

CONSERVACIÓN DE INFRAESTRUCTURAS
DE MÉXICO, S.A. DE C.V.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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REPORT OF INDEPENDENT AUDITORS

Querétaro, Qro. February 10, 2017

To the shareholders Meeting of
Conservación de Infraestructuras de México, S.A de C.V.:

We have audited the accompanying financial statements of Conservación de Infraestructuras de México, S. A. de C. V., which comprise the statement of financial position as at December 31, 2016 and 2015, and statements of comprehensive income, statement of changes in stockholders' equity and statement of cash flow for the years ended at December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

DESPACHO HOWARD & WAYMAN, SC

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Qualified Opinion

In our opinion, the financial statements referred to above, present fairly, in all the important respects, the financial position of Conservación de Infraestructuras de México, S. A. de C. V. at December 31, 2016 and 2015, and the results of its operations, changes in stockholders' equity and cash flows, for the years then ended according to the Mexican Financial Reporting Standards.

Despacho Howard & Wayman, S. C.



C.P.C. Ricardo Jesús Dávila Santamaría
Auditor Partner

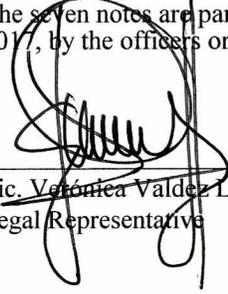
CONSERVACIÓN DE INFRAESTRUCTURAS
DE MEXICO, S. A. DE C.V.

BALANCE SHEETS

Amounts expressed in Mexican Pesos.

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
CURRENT ASSETS		
Cash and investments	\$ 22,463	\$ 22,463
Related parties (Note 4)	45,000	45,000
Taxes to be recovered	<u>5,867</u>	<u>5,867</u>
 Total current assets	 73,330	 73,330
 Total assets	 <u>\$ 73,330</u>	 <u>\$ 73,330</u>
<u>Liabilities and stockholders' equity</u>		
LIABILITIES IN THE SHORT TERM:		
Related parties (Note 4)	\$ <u>60,000</u>	\$ <u>60,000</u>
 Total liabilities in the short term	 60,000	 60,000
 Total liabilities	 <u>60,000</u>	 <u>60,000</u>
STOCKHOLDERS' EQUITY (Note 5):		
Capital stock	50,000	50,000
Loss accrued from previous years	(36,670)	(36,120)
Comprehensive income	<u>-</u>	<u>(550)</u>
 Total stockholders' equity	 <u>13,330</u>	 <u>13,330</u>
 Total liabilities and stockholders' equity	 <u>\$ 73,330</u>	 <u>\$ 73,330</u>

The seven notes are part of these financial statements which were authorized for their issuance dated February 10, 2017, by the officers or board that sign completely these financial statements and its notes.



Lic. Verónica Valdez López
Legal Representative

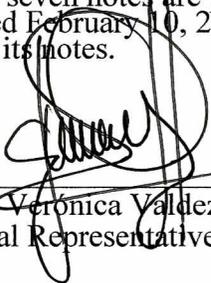
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DE MÉXICO, S.A. DE C.V.

STATEMENT OF INCOME
(NOTE 2)

Amounts expressed in Mexican pesos

	<u>2016</u>	<u>Year ending on December 31</u>	<u>2015</u>
Net Sales	-		-
Operating expenses	-		-
Operating (loss)	-		-
Other (expenses) income - Net	-		-
Comprehensive financing result: Interest (paid) – Net	-		(550)
(Loss) before income tax	-		(550)
Income tax (Note 6)	-		-
Net (Loss) for the year	\$ -		(\$ 550)
Other comprehensive income	-		-
Comprehensive income	\$ -		(\$ 550)
Profit by share (Nota 3):			
Basic profit on ordinary share (Nota 3): From continuing operations	\$ 0.0000		(\$ 0.011)

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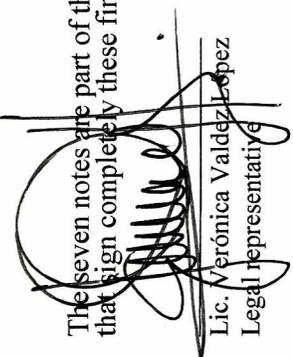
CONSERVACIÓN DE INFRAESTRUCTURAS
DE MÉXICO, S. A. DE C.V.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
BY THE PERIOD ENDING ON DECEMBER 31, 2016 AND 2015

Amounts expressed in Mexican pesos

	<u>Capital stock</u>	<u>Accrued profits (losses) From previous years</u>	<u>Net of the year</u>	<u>Total stockholders' equity</u>
Balances at December 31, 2014	50,000	(35,020)	(1,100)	13,880
Application of 2014 loss		(1,100)	1,100	-
Comprehensive income			(550)	(550)
Balances at December 31, 2015	50,000	(36,120)	(550)	13,330
Application of 2015 loss		(550)	550	-
Comprehensive income			-	-
Balances at December 31, 2016	<u>\$ 50,000</u>	<u>(\$ 36,670)</u>	<u>\$ -</u>	<u>\$ 13,330</u>

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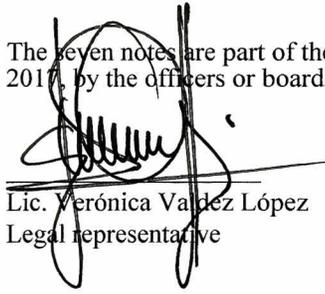
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DE MÉXICO, S. A. DE C.V.

CASH FLOWS STATEMENT
(NOTE 2)

Amounts expressed in Mexican pesos

	Year ending on December 31	
	2016	2015
<u>Operating activities:</u>		
Loss before income tax	\$ -	(\$ 550)
Financing activities related items:		
Interest in charge	-	550
Subtotal of the investing and financing activities related items	-	-
(Increasing) decreasing in receivable and other	-	(88)
(Increasing) decreasing in related items	-	-
Income taxes paid	-	-
Operating activities net cash flows	-	(88)
<u>Financing activities:</u>		
Paid interests	-	(550)
Net cash increasing and temporary investment	-	(638)
Cash and temporary investments at the beginning of the year	22,463	23,101
Cash and temporary investments at year end	\$ 22,463	\$ 22,463

The seven notes are part of these financial statements which were authorized for their issuance dated February 10, 2017, by the officers or board that sign completely these financial statements and its notes.



Lic. Verónica Valdez López
Legal representative

CONSERVACIÓN DE INFRAESTRUCTURAS
DE MÉXICO, S. A. DE C.V.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Amount expressed in Mexican pesos

NOTE 1 - COMPANY HISTORY AND ACTIVITY:

The company was organized in Querétaro City, on September 1, 2010, under the name of Conservación de Infraestructuras de México, S. A. de C. V., with a term of 99 years and a corporate domicile in the city of Santiago de Querétaro.

The company's main activity is making projects, quality controls and technique management of all kind of public works and privates; this could be about the industrial, farm, civil engineering, railroads, roads and highways.

NOTE 2 – BASIS FOR PREPARATION

The accompanying financial statements have been prepared, in a reporting currency equal to that of registration (Mexican currency), without making the conversion to the functional currency, because it was opted for the exception of not converting the, since they will be used exclusively For presentation to the General Meeting of Shareholders and to comply with the legal provisions to which the Company is subject, as an independent legal entity.

The accompanying financial statements at December 31 2016 and 2015, fairly meet the provisions of the MFRS to show a fair presentation of the Company's financial position. The NIF establishes that International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations to International Financial Reporting Standards (INIIF) and the Interpretations Committee (SIC) are Absence of NIF so requires.

According with the provisions in the MFRS B-10 "Inflation Effects" (MFRS B-10), as of January 1, 2008 the Mexican economy is not an inflationary environment, since there has been a cumulative inflation below 26% (threshold to define that an economy should be considered as inflationary) in the most recent three year period. Therefore, since that date the recognition of the effects of inflation on financial reporting has been suspended. Consequently, the figures as of December 31, 2016 and 2015 of the accompanying financial statements are presented in historical pesos, modified by the effects of inflation on the financial information recognized up to December 31, 2007.

The inflation rates are shown below:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Of the year	3.36%	2.13%
Accrued during the last three years	9.57%	10.68%

Because the recording currency, the functional currency and the reporting currency are the Mexican peso, it was not necessary to perform any conversion process.

The accompanying non consolidated financial statements and their notes were authorized, for their issuance on February 10, 2017 by Veronica Valdes Lopez, Legal Representative, with legal capacity to authorize the financial statements and their notes.

NOTE 3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant accounting policies are summarized as follows, which have been consistently applied in the reporting years, unless otherwise indicated.

The MFRS require the use of some critical accounting estimates in the preparation of the financial statements. Also, Management judgment is required in the process of defining the Company's accounting policies.

- a. Cash and cash equivalents, including cash balances, bank deposits and other highly liquid investments with minor risks by changes in value.
- b. The liabilities' provisions represent present obligations for past events where the outflow of economic resources is possible. These provisions have been recorded based on management's best estimation.
- c. The Capital Stock, and the retained deficit are expressed at modified historical cost.
- d. The integral loss is composed by the net loss, as well as by such other entries that due to specific provisions are reflected in the stockholders' equity and are no capital contributions, reductions or distributions. The amounts of 2016 and 2015 integral loss are stated in modified historical pesos.
- e. The income by the sale of maintenance services of roads and highways are recognized in the income statement when the overall following requirements are met: a) the goods' risk and benefits were transferred to the buyer and there is no significant control on any of them, b) the amount of the revenue, incurred costs or to be incurred in are reliably determined and c) the Company is likely to receive economical benefits associated to the sale.

NOTE 4 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

The main balances with related parties at December 31, 2016 and 2015 are shown as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Receivables		
ELSAMEX S. A.	\$ 45,000	\$ 45,000
	<u>\$ 45,000</u>	<u>\$ 45,000</u>

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Payables		
Mantenimiento y Conservación de Vialidades S. A. de C. V.	\$ 60,000	\$ 40,000
	<u>\$ 60,000</u>	<u>\$ 40,000</u>

NOTE 5 - STOCKHOLDERS' EQUITY

At December 31, 2016 and 2015, the capital stock is integrated as follows:

<u>Number of shares</u>	<u>Description</u>	<u>Amount</u>
	Represents the fixed portion, with no right of withdrawal	
5,000	Mantenimiento y Conservación de Vialidades S. A. de C. V.	\$ 5,000
45,000	ELSAMEX, S. A	45,000
<u>50,000</u>	Capital stock in purchasing power pesos as of December 31, 2016	<u>\$ 50,000</u>



The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock.

Dividends paid are not subject to income tax if paid from the net tax profit account (CUFIN by its Spanish acronym) (and, will be taxed at a rate that fluctuates between 4.62% and 7.69% if they are paid from the reinvested vet tax profit account). Any dividends paid in excess of this account will cause a tax equivalent to 42.869% if they are paid on 2014. The current tax is payable by the Company and may be credited against its income tax in the same year or the following two years or in its case against the Flat tax of the period. Dividends paid coming from profits previously taxed by income tax are not subject to tax withholding or additional tax payment.

In the event of a capital reduction, the provisions of the Income Tax Law arrange any excess of Stockholders' equity over capital contributions, is accounted with the same tax treatment as dividends.

NOTE 6 - INCOME TAX AND FLAT TAX

a. Income Tax:

During October 2013 the Chamber of Senators and Representatives approved the issuance of a new Law on Income Tax (new ITL) which came into force on January 1, 2014, repealing the Income Tax Law issued on January 1 2002 (previous ITL). The new ITL captures the essence of the previous ITL; however, makes significant changes among which we can highlight the following :

- i. Limited deductions in contributions to pension funds and exempt wages, car lease, consumption in restaurants and in social security contributions, also eliminates the immediate deduction of fixed assets [and exploration expenditures in the mining sector].
- ii. Amendment mechanics to accumulate the income from alienation forward and generalizes the method to determine the gain on disposal of shares.
- iii. Modifies the procedure for determining the tax base for the Employees' Statutory Profit Sharing (ESPS), provides the mechanism to determine the opening balance of the capital account of contributions (CUCA by its Spanish acronym) and CUFIN and establishes a new mechanism for recovery Tax Assets (TA).
- iv. Establishes an income tax rate for 2016 and the following years will be of 30%.



NOTE 7 - NEW ACCOUNTING PRONOUNCEMENTS:

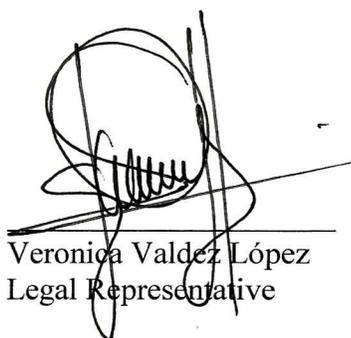
The following describes a series of NIFs issued by the CINIF during December 2013 and 2014, which will enter into force in the year indicated. It is considered that such FRS will not have a material effect on the financial information presented by the Company.

2016:

MFRS D-3 "Employee Benefits". It establishes the valuation, presentation and disclosure rules for the initial and subsequent recognition of short- and long-term liabilities for termination and post-employment benefits. The concept of remeasurement of defined benefit assets or liabilities is established and the possibility of deferring the recognition of actuarial gains and losses directly to results, according to their accrual, is eliminated. Therefore, these actuarial gains and losses must be recognized immediately in the Other comprehensive income (ORI), requiring their recycling after the net profit or loss. Early application is allowed as of January 1, 2015.

2017:

IFRS-15 "Income from contracts with customers", which replaces the following IAS, INIIF and SIC: IAS-11 "Construction contracts", IAS 18 "Revenue from ordinary activities", INIIF - 13 "Customer loyalty programs INIIF - 15 "Agreements for the construction of real estate", INIIF - 18 "Transfer of assets from clients" and SIC - 31 "Revenues - exchange of advertising services", effective as of the years beginning on January 1 Of 2017, allowing its early application.



Veronica Valdez López
Legal Representative
