I	COVIQSA	CONIPSA	COTESA				
Total revenues	\$ 7,313,148	\$ 908,824	\$ 274,937	\$ 228,767	\$ (75,442)	\$ 8,650,234		
Income from operations	4,825,411	589,359	187,910	16,286	(20,391)	5,598,575		
Net income	1,736,502	490,285	145,583	16,694	(494,439)	1,894,625		
Total liabilities	43,125,746	3,033,655	392,163	26,039	(2,743,589)	43,834,014		



23. Noncash transactions

For the years ended December 31, 2019, 2018 and 2017, the Entity recognized construction revenues of \$210,058, \$624,446 and \$614,658, respectively, not collected in cash, which are not reflected in the consolidated statements of cash flows.

24. Contingencies and commitments

The Entity is not aware of and has not been notified of any judicial, administrative or arbitral proceedings of which it is a party, nor does it have any pending legal proceedings, other than those that form part of the normal course of business. Likewise, ordinary civil suits and appeal trials related to access to the Concessioned Highways are in process.

Currently, the legal procedures are in process, which, in the Entity's opinion, are not susceptible either individually or in the aggregate to result in a material adverse effect for its business, operations, results, cash flows or financial situation.

As described in Note 15, compensation packages contracts for relevant executives establish the immediate award of compensation in the event of a change of control in the Entity that as of December 31, 2019 amounts to \$417,579, as long as the relevant executive remains as an employee of the Entity continuously from the date of granting, until the date of the change of control.

Likewise, such contracts establish the immediate payment of a bonus in case of change of control and another retention bonus that will be paid as long as the director remains as an employee of the Entity for a period from 12 to 36 months, after the date of change of control, as of December 31, 2019 amount to \$127,781.

25. Subsequent events

- a. On January 31, 2020, in terms of Article 6 of the Federal Road and Bridge Highway Law and the Forty-First Condition of the Concession Title dated October 3, 2007 granted to RCO, the SCT proceeded to modify the Concession Title granted to RCO, in order to incorporate the construction, operation, conservation and maintenance of the following highway sections: (i) a toll-free road section with an approximate length of 39.3 kilometers, beginning at the junction with the Maravatío-Zapotlanejo Highway at km 360 + 100, in the State of Michoacán de Ocampo, and termination at the junction with the start of Libramiento Norte de La Piedad, in the State of Guanajuato (Ecuandureo-La Piedad); (ii) a toll-free road section with an approximate length of 71.3 kilometers, beginning at the junction with the Maravatío-Zapotlanejo Highway at km 168 + 000, in the State of Michoacán de Ocampo, and ending in Zitácuaro, in the State of Michoacán de Ocampo (Maravatío-Zitácuaro); and (iii) a toll-free road section with an approximate length of 25.0 kilometers, beginning at the junction with the Zapotlanejo-Lagos de Moreno highway at km 146 + 200, in the State of Jalisco, and termination at the junction with the Lagos de Moreno-San Luis Potosí highway, in the State of Jalisco (Lagos de Moreno Libramiento) (the "Branches"). The foregoing, in accordance with the outline and project authorized by the SCT, as part of the Extension Works contemplated by the Concession Title.

Since the construction of the Branches constitutes an additional project and not originally considered in the Concession Title, and in order to maintain the economic balance of the Concession, the aforementioned modification contemplates an extension to the maturity of the Concession for a term of six years, resulting in a validity of the concession until April 3, 2048.



26. Authorization for issuance of financial statements

On February 20, 2020, the issuance of these consolidated financial statements was authorized by Demetrio Javier Sodi Cortés, CEO and Jorge Parra Palacios, CFO of Red de Carreteras de Occidente, S.A.B. de C.V. These consolidated financial statements are subject to the approval at the general ordinary stockholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

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