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, 2016, 2015, and 2014, and Independent Auditors' Report Dated February 23, 2017

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, 2016, 2015 and 2014 and Independent Auditors' Report

Table of Contents	**Page**
Independent Auditors' Report	1
Consolidated Statements of Financial Position	6
Consolidated Statements of Profit or Loss and Other Comprehensive Income (Loss)	8
Consolidated Statements of Changes in Stockholders' Equity	10
Consolidated Statements of Cash Flows	11
Notes to the Consolidated Financial Statements	13

Deloitte.

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Avenida Américas 1685, piso 10
Colonia Providencia
44630 Guadalajara, Jal.
México

Tel: +52 (33) 3669 0404
Fax: +52 (33) 3669 0469
www.deloitte.com/mx

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 accompanying 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, 2016, 2015 and 2014, and the consolidated statements of profit or loss and other comprehensive income (loss), 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, 2016, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these 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 sufficient 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 the 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.

Deloitte.

Intangible Assets Derived from Concessions

The Entity recognizes an intangible asset for the concessions granted by the SCT in accordance with International Financial Reporting Interpretation No. 12 - *Service Concession Agreements* ("IFRIC 12") as mentioned in Note 3.h and Note 8. These intangible assets represent 85% of total non-current assets and 74% of total assets.

As explained in Note 3.h, the Entity amortizes the intangible asset using the unit-of-use method, which considers the carrying amount of the intangible asset and the traffic volume as estimated by a transportation expert engaged by the management of the Entity.

According to International Accounting Standard 36 - *Impairment of Assets* ("IAS 36"), the Entity's management performs impairment testing of the intangible asset. This impairment analysis is prepared by an expert engaged by management and is prepared using the discounted cash flow model. The determination of whether the carrying amount of the intangible asset is recoverable requires management to make significant estimates regarding future cash flows, discount rates and traffic volume which is estimated by another expert engaged by management.

Our audit procedures included, among others:

The evaluation of the accounting policy selected by Management regarding the amortization of the intangible asset in accordance with the amendments to International Accounting Standard 38 - Intangible Assets ("IAS 38") in respect of acceptable depreciation and amortization methods. We concured that the unit-of-use amortization method based on estimated traffic volume selected by the Entity is an acceptable method.

With the assistance of our firm's internal specialists, we analyzed the assumptions used in the impairment model, specifically the cash flow projections and discount rates used. We have also tested the completeness and accuracy of the impairment model. Additionally, we assessed the competences and independence of the experts used by Entity's management. The results of our tests indicate that the assumptions used by management are reasonable and that as of December 31, 2016, no impairment adjustment is required.

Major maintenance provision

The Entity recognizes a provision for maintenance and repair costs of highways under concession as mentioned in Note 3.m and Note 10. The assumptions used by management mainly comprise the cost of major maintenance estimated by an external expert engaged by the Entity, rates of inflation, discount rates used and the judgments used by management to determine the provision.

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 reasonable.

Deloitte.

Long-Term Debt

As shown in the financial statements, the Entity's long-term debt represents 93% 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 any default, we identified non-compliance with long-term debt covenants as an audit risk given that such non-compliance 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.

Deferred income tax

In accordance with International Accounting Standard 12 - *Income Taxes* ("IAS 12"), in the determination of deferred income taxes, the Entity estimates the probability of generating sufficient taxable income in future periods to utilize the deferred assets generated by tax losses and intangible assets.

Our audit procedures included, among others:

We analyzed the reasonableness of assumptions used by management to determine the recoverability of deferred tax assets. The results of our testing indicate that the balance of deferred tax assets recognized by the Entity is reasonable.

Annual report to the stock market

Management is responsible for the information included in the Annual Report to the Mexican Stock Market (Annual Report). Such information will comprise the information that will be incorporated in the Annual Report that the Entity is obliged to prepare pursuant to Article 33 Fraction I, clause 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 available after the date of this audit report.

Our opinion on the consolidated financial statements will not cover the information that will be included in the Annual Report and we will not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when available, and when we do so, to consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or appears to contain a material error. 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.

Responsibilities of Management and Audit Committee 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 the consolidated financial statements that are free of material misstatement due to fraud or error.

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

The Entity's Audit Committee is responsible for supervision of the process of the issuance of the financial information of the Entity.

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 is not a 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, misrepresentation, 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 made 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 Entity's ability to continue as a going concern. If we conclude that 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 or 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.

Deloitte.

We communicate with management and Audit Committee 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 management and Audit Committee with a statement that we have complied with applicable ethics requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be though to bear on our independence, and where applicable, related safeguards.

From the matters communicated to management and the Audit Committee, we determine those matters that were 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 regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

C.P.C. Francisco Javier Robles Mújica

February 23, 2017

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, 2016, 2015 and 2014
(Thousands of Mexican pesos and thousands of U.S. dollars)

Assets	Note	(Convenience translation, see Note 3b) 2016	2016	2015	2014
Current assets:					
Cash and cash equivalents, current	5	U.S.$ 323,209	$ 6,678,792	$ 6,923,061	$ 6,225,057
Trade accounts receivable	6	37,465	774,180	409,904	422,405
Recoverable taxes		2,739	56,604	58,048	72,600
Financial asset- current portion	7	19,025	393,129	407,540	509,889
Other accounts receivable and prepaid expenses	6	5,555	114,763	100,793	80,044
Total current assets		387,993	8,017,468	7,899,346	7,309,995
Non-current assets:					
Long-term restricted cash	5	4,533	93,673	91,102	89,287
Financial assets derived from concessions - long-term portion	7	41,960	867,065	848,696	835,818
Intangible assets derived from concessions	8	2,083,189	43,047,021	43,392,680	43,693,608
Furniture and equipment and franchise rights - net	9	974	20,124	22,152	15,696
Machinery and equipment - net	9	1,286	26,577	23,067	13,950
Derivative financial instruments		5,556	114,807	-	-
Deferred income tax asset	14	316,034	6,530,536	6,283,018	6,170,042
Other assets		213	4,408	4,250	3,747
Total non-current assets		2,453,745	50,704,211	50,664,965	50,822,148
Total assets		U.S.$ 2,841,738	$ 58,721,679	$ 58,564,311	$ 58,132,143

Liabilities and stockholders’ equity

Current liabilities:					
Accounts payable to suppliers		U.S.$ 13,805	$ 285,266	$ 285,768	$ 281,597
Interest payable		42,026	868,418	853,558	676,361
Interest payable on derivative financial instruments		241	4,985	13,613	8,351
Other current liabilities		2,169	44,790	42,227	35,471
Provisions	10	36,145	746,898	782,827	590,301
Accounts payable to shareholders		-	3	1,079,800	-

(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, 2016, 2015 and 2014
(Thousands of Mexican pesos and thousands of U.S. dollars)

	Note	(Convenience translation, see Note 3b) 2016	2016	2015	2014
Current portion of long-term debt	12	16,503	341,018	338,047	275,826
Short-term employee benefits	13	1,618	33,436	70,639	93,915
Provision for work executed, not yet approved		1,442	29,791	39,462	6,406
Taxes other than income tax		11,795	243,739	163,462	196,837
Income taxes payable	14	2,020	41,738	-	12,441
Total current liabilities		127,764	2,640,082	3,669,403	2,177,506
Non-current liabilities:					
Long-term debt	12	1,831,533	37,846,802	37,404,069	35,197,241
Provisions for major maintenance	10	7,655	158,187	69,243	224,750
Long-term employee benefits	13	2,713	56,061	7,752	38,790
Post-employment employee benefits	13	127	2,632	2,606	2,378
Other long-term liabilities		243	5,029	2,990	8,542
Derivative financial instruments	11	3,084	63,734	358,259	393,753
Deferred income tax liability	14	9,421	194,677	-	-
Total non-current liabilities		1,854,776	38,327,122	37,844,919	35,865,454
Total liabilities		1,982,540	40,967,204	41,514,322	38,042,960
Contingency and commitments	22 and 23				
Stockholders' equity	17				
Capital stock		1,036,051	21,408,968	22,128,968	25,938,768
Accumulated deficit		(178,249)	(3,683,346)	(4,771,938)	(5,772,115)
Other comprehensive income (loss)		1,396	28,853	(307,041)	(77,470)
Total stockholders' equity		859,198	17,754,475	17,049,989	20,089,183
Total stockholders' equity and liabilities		U.S.$ 2,841,738	$ 58,721,679	$ 58,564,311	$ 58,132,143

(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 Income (Loss)

For the years ended December 31, 2016, 2015 and 2014
(Thousands of Mexican pesos and thousands of U.S. dollars)

	Note	(Convenience translation, see Note 3b) 2016	2016	2015	2014
Revenues:					
Toll revenues		U.S.$ 284,574	$ 5,880,433	$ 5,124,705	$ 4,547,571
Shadow toll payments from the SCT		35,930	742,456	703,918	666,582
Availability payments from the SCT		19,677	406,614	409,677	398,611
Ancillary revenues from the use of rights of way and other related revenues		9,200	190,112	104,330	64,625
Construction revenues		24,013	496,204	346,097	317,706
Total revenues		373,394	7,715,819	6,688,727	5,995,095
Costs and expenses:	15				
Amortization of assets derived from concessions		39,794	822,311	781,113	1,148,832
Operation and maintenance provisions		42,566	879,574	674,322	433,998
Toll collection costs		5,370	110,967	110,617	134,759
Construction costs		24,013	496,204	346,097	317,706
Cost of ancillary revenues from the use of right of way and other related revenues		5,204	107,531	33,202	24,421
General and administrative expenses		17,364	358,805	371,599	353,741
		134,311	2,775,392	2,316,950	2,413,457
Income before other income – net		239,083	4,940,427	4,371,777	3,581,638
Other income – net		1,895	39,149	34,635	35,680
Income from operations		240,978	4,979,576	4,406,412	3,617,318
Interest expense		(183,299)	(3,787,696)	(3,388,279)	(4,839,778)
Interest income		11,428	236,155	184,222	163,567
Adjustments to principal amount of UDI denominated debt		(13,024)	(269,118)	(164,110)	(313,444)
Net foreign exchange gain (loss)		8	160	(237)	(121)
		(184,887)	(3,820,499)	(3,368,404)	(4,989,776)
Income (loss) before income taxes		56,091	1,159,077	1,038,008	(1,372,458)
Income tax expense (benefit)	14	3,411	70,483	37,831	(819,315)
Consolidated net income (loss) for the period		52,680	1,088,594	1,000,177	(553,143)

(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 Income (Loss)
For the years ended December 31, 2016, 2015 and 2014
(Thousands of Mexican pesos, unless otherwise stated, and thousands of U.S. dollars, except for per share amounts)

	Note	(Convenience translation, see Note 3b) 2016	2016	2015	2014
Other comprehensive income items:					
Items that will be reclassified subsequently to profit or loss:					
Valuation of derivative financial instruments		U.S.$ 11,485	$ 237,335	$ (136,004)	$ (748,398)
Deferred income taxes on derivative financial instruments		(1,124)	(23,233)	8,666	158,067
Reclassifications of derivative financial instrument amounts to profit and loss		8,741	180,625	(44,223)	1,749,388
Deferred income taxes on derivative financial instrument amounts reclassified to profit and loss		(2,873)	(59,378)	(58,010)	(458,364)
Items that not will be reclassified subsequently to profit or loss:					
Actuarial gains and losses		26	545	-	(202)
Other comprehensive income (loss) items		16,255	335,894	(229,571)	700,491
Comprehensive income for the period		U.S.$ 68,935	$ 1,424,488	$ 770,606	$ 147,348
Basic and diluted profit (loss) per common share	18	U.S.$ 0.002	$ 0.038	$ 0.035	$ (0.019)

(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, 2016, 2015 and 2014
(Thousands of Mexican pesos)

	Capital stock	Accumulated deficit	Other comprehensive Income (loss)	Total stockholders' equity
Balance as of January 1, 2014	$ 25,938,768	$ (5,218,972)	$ (777,961)	$ 19,941,835
Comprehensive income:				
Valuation of derivative financial instruments	-	-	(748,398)	(748,398)
Deferred income taxes on derivative instruments	-	-	158,067	158,067
Reclassifications of amounts to profit and loss	-	-	1,749,388	1,749,388
Deferred taxes on financial instruments reclassified to profit and loss	-	-	(458,364)	(458,364)
Actuarial gain and losses from labor obligations	-	-	(202)	(202)
Net loss for the period	-	(553,143)	-	(553,143)
	-	(553,143)	700,491	147,348
Balance as of December 31, 2014	25,938,768	(5,772,115)	(77,470)	20,089,183
Capital stock reduction	(3,809,800)	-	-	(3,809,800)
Comprehensive income:				
Valuation of derivative financial instruments	-	-	(136,004)	(136,004)
Deferred income taxes on derivative instruments	-	-	8,666	8,666
Reclassifications of amounts to profit and loss	-	-	(44,223)	(44,223)
Deferred taxes on financial instruments reclassified to profit and loss	-	-	(58,010)	(58,010)
Net income for the period	-	1,000,177	-	1,000,177
	-	1,000,177	(229,571)	770,606
Balance as of December 31, 2015	22,128,968	(4,771,938)	(307,041)	17,049,989
Capital stock reduction	(720,000)	-	-	(720,000)
Dividends declared	-	(2)	-	(2)
Comprehensive income:				
Valuation of derivative financial instruments	-	-	237,335	237,335
Deferred income taxes on derivative instruments	-	-	(23,233)	(23,233)
Reclassifications of amounts to profit and loss	-	-	180,625	180,625
Deferred taxes on financial instruments reclassified to profit and loss	-	-	(59,378)	(59,378)
Actuarial gains and losses from labor obligations	-	-	545	545
Net income for the period	-	1,088,594	-	1,088,594
	-	1,088,594	335,894	1,424,488
Balance as of December 31, 2016	$ 21,408,968	$ (3,683,346)	$ 28,853	$ 17,754,475

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, 2016, 2015 and 2014
(Thousands of Mexican pesos and thousands of U.S. dollars)

	(Convenience translation, see Note 3b) 2016	2016	2015	2014
Operating activities:				
Income (loss) before income taxes	$ 56,091	$ 1,159,077	$ 1,038,008	$ (1,372,458)
Adjustments for:				
Depreciation and amortization	40,456	835,984	786,751	1,150,939
Interest expense	169,775	3,508,238	3,331,871	2,963,224
Reclassifications of derivative financial instrument amounts to profit and loss	8,741	180,625	166,505	1,749,388
Valuation effects of derivative financial instruments	-	-	(210,645)	293
Amortization of commissions and debt issuance costs	4,783	98,834	100,548	126,873
Unrealized exchange loss (gain)	1	14	7	(66)
Adjustments to principal amounts of UDI denominated debt	13,024	269,118	164,110	313,444
	292,871	6,051,890	5,377,155	4,931,637
(Increase) decrease in:				
Trade accounts receivable	(17,629)	(364,276)	12,501	(67,156)
Recoverable taxes	70	1,444	548	145,425
Financial asset	(192)	(3,958)	89,471	87,219
Other accounts receivable and prepaid expenses	(676)	(13,970)	(20,749)	(36,665)
Other assets	(8)	(158)	(503)	(2,937)
Increase (decrease) in:				
Accounts payable to suppliers	(25)	(517)	4,164	(5,882)
Other current liabilities	223	4,602	1,204	14,740
Provisions	(11,209)	(231,629)	(216,014)	(284,290)
Taxes other than income tax	4,510	93,194	546	(136,563)
Income taxes paid	(8,571)	(177,113)	(232,511)	(316,491)
Employee benefits	537	11,106	(54,314)	69,036
Post-employment employee benefits	28	571	229	2,066
Net cash provided by operating activities	259,929	5,371,186	4,961,727	4,400,139
Investing activities:				
Acquisition of machinery, furniture and equipment	(733)	(15,155)	(21,211)	(22,574)
Franchise rights	-	-	-	(87)
Intangible assets derived from concessions	(23,535)	(486,323)	(447,129)	(271,381)
Net cash used in investing activities	(24,268)	(501,478)	(468,340)	(294,042)

(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, 2016, 2015 and 2014
(Thousands of Mexican pesos and thousands of U.S. dollars)

	(Convenience translation, see Note 3b) 2016	2016	2015	2014
Financing activities:				
Proceeds from long-term debt	$ 33,656	$ 695,473	$ 3,323,773	$ 9,101,403
Payments of debt	(27,311)	(564,349)	(1,268,130)	(7,872,659)
Interest paid	(155,281)	(3,208,734)	(2,901,642)	(2,449,668)
Payments of derivative financial instruments	(8,741)	(180,625)	(166,319)	(1,770,823)
Commissions and debt issuance costs paid	(2,583)	(53,371)	(51,250)	(103,139)
Capital stock reduction	(87,098)	(1,799,800)	(2,730,000)	-
Net cash used in financing activities	(247,358)	(5,111,406)	(3,793,568)	(3,094,886)
(Decrease) Increase in cash and cash equivalents	(11,697)	(241,698)	699,819	1,011,211
Cash and cash equivalents at the beginning of period	339,439	7,014,163	6,314,344	5,303,133
Cash and cash equivalents at the end of period	$ 327,742	$ 6,772,465	$ 7,014,163	$ 6,314,344

(Concluded)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016, 2015 and 2014
(Thousands of Mexican pesos, except shares and earnings per share expressed in pesos)

1. Nature of business and significant events of 2016:

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 Maravatío-Zapotlanejo and Guadalajara-Aguascalientes-León and Tepic – San Blas (the "Concessioned Highways"), and 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 (the "Concession Title") to the Entity (the "Concession Holder") to build, operate, conserve and maintain the Maravatío-Zapotlanejo and Guadalajara-Aguascalientes-León highways, with a total length of de 558.05 kilometers (as of such date), in the states of Michoacán, 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. Toll income secures the Entity's long-term debt (see Note 12).

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, and ending at the Maravatío–Zapotlanejo toll road junction, in the state of Jalisco. Considering that the construction of the aforementioned segment constitutes an additional project that were 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. The toll adjustment will be effective when construction on the segment is concluded.

Concesionaria de Vías Irapuato Querétaro, S.A. de C.V. ("COVIQSA"), a subsidiary of the Entity, operates, maintains, and conserves 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 conserves the Irapuato - La Piedad highway of approximately 73.5 kilometers in length (as of such date). Both concession terms are for a period of 20 years. Operation of the concessions is performed under the PPS scheme, as per the terms of the COVIQSA and CONIPSA concession agreements, which contemplate the recovery of investment through two types of revenues paid by the SCT: 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, 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 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.

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

Significant events of 2016:

a. ***Concesionaria Tepic San Blas***

On April 22, 2016, RCO was declared the winner of public tender number 00009076-002-15 obtaining the right to build, operate, and maintain the Tepic-San Blas federal highway in the state of Nayarit. In order to operate this concession, on May 4, 2016, RCO incorporated Concesionaria Tepic San Blas, S. de R. L. de C. V. (COTESA), a wholly-owned subsidiary.

b. ***New loan to CONIPSA***

On January 11, 2016, the subsidiary CONIPSA obtained a new loan of $266.8 million from Santander and Banorte maturing in 2024, the proceeds of which were used to prepay the entire syndicated loan agreement of $266.8 million due to Banobras.

c. ***Amendment of loan to RCO***

On November 9, 2016, RCO agreed to amend the loan agreement with Santander, obtaining additional proceeds of 650 million and extending the original maturity date of December 10, 2021 to September 10, 2028. Santander transferred $600 million of the loan to Banco Interacciones, which will serve as creditor for the transferred portion of the debt under the terms that had been agreed with Santander.

d. ***Common stock reduction***

At the Annual General Meeting held on February 25, 2016, shareholders of RCO approved a reduction in the variable portion of its capital stock for the amount of $420 million upon the recommendation of its Board of Directors through unanimous resolutions dated February 3, 2015 and January 29, 2016.

On March 10, 2016, RCO paid in cash the capital reductions approved by its stockholders during 2015 and February 2016 in the amount of $1,499.8 million, which was paid proportionally to all shareholders of RCO and, in the case of Series "B" common stock, through Indeval.

By unanimous resolutions dated August 23, 2016, shareholders of RCO authorized a reduction of the variable portion of its capital stock for the amount of $300 million upon the recommendation of its Board of Directors through unanimous resolutions dated February 3, 2015 and January 29, 2016, which was paid on September 19, 2016.

2. Application of new and revised International Financial Reporting Standards

a. ***Application of new and revised International Financing Reporting Standards (“IFRSs” or “IAS”) and interpretations that are mandatorily effective for the current year***

In the current year, the Entity has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begin on or after January 1, 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments had no impact on the Entity's consolidated financial statements as the Entity is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

Amendments to IAS 1 Disclosure Initiative

The Entity has applied these amendments for the first time in 2016. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that is not material, and give guidance for aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the consolidated entities, and should present separately the items that will be subsequently reclassified to profit and loss results and those that will be reclassified to profit and loss when certain conditions are met.

As regard to the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of notes.

The application of these amendments to IAS 1 did not have impact on the Entity's consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The Entity has applied thee amendments for the first time in 2016.The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue; or

b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The Entity has used the unit-of-use method based on traffic volume for the amortization of its intangible asset and the straight-line method to depreciate its fixed assets and consequently the adoption of these changes had no impact on the consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Entity has applied these amendments for the first time in 2016.The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments had no material effect on the Entity's consolidated financial statements.

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

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

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
Amendments to IAS 12	Income taxes[1]
Amendments to IAS 7	Statements of Cash Flows [1]
Amendments to IFRS 2	Classification and measurement of share-based payments[2]

[1] Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

IFRS 9 ***Financial Instruments***

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2014 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods.

  Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Entity is in the process of reviewing the potential impacts that will derive from the adoption of this standard and accordingly to date is not possible to provide a reasonable estimate of the impact.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The management of the Entity anticipates that the application of IFRS 15 in the future may not have any material impact on the amounts reported and disclosures made in the Entity's consolidated financial statements.

IFRS 16 Leases

IFRS 16 "Leases" was issued in January 2016 and supersedes IAS 17 "Leases" and related interpretations. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements and accordingly to date is not possible to provide a reasonable estimate of the impact.

Amendments to IAS 12 Income Tax: *Recognition of Deferred Tax Assets for Unrealized Losses*, clarify how to account for deferred tax assets related to debt instruments measured at fair value.

IAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice.

Entities are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

The Management of the Entity anticipates that the adoption of these amendments will not have a material effect on the consolidated financial statements.

Amendments to IAS 7 Statements of Cash Flows: Provide disclosures.

The amendments in disclosure initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Entities are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

The Management of the Entity anticipates that the adoption of these amendments will not have a material effect on the consolidated financial statements.

Amendments to IFRS 2 Share-based Payment

The amendments to IFRS 2 Share-based Payment, clarify the classification and measurement of share-based payment transactions. The amendments contain clarifications and amendments address to the accounting for cash-settled share-based payment transactions; classification of share-based payment transactions with net settlement features; and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. These amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments apply prospectively.

The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements and accordingly to date is not possible to provide a reasonable estimate of the impact

3. Significant accounting policies

a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

b. ***Convenience translation***

Solely for convenience of readers, Mexican peso amounts included in the consolidated financial statements as of December 31, 2016 and for the year then ended have been translated into U.S. dollar amounts at the rate of $20.664 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.

i. Historical cost

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

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

- Level 1 inputs are quoted prices (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 Red de Carreteras de Occidente, S.A.B. de C.V. 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 reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When 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. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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)	100%	Specialized services
RCO Carreteras, S. de R. L. de C. V. (RCA)	100%	Specialized services
Concesionaria de Vías de Irapuato Querétaro, S.A. de C.V.	100%	Concession under a PPS scheme
Concesionaria Irapuato La Piedad S.A. de C.V.	100%	Concession under a PPS scheme
Concesionaria Tepic San Blas, S. de R. L. de C. V.	100%	Concession to build, operate, exploit, conserve and maintain the Tepic-San Blas highway. (Since May 2016)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on 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 IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

The 2016, 2015 and 2014 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; 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***

All financial assets are initially measured at fair value. Transaction costs are generally added to the fair value of financial assets except for those financial assets classified as at fair value through profit or loss, in which case the related transaction costs are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ‘held-to-maturity’ investments, ‘available-for-sale’ financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

In addition to cash and cash equivalents, the main financial assets of the Entity are classified as receivables which are measured at amortized cost using the effective interest method which is described below.

The Entity recognized an allowance for doubtful accounts due to the possibility of customer default, a legal or financial contingency affecting the customer. Or in case of outstanding balances aged more than 90 days. This estimate is recorded based on the Entity’s policy for the determination of such amount and is reviewed and updated, as necessary, at each reporting date.

The record of a doubtful account is performed when there is certainty of the impossibility of recovery and legal requirements to be considered a doubtful account are met. It will also determine the customer account is doubtful if the customer becomes insolvent, bankrupt or in solution. The Director of Administration and Finance and the General Counsel of the Entity shall authorize the record in the results of this estimates.

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

In order to account for its concession agreements, the Entity applies Interpretation No.12, “Service Concession Arrangements” (“IFRIC 12”), issued by the IFRS Interpretations Committee. 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 money. 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 as construction income and costs during the construction phase.

The payment made to the SCT in exchange for the Concessioned Highways was recognized as an intangible asset.

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

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

Furniture and equipment are recorded at acquisition cost, less accumulated depreciation and impairment loss.

Depreciation is recognized so as 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 between 4 and 10 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, 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.

k. ***Machinery and equipment***

Machinery and equipment are recorded at acquisition cost, less accumulated depreciation and impairment loss.

Depreciation is recognized so as 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 the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

l. ***Borrowing costs***

Borrowing costs directly attributable to the acquisition or construction of qualifying assets (designated asset), which are assets that necessarily take a substantial period of time before they are available for their intended use, are added to the cost of those assets, until such time as the assets are available for their 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 in which they are incurred.

m. ***Impairment of long-lived assets***

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 smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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.

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

The Entity recognizes a provision for costs that are expected to be incurred that affect the results of the periods from the beginning of operations to the year in which maintenance and/or repairs are carried out to cover maintenance and repair costs. This projection is recorded at net present value of the average of 5 years. This provision is recognized base on International Accounting Standard 31, “Provisions and liabilities and contingent assets” (IAS 37) and IFRIC 12, “Service Concession contracts”.

Provisions are classified as current or noncurrent based on the period of time estimated to meet the obligations covered.

o. ***Employee benefits***

<u>Short-term employee benefits</u>

Direct benefits to employees are calculated, and a liability is recognized, based on the services provided, considering the employees’ current salaries. Direct employee benefits include mainly compensated absences, such as vacation and vacation bonus.

Statutory employee profit sharing (“PTU”) is recorded in the results of the year in which it is incurred and presented under general and administrative expenses in the accompanying consolidated statements of profit (loss) and other comprehensive income (loss).

As result of the 2014 Income Tax Law, as of December 31, 2016 and 2015, PTU is determined based on taxable income, according to Section I of Article 10 of the that Law.

<u>Long-term employee benefits</u>

Long-term employee benefits also include a provision for bonuses granted by the Entity, as discussed in Note 13. 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.

<u>Post-employment employee benefits</u>

The Entity grants seniority premiums to all its employees at the end of the work relationship for those employees with 15 or more years' service or who are dismissed regardless of their time with the Entity. The benefits consist of a single payment equal to 12 days' salary for each year of service based on the employee's most recent salary, but without exceeding twice the current minimum wage.

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

p. ***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 results. 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.

q. ***Income taxes***

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. <u>Current tax</u>

   Current income tax ("ISR") is recognized in the results of the year in which is incurred.

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

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

   Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from 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. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

   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 tax for the year

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.

r. ***Financial liabilities and equity instruments***

i). 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.

ii). Financial liabilities at fair value through profit and loss:

Financial liabilities are classified as at fair value through profit and loss when the financial liability is either held for trading or it is designated as at fair value through profit and loss.

Derivative financial instruments are classified as financial liabilities held for trading, except when derivatives are entered into to hedge a position and are effective as cash flow hedges, which are measured at fair value.

The Entity has not otherwise designated any financial liabilities as at fair value through profit and loss.

iii). Other financial liabilities:

Other financial liabilities, including loans, are initially recognized at fair value, net of transactions costs, and are subsequently valued at amortized cost.

The amortized cost of a financial liability is the initial amount of the liability recognized less the cumulative amortization of the liability using the effective interest rate method to account for difference between the initial amount of the liability and the amount due upon 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 through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

iv). Derecognition of financial liabilities:

The Entity derecognizes financial liabilities only when its obligations are discharged or cancelled or when they expire.

s. ***Derivative financial instruments***

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps. Further details of derivative financial instruments are disclosed in Note 11.

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

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.

i. 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 allow derivative financial instruments to be classified as hedges, there must be a hedge relationship between the derivative and a hedged item; changes in the fair value of derivative financial instruments must totally or partially offset the fair value or cash flow changes of a hedged item, for which purpose hedge effectiveness must be determined.

Hedge effectiveness is the extent to which changes in fair value or cash flows attributable to the risk of the hedged item are hedged by the derivative instrument.

The Entity usually hedges an asset or liability which exposes it to a change in fair value or future cash flows.

The accounting for hedges results in offsetting the effects derived from changes in the fair value or cash flows of hedge instruments and the hedged item, in profit or loss of the period.

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.

Note 11 sets out details of the fair values of the derivative instruments used for hedging purposes.

ii. Fair value hedges:

Changes in the fair value of derivatives that qualify and are designated as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument is recognized in the same line item of the consolidated statements of profit (loss) and other comprehensive income (loss) as the effects of the hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

iii. Cash flow hedges:

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

Amounts previously recognized in the other comprehensive income and accumulated in stockholders' equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line item of the consolidated statements of profit (loss) and other comprehensive income (loss) 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 it is ultimately recognized in profit or loss.

iv. Embedded derivatives:

The Entity reviews all executed contracts to identify embedded derivatives which have to be separated from the host contract for purposes of their accounting valuation and recognition. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit and loss. The initial fair value and fair value changes are recognized in the results of the period within the interest expense or income. As of December 31, 2016, 2015 and 2014 there are no embedded derivatives that must be separated from the host contract.

t. ***Toll revenue recognition***

RCO recognizes toll revenues when vehicles utilize the highway and pay the respective toll in cash or electronically. In the case of CONIPSA and COVIQSA, shadow toll revenues are received directly from the SCT. However, whether paid by third parties or the SCT, toll revenues are recognized when the following conditions are fulfilled:

- Revenues can be reliably measured;

- It is probable that the Entity will receive the economic benefits associated with the transaction; and

- The service has been provided and

- Any related costs have been or will be incurred and can be reliably measured.

u. ***Recognition of revenues and construction costs derived from extension and rehabilitation projects***

The Entity recognizes revenues and construction costs when extension and rehabilitation projects related to the concession infrastructure are carried out and whenever these extension or rehabilitation works increase the capacity of the concession assets to generate future economic benefits.

v. ***Recognition of availability payment***

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 highway sections available to users, based on the financial asset recognized in the consolidated statements of financial position, using the amortized cost method. The revenue for availability are recorded using the effective interest method.

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

The Entity opted to present a single consolidated statement of profit (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.

Due to the different economic and business activities of the Entity, costs and expenses presented in the consolidated statements of profit (loss) and other comprehensive income (loss) were classified according to their function. Accordingly, amortization of assets derived from the concessions, operation and maintenance provisions, toll collection costs, construction costs and general and administrative expenses were presented separately.

The 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).

x. ***Foreign currencies***

The Mexican peso is the functional currency of RCO and each of its subsidiaries. The transactions in currencies other than their functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates in effect at that date. Exchange fluctuations are recorded as a component of net foreign exchange (loss) income, net in the consolidated statements of profit (loss) and other comprehensive income (loss), except in those cases in which they can be capitalized.

y. ***Earnings per share***

Basic earnings per common share are calculated by dividing consolidated 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.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity’s accounting policies, which are described in Note 3, Entity’s Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 that it does not recognize a profit margin for extension and rehabilitation work. Accordingly, the amount of revenues recognized is equal to construction costs, such that the Entity's profit level is not affected.

The significant estimates made in the accompanying consolidated financial statements which may result in changes to the carrying values of assets and liabilities as a result of changes in assumptions applied 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, derivative financial instruments it has entered into to mitigate the risk of interest rate fluctuations. Derivative financial instruments which comply with the accounting criteria to be recognized as hedging instruments have been classified as cash flow hedges. Note 11 contains a description of the techniques and methodologies utilized 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) 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 to determine if any indications of impairment exist.

- Management prepares estimates to determine and recognize maintenance provisions for the Concessioned Highways, which affects results beginning with the commencement of operations of a highway; amounts are provisioned through the date the maintenance and/or repair work is performed (Note 10).

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, 2016	December 31, 2015	December 31, 2014
Cash	$ 831,033	$ 768,708	$ 181,264
Cash equivalents	5,847,759	6,154,353	6,043,793
	6,678,792	6,923,061	6,225,057
Long-term restricted cash	93,673	91,102	89,287
	$ 6,772,465	$ 7,014,163	$ 6,314,344

The Entity has established six management trusts to hold funds destined for specific purposes as follows:

(i) The first trust No. 300195 was established for the purpose of holding toll revenues and other revenues. The Entity utilizes the funds in trust mainly for the payment of debt as well as for other operating expenses of the Concessioned Highways. Amounts held in this trust as of December 31, 2016, 2015 and 2014 are $5,630,856, $5,802,920 and $5,157,579, respectively.

In order to comply with the twenty-eighth clause of the Concession Title, the Entity has also created a Conservation and Maintenance Fund, which must be equal to three days' annual expected gross revenue generated from the Concessioned Highways each year. At December 31, 2016, 2015 and 2014, the balances of this fund are $42,139, $37,405 and $33,407, respectively, which is included within cash equivalents above.

(ii) The second trust No. 300209 was established for the construction of expansion projects. Amounts held in this trust as of December 31, 2016, 2015 and 2014 are $194,685, $326,656 and $476,794, respectively.

(iii) The third trust No. 661 was established for the issuance of Long-Term Infrastructure Development Equity Certificates. Amounts held in this trust as of December 31, 2016, 2015 and 2014 are $22,218, $24,776 and $27,348, respectively.

(iv) The fourth irrevocable trust No. 32-6, established for the administration, source of payment and securities issuances related to the COVIQSA project, into which all shadow toll and availability payment revenues are received from the PPS project agreements and from which all operating and financial expenses and dividends, if applicable, are distributed.

(v) The fifth irrevocable trust No. 31-8, established for the administration, source of payment and securities issuance related to the CONIPSA project, into which all shadow toll and availability payment revenues are received from the PPS project agreements and from which all operating and financial expenses and dividends, if applicable, are distributed.

(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 of the Concessioned Highway are received. The amount held in this trust as of December 31, 2016 is $137,230. Within this trust, as required by certain obligations established in the Concession agreement, the Entity created a fund of $5,000 for 2016, which is intended to cover the release of the rights-of-way, which balance at December 31, 2016 is $5,124, and is included within cash equivalents above.

The trustee of trust No. 300195 and No. 300209 is HSBC México, S.A. Institución de Banca Múltipe, Grupo Financiero HSBC, Division 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. In the case of COTESA, Banco Invex, S.A. Institución de Banca Múltiple Invex Grupo Financiero is the trustee.

The long-term restricted cash account of $93,673, $91,102 and $89,287, at December 31, 2016, 2015 and 2014, respectively, are funds held with respect to COVIQSA and CONIPSA, primarily for reserves required to be established under the respective PPS and loan agreements and its Loans.

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, 2016	December 31, 2015	December 31, 2014
Trade accounts receivable	$ 777,840	$ 412,648	$ 425,341
Allowance for doubtful accounts	(3,660)	(2,744)	(2,936)
	$ 774,180	$ 409,904	$ 422,405

Accounts receivable from customers detailed above are valued at their amortized cost.

Accounts receivable from customers include overdue amounts at the end of each reporting period and for which the Entity has recognized an estimated allowance for doubtful accounts due to the possibility of customer default, a legal or financial contingency affecting the customer or in case of outstanding balances aged more than 90 days. This estimate is recorded based on the Entity's policy for the determination of such amount and is reviewed and updated, as necessary, at each reporting date. At December 31, 2016, 2015 and 2014, there are no overdue accounts receivable that have not been recorded for doubtful accounts.

At December 31, 2016, 2015 and 2014, trade accounts receivable is essentially composed of $665,147, $320,910 and $340,560, respectively, of accounts receivable that COVIQSA and CONIPSA are owed from the SCT, as established by the respective agreements with the SCT.

Customer aging

	December 31, 2016	December 31, 2015	December 31, 2014
Overdue 1-90 days	$ 774,180	$ 409,904	$ 422,405
Overdue more than 90 days	3,660	2,744	2,936
Total	$ 777,840	$ 412,648	$ 425,341

Movements in the allowance for doubtful accounts receivable are as follows:

	Total
Balance as of January 1, 2014	$ (1,018)
Write off	(1,918)
Balance as of December 31, 2014	(2,936)
Additions	192
Balance as of December 31, 2015	(2,744)
Write off	(916)
Balance as of December 31, 2016	$ (3,660)

b. Other accounts receivable and prepaid expenses consist of the following:

	December 31, 2016	December 31, 2015	December 31, 2014
Advances to suppliers	$ 21,085	$ 34,785	$ 33,777
Premiums paid in advance for insurance and bonds	27,194	34,037	34,624
Refundable VAT	49,566	16,231	1,568
Other accounts receivable	16,918	15,740	10,075
	$ 114,763	$ 100,793	$ 80,044

7. Financial asset

Following the acquisition of COVIQSA and CONIPSA, the Entity recognized current and long-term financial assets derived from the concessions, which represent the Entity's unconditional right to receive a specific amount of cash from the SCT with respect to the Entity's investment in the concessioned assets. The total current portion of the financial asset as of December 31, 2016, 2015 and 2014 is $393,129, $407,540 and $509,889, respectively, while the long-term asset as of December 31, 2016, 2015 and 2014 is $867,065, $848,696 and $835,818, respectively. The main features of each concession are detailed below:

a. Based on the characteristics of the concession agreement executed by COVIQSA to operate the Queretaro-Irapuato highway, the concession has been classified as a combination of a financial asset, representing 25% of the total concession value and an intangible asset, representing 75% of the total concession value.

Through the SCT, on June 21, 2006, the Federal Government granted a 20-year concession to operate, maintain and conserve a toll-free section of the Querétaro-Irapuato highway measuring approximately 93 kilometers in the Mexican states of Querétaro and Guanajuato, while also modernizing this highway section. Likewise, the concession included an exclusive right to execute a PPS agreement with the Federal Government to provide the required highway capacity. The total project value is $1.465 billion, which includes $1.172 billion for engineering, procurement and construction of the sections to be modernized and extended; the remainder is intended for financing, maintenance and operation during the modernization stage.

The concession investment will be recovered through quarterly collections composed of: (1) an availability payment received from the SCT to maintain the concessioned highway available for use, and (2) a shadow toll payment received from the SCT based on the number of vehicles utilizing the concessioned highway based on an established tariff.

The income generated by the availability payments and shadow toll payments received from the SCT has been used to secure COVIQSA's long-term debt, which matures in May 2016. 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 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, before 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, permanent 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.

The significant terms contained in the concession 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 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.

- 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.

- In terms of the 14^{th} clause of the Concession Agreement without the prior consent of the SCT, COVIQSA's stockholders may not provide shares representing COVIQSA's common stock as collateral; additionally, the concessionaire may not use the concession rights or the assets utilized for operation and maintenance of the highway as mortgage security nor attach liens or encumbrances to such assets.

- COVIQSA must create a conservation and maintenance fund for the concessioned highway, starting with an amount at least equal to the costs budgeted by the concessionaire for the first six months immediately preceding the PPS agreement. These funds must be maintained in trust No. 32-6, as discussed 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 quarterly based on inflation.

At December 31, 2016, COVIQSA comply with those conditions mentioned before.

b. Based on the characteristics of the concession agreement executed by CONIPSA to operate the Irapuato – La Piedad highway, the concession has been classified as a combination of a financial asset, representing 88% of the total concession value, and an intangible asset, representing 12% of the total concession value.

Through the SCT, on September 12, 2005, the Federal Government awarded a 20-year concession and services agreement to modernize, operate, conserve and maintain the Irapuato - La Piedad toll-free highway in the state of Guanajuato, with a length of 74.3 kilometers, under a PPS structure. The original investment was approximately $735 million. The investment will be recovered through quarterly collections composed of: (1) an availability payment received from the SCT to maintain the concessioned highway available for use, and (2) a shadow toll payment received from the SCT based on the number of vehicles utilizing the concessioned highway based on an established 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, which matures in November 2019. 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 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 executed an amendment agreement to the concession agreement, which effectively reduces the original highway length from 74.320 kilometers to 73.520 kilometers. The highway begins at the junction of the Querétaro – Irapuato and Irapuato - La Piedad highway and ends at kilometer 76+520, at the junction of the forthcoming La Piedad de Cabadas road in the state of Guanajuato. This reduction is also reflected in the amount paid to CONIPSA to maintain the concessioned highway available for use, which was reduced from $146 million to $143 million (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.

c. The significant terms contained in the concession 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.

- In terms of the 14th 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; additionally, the concessionaire may not use the concession rights or the assets utilized for operation and maintenance of the highway as mortgage security nor attach liens or encumbrances to such assets.

- CONIPSA must create a conservation and maintenance fund for the concessioned highway, starting with an amount at least equal to the costs budgeted by the concessionaire for the first six months immediately preceding the PPS agreement. These funds must be maintained in trust No. 31-8, as discussed in Note 5.

At December 31, 2016, CONIPSA complies with all conditions mentioned above.

8. Intangible assets derived from the concessions

a. The intangible asset related to the concession is as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Investment in concession	$ 51,151,080	$ 50,644,403	$ 50,224,582
Capitalized financing costs	203,380	203,380	203,380
	51,354,460	50,847,783	50,427,962
Accumulated amortization	(8,362,680)	(7,540,369)	(6,759,255)
	42,991,780	43,307,414	43,668,707
Advances to suppliers	55,241	85,266	24,901
	$ 43,047,021	$ 43,392,680	$ 43,693,608

	Investment in concession	Capitalized financing costs	Total
Acquisition cost:			
Balance as of January 1, 2014	$ 49,933,234	$ 203,380	$ 50,136,614
Additions	291,348	-	291,348
Balance as of December 31, 2014	50,224,582	203,380	50,427,962
Additions	419,821	-	419,821
Balance as of December 31, 2015	50,644,403	203,380	50,847,783
Additions	506,677	-	506,677
Balance as of December 31, 2016	$ 51,151,080	$ 203,380	$ 51,354,460

Accumulated amortization:	Investment in concession
Balance as of January 1, 2014	$ (5,610,423)
Amortization	(1,148,832)
Balance as of December 31, 2014	(6,759,255)
Amortization	(781,114)
Balance as of December 31, 2015	(7,540,369)
Amortization	(822,311)
Balance as of December 31, 2016	$ (8,362,680)

b. During the years ended December 31, 2016, 2015 and 2014, the Entity recorded construction service revenues and costs with respect to expansion or rehabilitation to the Concessioned Highways for $496,204, $346,097 and $317,706, respectively.

c. 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, Jalisco, Guanajuato and Aguascalientes; the concession agreement includes expansion work established in the concession agreement.

As mentioned in Note 1, on June 26, 2015, 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, and ending at the Maravatío–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 will be effective as of the conclusion of the segment's construction.

RCO's investment will be recovered through the collection of tolls established by the SCT over the term established in the concession agreement. The toll rates may be adjusted annually based on 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. The toll road revenues secure certain long-term debt (see Note 12).

d. The principal requirements and conditions of the concession agreement of RCO are as follows:

Carry out the expansion works mentioned in the Concession agreement of RCO, which as of December 31, 2016, the following are still under construction:
(a) Zacapu highway - junction of the Maravatío-Zapotlanejo highway with an approximate length of 8.67 kilometers in the state of Michoacán (b) the non-toll highway expanse with an approximate length of 46 kilometers beginning at Jiquilpan Michoacán and ending at the Maravatío – Zapotlanejo highway in the state of Jalisco.

The rights and obligations derived from the concession cannot be transferred by the concessionaire unless: (i) it has the prior written authorization of the SCT; (ii) it has complied with all its obligations derived from the concession agreement at the date of the authorization request; (iii) a period of not less than three years has elapsed since the commencement date of the concession; (iv) the assignee fulfills the requirements established in applicable laws and regulations for the granting of the concession; and (v) the concessionaire and/or the assignee fulfills the provisions regarding concentration established 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.

The Entity made an initial payment equal to $44,051,000 to obtain the concession agreement, which forms part of the intangible asset.

The 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, bearing in mind 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, 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.m, the Entity performs annual impairment tests. At December 31, 2016, there is no indication of impairment losses involving the carrying value of concession assets.

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 will be obligated to pay consideration to the federal government each year equal to 0.5% of the gross toll rate revenues (excluding value-added tax), of the immediately prior year derived from the operation of the highways during the concession term. During 2016, 2015 and 2014, the consideration paid was $29,403, $25,635 and $22,755 respectively.

e. The principal characteristics of the concession agreement 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.

f. The principal requirements and conditions of the concession agreement of COTESA are as follows:

The rights and obligations derived from the concession cannot not be transferred by the concessionaire unless: (i) it has prior written authorization of the SCT. (ii) it has complied with all its obligations derived from the concession agreement at the date of the authorization request. (ii) a period of not less than three years has elapsed since the commencement date of the concession. (iv) the assignee fulfills the requirements established in applicable laws and regulations for the granting of the concession; and (v) the concessionaire and/or the assignee fulfills the provisions regarding concentration established 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.

The Entity made an initial payment equal to $10,059 to obtain the concession agreement, which forms 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.

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 i) $17,200 updated annually or, ii) the amount corresponding to 6 months of maintenance and conservation costs including VAT according to the program of periodic maintenance and maintenance of the highway. Such conservation fund must be used solely and exclusively for the conservation and maintenance of the highways.

The Entity will be obligated to pay consideration to the federal government each year equal to 0.5% of the gross toll rate revenues (excluding value-added tax), of the immediately prior year derived from the operation of the highways during the concession term.

As of December 31, 2016, the highway granted to COTESA is under construction stage.

g. The intangible asset related to the concession includes the corresponding portion of CONIPSA and COVIQSA, of which the principal requirements are described in Note 7. At December 31, 2016, there is no indication of impairment losses involving the carrying value of concession assets.

9. 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. and YF Yogurts, S. de R.L. de C.V. to operate restaurants and yogurt establishments located on the concessioned highways and are as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Acquisition cost	$ 2,548	$ 1,710	$ 1,502
Accumulated amortization	(1,423)	(819)	(524)
	$ 1,125	$ 891	$ 978

b. Furniture and equipment consist of the following:

	December 31, 2016	December 31, 2015	December 31, 2014
Acquisition cost:			
Computer equipment	$ 155	$ 154	$ 862
Furniture and fixtures	29,087	23,792	17,242
Vehicles	65	65	236
	29,307	24,011	18,340
Accumulated depreciation	(10,308)	(2,750)	(3,622)
	$ 18,999	$ 21,261	$ 14,718

c. Machinery and equipment consist of the following:

	December 31, 2016	December 31, 2015	December 31, 2014
Acquisition cost	$ 38,692	$ 29,682	$ 14,369
Accumulated depreciation	(12,115)	(6,615)	(419)
	$ 26,577	$ 23,067	$ 13,950

d. Useful lives

The useful lives of assets are as follows:

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

10. Provisions

As of and for the years ended December 31, 2016, 2015 and 2014, the composition and movements of the more significant items of provisions are as follows:

Provision for:	December 31, 2015	Used	Write- off	Additions	December 31, 2016
Major maintenance ST(1)	$ 778,827	$ (879,009)	$ -	$ 843,080	$ 742,898
Major maintenance LT(1)	69,243	-	(127,398)	216,342	158,187
Other	4,000	-	-	-	4,000
	$ 852,070	$ (879,009)	$ (127,398)	$ 1,059,422	$ 905,085

Provision for:	December 31, 2014	Used	Write- off	Additions	December 31, 2015
Major maintenance ST(1)	$ 586,301	$ (628,200)	$ -	$ 820,726	$ 778,827
Major maintenance LT(1)	224,750	-	-	(155,507) (2)	69,243
Other	4,000	-	-	-	4,000
	$ 815,051	$ (628,200)	$ -	$ 665,219	$ 852,070

Provision for:	January 01, 2014	Used	Write- off	Additions	December 31, 2014
Major maintenance ST(1)	$ 643,975	$ (348,394)	$ -	$ 290,720	$ 586,301
Major maintenance LT(1)	210,476	-	(140,300)	154,574 (2)	224,750
Other	4,000	-	-	-	4,000
	$ 858,451	$ (348,394)	$ (140,300)	$ 445,294	$ 815,051

(1) At December 31, 2016, 2015 and 2014, this provision includes finance costs of $284,644, $253,033 and $240,890, respectively, representing the unwinding of discount of the provision initially recognized to record the liability at its present value.

(2) Amount includes long-term to short-term provision reclassifications done during the period.

11. Derivative financial instruments

The Entity uses swaps and CAPs options to set interest rates from variable rates to fixed rates. Transactions that comply with hedge accounting criteria have been designated as cash flow hedges.

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

	Date		Rate				
Notional amount of debt	Contracting	Maturity	Received	Paid	December 31, 2016	December 31, 2015	December 31, 2014
$3,380,855	Oct.07/ Mar. 08	Oct. 18/ Dec. 21	TIIE *28 d (6.11%)	8.52%	$ (63,734)	$ (336,205)	$ (393,761)
$1,624,255	Sep. 15	Feb. 25	TIIE *28 d (6.11%)	6.11%	98,238	(22,054)	-
$ 249,298	Feb. 16	Aug. 24	TIIE *28 d (6.11%)	5.78%	16,569	-	-
$ 324,800	Aug.14	Aug.15	4.00%		-	-	6
$1,051,883	Nov.14	Nov.15	4.75%		-	-	2
					$ 51,073	$ (358,259)	$ (393,753)

(*) TIIE means the Mexican Interbank Equilibrium Offered Rate.

- Variable rate to fixed rate:

  Due to the prepayment of debt mentioned in Note 12, during March, June, August and December 2014, RCO further partially terminated derivative financial instruments, reducing their notional amount by $7,791,912 to reach a new notional amount of $2,645,561, paying a termination cost of $1,359,146, which was recognized as interest expense in the consolidated statement of profit (loss) and other comprehensive income (loss).

  In September 2015, COVIQSA entered into two swaps that change the profile from a variable rate to a fixed rate of 6.11%; the original amount of the swaps was $1,751,218.

  In February 2016, CONIPSA entered into two swaps that changed the profile from variable rate to a fixed rate of 5.78%; the original amount of the swaps was $262,424.

- Hedges with CAP options

  Executing options (“CAPs”) of CONIPSA and COVIQSA establishes variable interest rate ceiling limits, while maintaining rate reduction benefits for projects. The fair value of the CAPs is lower than the amount of premiums paid, for which reason there are no unrealized gains to be recognized in other comprehensive income. Fluctuations in the fair value of the premium paid are recognized within interest expense. At December 31, 2014, the fair value of the CAPs was $8, and the accrued effects of valuation recognized in profit and loss and other comprehensive income (loss) as of December 31 2015 and 2014 were $82 and $293, respectively.

The Entity considers that of the total amount recognized with respect to derivative financial instruments of $51,073, $(36,526) will be reclassified to profit or loss during 2017.

As of December 31, 2016, 2015 and 2014 there are no ineffective portions that should be recognized in the results of the period.

12. Long-term debt

Long-term debt consists of the following:

	December 31, 2016	December 31, 2015	December 31, 2014
Syndicated loan provided to RCO by various local and foreign financial institutions. To secure its payment obligations under the loan, the Entity assigned the collection rights from the highway tolls of the Concessioned Highways to a management trust (see Note 5). Additionally, certain shares with voting rights of the Entity secure the debt. The term of the loan is from 7 to 11 years, and may be extended through the term of RCO's concession agreement, and bears interest at the TIIE plus an applicable margin ranging from 165 basis points for the first year, and increasing gradually over the subsequent years until reaching 375 basis points in the 10th and 11th years. These loans accrue interest monthly, while principal is payable at maturity. The syndicated loan is comprised as follows:			
Acquisition loan – Line of credit for up to $31,000,000. In October 2014, RCO entered into an amendment to extend the maturity of $2,145,560, for this loan from an original maturity date in 2018, to a new maturity date in 2032, bearing interest at TIIE rate plus 225 basis points through October 2015, 325 basis points through October 2016, 375 basis points through October 2018 and a fix rate of 9.500% through 2032. In 2015 and 2014 RCO made prepayments for this credit of $7,710,113 and $11,913,000, respectively. In January 12, 2016 RCO re-documented the acquisition loan balance for $2,145,560 as a part of the Credit Line by an amount of $7,135,561 as mentioned subsequently.	$ -	$ -	$ 2,145,561
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.	235,294	352,941	470,588
Certificados bursátiles of RCO of 1,481,044,500 UDIs maturing in 2032, bearing monthly interest at a fixed interest rate of 5.250%.	8,238,877	7,969,760	7,805,650
Certificados bursátiles of RCO of $2,841,000 maturing in 2027 bearing monthly interest at a fixed interest rate of 9.000%.	2,841,000	2,841,000	2,841,000
Senior debt instruments issued by RCO of $7,500,000 maturing in 2028, bearing interest payable semi-annually at a fixed rate of 9.000%.	7,500,000	7,500,000	7,500,000

	December 31, 2016	December 31, 2015	December 31, 2014
Certificados bursátiles of RCO for $4,400,000 due in 2030, bears interest at fixed rate of 9.050%.	4,400,000	4,400,000	4,400,000
Credit line contracted by RCO up to $7,135,561 maturing in 2032, Tranche A for $4,990,000 bearing interest at fixed rate of 9.500% 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 9.500% through 2032.	7,135,561	7,135,561	4,990,000
Credit line contracted by RCO up to $4,596,000 due in 2029, bears interest biannually at a fixed rate of 9.527%.	4,596,000	4,596,000	4,596,000
Unsecured loan issued by RCO up to $1,000,000 due in seven years, bears monthly interest at the TIIE rate plus 2.750%. On November 9, 2016, RCO agreed to amend the loan agreeement with Santander, obtaining additional proceeds of $650,000 and extending the maturity date of the original December 10, 2021 to September 10, 2028 (1). After such amendment, Banco Interacciones became creditor of $600,000 that had been transferred by Santander under the original terms that had been agreed between the Entity and Santander.	1,047,850	619,176	95,403
Secured loan issued by CONIPSA for up to the amount of $580,000 to modernize and extend the Irapuato - La Piedad highway section, with maturity in November 2019, 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.	249,297	266,800	324,800
Secured loan issued by COVIQSA for up to the amount of $1,048,782, with maturity in 2025, bearing interest at a fixed rate of 8.080% payable on quarterly basis. This loan is secured by the Entity's shares in COVIQSA.	972,745	1,033,575	-
Secured loan issued by COVIQSA for up to the amount of $1,300,000 to modernize and extend the concessioned highway section, bearing interest at a rate equal to the 91-day TIIE plus 2.250% payable on quarterly basis. This loan is secured by the Entity's shares in COVIQSA. In August 26, 2016 COVIQSA prepaid this loan.	-	-	1,051,883
Secured loan issued by COVIQSA for up to the amount of $1,751,217, with maturity in 2025, bearing interest at the TIIE rate plus a spread (3). This loan is secured by the Entity's shares in COVIQSA.	1,624,255	1,725,825	-
Total Debt	38,840,879	38,440,638	36,220,885
Less: current portion	341,018	338,047	275,826
Long-term debt	38,499,861	38,102,591	35,945,059
Commissions and debt issuance costs	(1,735,791)	(1,710,182)	(1,658,931)
Accumulated amortization of commissions and debt issuance costs	1,082,732	1,011,660	911,113
Total	$ 37,846,802	$ 37,404,069	$ 35,197,241

(1) The applicable spread is 2.750% from the date of sign of the contract through November 9, 2018, 3.500% from November 10, 2018 through November 9, 2021, 3.750% from November 10, 2021 through November 9, 2025 and 4.000% from November 10, 2025 through the maturity date.

(2) The applicable spread is 1.950% from the date of sign of the contract through August 27, 2018, 2.100% from August 27, 2018 through August 27, 2020, 2.350% from August 27, 2020 through August 27, 2023 and 2.550% from August 27, 2023 through the maturity date.

(3) The applicable spread is 1.950% from the date of the sign of the contract through May 27, 2018, 2.100% from May 27, 2018 through May 27, 2021, 2.350% from May 27 2021 through May 27, 2024 and 2.550% from May 27, 2024 through the date of maturity.

The TIIE rate defined by the Bank of Mexico at December 31, 2016, 2015 and 2014 was 5.750%, 3.548% and 3.311%, respectively.

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 rate of service coverage historic debt (twelve months before the date of distribution) is equal to or greater than 1.25 to 1.00, ii) projections demonstrate reasonable coverage rate projected debt service (twelve months after the date of distribution) is equal to or greater than 1.25 to 1.00 and iii) has not occurred or continue any default event.

The covenants also require compliance with certain financial ratios. More specifically, with respect to COVIQSA and CONIPSA, such entities maintain long-term restricted cash accounts as disclosed in Note 5. Additionally, they are required to maintain a debt service coverage ratio of 1.2 and have restrictions for making capital distributions. Undistributed earnings of COVIQSA and CONIPSA as of December 31, 2016, 2015 and 2014 were $1,452,282, $1,342,427 and $1,317,007, respectively.

For the years ended December 31, 2016, 2015 and 2014, the Entity was in compliance with such covenants.

The scheduled maturity of long-term debt as of December 31, 2016, taking into consideration the extended terms discussed above, without considering commissions and debt issuance costs, is as follows:

2017	$ 341,018
2018	365,766
2019	1,681,733
2020	2,126,741
2021	2,356,900
2022	2,555,719
2023 and thereafter	29,413,002
	$ 38,840,879

Interest payable based on debt maturity is as follows:

2017	$ 3,071,233
2018	3,058,226
2019	3,228,506
2020	3,065,130
2021	2,883,072
2022	2,678,068
2023 and thereafter	10,243,826
	$ 28,228,061

13. Short-term, long-term and post-employment employee benefits

a. The Entity must pay its employees a seniority bonus. The net cost of these obligations for the years ended December 31, 2016, 2015 and 2014 is $755, $229 and $2,066, respectively. Other disclosures required under accounting provisions are not considered material.

b. Eligible executives are entitled to an annual performance bonus ranging from 2 to 12 months of salary if Entity and specific function parameters are met. At December 31, 2016, 2015 and 2014, liabilities for this item amount to $22,274, $18,184 and $16,274, respectively and are presented in the balance sheet in the short-term employee benefits line item. The expense for this concept was $4,702, $6,642 and $17,458 in 2016, 2015 and 2014, respectively.

14. Income taxes

The Entity is subject to ISR and through December 31, 2014, to IETU.

ISR -The rate was 30% in 2014. As a result of the new 2015 ISR law ("2015 Income Tax Law"), tax rate was 30% for 2015 and 2016 and will continue at 30% thereafter.

IETU - IETU was eliminated as of 2014; therefore, up to December 31, 2014, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%. Due to the abolishment of the IETU law, CONIPSA cancelled in 2014 deferred IETU previously recorded.

a. Income tax expense (benefit) for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
ISR and IETU:			
Current	$ 205,935	$ 200,151	$ 232,923
Deferred ISR benefit	(135,452)	(162,320)	(1,052,238)
Total income tax expense (benefit) in profit and loss	$ 70,483	$ 37,831	$ (819,315)

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, 2016	Amount	Tax	%
Income before income taxes	$ 1,159,077	$ 347,723	30.0
Changes to current tax:			
Non deductible	20,976	6,293	0.5
Annual inflation adjustment	1,107,137	332,141	28.7
Other temporary items	(1,600,740)	(480,222)	(41.4)
	(472,627)	(141,788)	(12.2)

December 31, 2016	Amount	Tax	%
Current Tax	686,450	205,935	17.8
Changes to deferred tax:			
Other temporary items	1,600,740	480,221	41.4
Inflation effects	(2,185,952)	(655,786)	(56.6)
Others	133,705	40,113	3.5
Deferred tax	(451,507)	(135,452)	(11.7)
Income taxes	$ 234,943	$ 70,483	6.1

December 31, 2015	Amount	Tax	%
Income before income taxes	$ 1,038,008	$ 311,402	30.0
Changes to current tax:			
Non deductible	14,200	4,260	0.4
Annual inflation adjustment	694,532	208,360	20.0
Other temporary items	(1,079,570)	(323,871)	(31.2)
	(370,838)	(111,251)	(10.8)
Current Tax	667,170	200,151	19.2
Changes to deferred tax:			
Other temporary items	1,079,570	323,871	31.2
Inflation effects	(1,388,181)	(416,454)	(40.1)
Restructure of financial derivative operations	(210,728)	(63,218)	(6.1)
Others	(21,727)	(6,519)	(0.6)
Deferred tax	(541,066)	(162,320)	(15.6)
Income taxes	$ 126,104	$ 37,831	3.6

December 31, 2014	Amount	Tax	%
Loss before income taxes	$ (1,372,458)	$ (411,737)	30.0
Changes to current tax:			
Non deductible	15,052	4,516	(0.3)
Annual inflation adjustment	1,257,369	377,211	(27.5)
Other temporary items	876,448	262,933	(19.2)
	2,148,869	644,660	(47)
Current Tax	776,411	232,923	(17)
Changes to deferred tax:			
Other temporary items	(876,500)	(262,934)	19.2
Inflation effects	(2,653,126)	(795,938)	58
Others	22,166	6,634	(0.5)
Deferred tax	(3,507,460)	(1,052,238)	76.7
Income taxes	$ (2,731,049)	$ (819,315)	59.7

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

	December 31, 2016	December 31, 2015	December 31, 2014
Assets:			
Furniture and equipment	$ -	$ 233	$ 162
Intangible assets derived from the concessions	2,380,910	2,248,072	2,273,728
Derivative financial instruments		107,478	156,822
Accrued liabilities and provisions	314,994	295,692	299,323
	$ 2,695,904	$ 2,651,475	$ 2,730,035
Liabilities:			
Furniture and equipment	$ (340)	$ -	$ -
Derivative financial instruments	(15,298)		
Commissions and debt issuance costs	(195,918)	(209,445)	(224,345)
Prepaid expenses and advances to suppliers	(25,177)	(20,656)	(20,163)
Financial assets derived from the concessions	(378,058)	(376,871)	(403,712)
	(614,791)	(606,972)	(648,220)
Net deferred income tax asset from temporary differences	2,081,113	2,044,503	2,081,815
Tax loss carryforwards	4,254,746	4,238,515	4,088,227
Net deferred income tax asset	$ 6,335,859	$ 6,283,018	$ 6,170,042

The realization of deferred tax assets depends on the future generation of taxable income during the period in which the temporary differences will be deductible. Management considers the reversal of deferred tax liabilities and projections of future taxable income to make its assessment of the realization of deferred tax assets. Based on the results obtained in previous years, in future profit projections and that the maturity for the main deferred tax assets equals the term of the concession, Management considers that the deferred tax assets will be realized.

As of December 31, 2016 deferred tax liability of $505,681 related to the investment in subsidiaries and associates has not been recognized, for the following reasons:

- The group 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. Deferred taxes balances

2016	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Furniture and equipment	$ 233	$ (573)	$ -	$ (340)
Intangible assets derived from concessions	2,248,072	132,838		2,380,910
Derivative financial instruments	107,478	(42,165)	(80,611)	(15,298)
Accrued liabilities and provisions	295,692	19,302	-	314,994
Commissions and debt issuance costs	(209,445)	13,527	-	(195,918)
Prepaid expenses and advances to suppliers	(20,656)	(4,521)	-	(25,177)
Financial assets derived from concessions	(376,871)	(1,187)	-	(378,058)
	2,044,503	117,221	(80,611)	2,081,113
Tax loss carryforwards	4,238,515	16,231	-	4,254,746
	$ 6,283,018	$ 133,452	$ (80,611)	$ 6,335,859

2015	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Furniture and equipment	$ 162	$ 71	$ -	$ 233
Intangible assets derived from concessions	2,273,728	(25,656)	-	2,248,072
Derivative financial instruments	156,822	-	(49,344)	107,478
Accrued liabilities and provisions	299,323	(3,631)	-	295,692
Commissions and debt issuance costs	(224,345)	14,900	-	(209,445)
Prepaid expenses and advances to suppliers	(20,163)	(493)	-	(20,656)
Financial assets derived from concessions	(403,712)	26,841	-	(376,871)
	2,081,815	12,032	(49,344)	2,044,503
Tax loss carryforwards	4,088,227	150,288	-	4,238,515
	$ 6,170,042	$ 162,320	$ (49,344)	$ 6,283,018

2014	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Furniture and equipment	$ 246	$ (84)	$ -	$ 162
Intangible assets derived from concessions	1,984,672	289,056	-	2,273,728
Derivative financial instruments	418,406	38,713	(300,297)	156,822
Accrued liabilities and provisions	351,903	(52,580)	-	299,323
Commissions and debt issuance costs	(231,466)	7,121	-	(224,345)
Prepaid expenses and advances to suppliers	(30,195)	10,032	-	(20,163)
Financial assets derived from concessions	(429,878)	26,166	-	(403,712)
	2,063,688	318,424	(300,297)	2,081,815
Tax loss carryforwards	3,354,413	733,814	-	4,088,227
	$ 5,418,101	$ 1,052,238	$ (300,297)	$ 6,170,042

e. In accordance with rule I.3.3.2.4 of the omnibus tax ruling of January 16, 2017, 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, 2016, the amount of the tax loss carryforward benefits (restated for the effects of inflation as permitted by Mexican Income Tax Law) is $14,182,465.

15. Costs and expenses by nature

Total costs and expenses classified by nature are as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Amortization of assets derived from the concessions	$ 822,311	$ 781,113	$ 1,148,832
Major maintenance expenditures	647,380	412,186	64,103
Minor maintenance expenditures	47,784	45,662	69,794
Operating costs	71,453	137,089	209,573
Other	112,957	79,385	90,528
Operation and maintenance provisions	879,574	674,322	433,998
Insurance and bonds	76,795	79,378	83,295
Payment to Federal Government	29,403	25,635	22,755
Professional fees			22,053
Other	4,769	5,604	6,656
Toll collection costs	110,967	110,617	134,759
Construction costs	496,204	346,097	317,706

	December 31, 2016	December 31, 2015	December 31, 2014
Cost of ancillary revenues from the use of right of way and other related	107,531	33,202	24,421
Salaries	249,561	281,333	275,765
Consultants	46,835	38,776	36,161
Other	62,409	51,490	41,815
General and administrative expenses	358,805	371,599	353,741
	$ 2,775,392	$ 2,316,950	$ 2,413,457

16. Risk management

a. ***Significant accounting policies***

Details of significant accounting policies (including recognition criteria, bases of valuation and revenue and expense recognition) for each type of financial asset, financial liability and equity instrument are detailed in Note 3.

b. ***Financial instrument categories and risk management policies***

The main financial instrument categories are as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Financial assets			
Cash and cash equivalents	$ 6,678,792	$ 6,923,061	$ 6,225,057
Long-term restricted cash	93,673	91,102	89,287
Trade accounts receivable	774,180	409,904	422,405
Other accounts receivable	16,918	15,740	10,075
Financial asset	1,260,194	1,256,236	1,345,707
Derivative financial instruments	114,807	-	-
Financial liabilities			
Accounts payable to suppliers	$ 285,266	$ 285,768	$ 281,597
Interest payable	868,418	853,558	676,361
Interest payable on derivative financial instruments	4,985	13,613	8,351
Other current liabilities	44,790	42,227	35,471
Accounts payable to shareholders	3	1,079,800	-
Current portion of long-term debt	341,018	338,047	275,826
Long-term debt	37,846,802	37,404,069	35,197,241
Other long-term liabilities	5,029	2,990	8,542
Financial derivative instruments	63,734	358,259	393,753

The Entity's 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 utilizes derivative financial instruments to hedge against its exposure to financial risks derived from the 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 derivative financial instruments as hedges to reduce the financial exposure of its liabilities. The derivative financial instruments 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 authorization to issue loans and assume the respective project risks requires the prior joint analysis of the finance, legal and management areas. This analysis also evaluates the use of derivative financial instruments to hedge against financial risks. As an internal control policy, once this analysis has been concluded.

When evaluating the use of derivative financial instruments to hedge against financial risks, the Entity analyzes the sensitivity of pertinent variables at different potential levels so as 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.

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 rate increases.

Many of the counterparties of derivative financial instruments that hedge the Entity’s debt are the same financial institutions that issue the related debt (or their affiliates).

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 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.

The Entity considers that its exposure to exchange rate risk is insignificant due to the low number of transactions and balances denominated in foreign currency. The Entity enters into financing in the same currency as the payment source. However, if its exposure to this risk becomes significant during a given period, it is managed within approved policy parameters.

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 and options 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 and option CAPs (see Note 11).

The interest rate swaps and CAPs entered into by the Entity change variable interest rate profiles to fixed profiles, including rates linked to inflation (UDIs), or cap variable interest rates. 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 is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates of the loan liabilities obtained by the Entity, and would result in an increase / (decrease) of stockholders' equity of $104,531 and $(132,881), respectively. The effect on the net loss 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 derivative financial instruments is a net asset of $51,073 and debt is $38,840,879 at December 31, 2016.

e. ***Credit risk management***

Credit risk refers to the risk that 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, including its financial concession assets. 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. With regards to cash and cash equivalents, the Entity maintains a policy of only performing 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 is approximately $8,806,839 at December 31, 2016. Notes 5, 6 and 7 describe the main financial assets subject to credit risks.

f. ***Liquidity risk management***

The Entity manages its liquidity risk by maintaining adequate reserves and bank loans and consistently monitoring its projected and actual cash flows. Long-term debt maturities are presented in Note 12. The Entity maintains funds in trusts to cover certain of its contractual obligations; 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 12.

The liquidity risk associated with cash, cash equivalents and long-term restricted cash is $6,772,465 at December 31, 2016.

The following table details the remaining contractual maturities of the Entity's financial liabilities, based on repayment periods:

December, 31 2016	Less than 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Long-term debt (1)	$3,412,251	$ 18,766,074	$ 44,890,613	$ 67,068,938
Accounts payable to suppliers	285,266	-	-	285,266
Other current liabilities	44,790	5,029	-	49,819
Derivative financial instruments	520,207	886,957	581,426	1,988,590
Total	$ 4,262,514	$ 19,658,060	$ 45,472,039	$ 69,392,613

(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. The fair value of each derivative is calculated based on its fixed rate and market curve at that date so as to determine variable cash flows, while applying an appropriate discount rate to estimate the present value. The Entity also utilizes recognized information sources such as interest rate curves.

All the Entity's derivatives are classified as Level 2 of the fair value hierarchy established by IFRS 13, "Financial Instruments – Disclosure". 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 with respect to long-term debt, the Entity's management considers that the carrying values of its financial assets and liabilities recognized in the consolidated financial statements at amortized cost approximate their fair values:

	December 31, 2016		December 31, 2015	
	Carrying value	Fair Value	Carrying value	Fair Value
Financial assets:				
Cash and cash equivalents	$ 6,678,792	$ 6,678,792	$ 6,923,061	$ 6,923,061
Trade accounts receivable	774,180	774,180	409,904	409,904
Other accounts receivable and prepaid expenses	16,918	16,918	15,740	15,740
Financial asset	1,260,194	1,260,194	1,256,236	1,256,236
Long-term restricted cash	93,673	93,673	91,102	91,102
Financial liabilities:				
Accounts payable to suppliers	$ 285,266	$ 285,266	$ 285,768	$ 285,768
Current portion of long-term debt	341,018	341,018	338,047	338,047
Other current liabilities	44,790	44,790	42,227	42,227
Other long-term liabilities	5,029	5,065	2,990	2,367
Long-term debt	37,846,802	37,958,438	37,404,069	38,634,131

		December 31, 2014		
		Carrying value		Fair Value
Financial assets:				
Cash and cash equivalents	$	6,225,057	$	6,225,057
Trade accounts receivable		422,405		422,405
Other accounts receivable and prepaid expenses		10,075		10,075
Financial asset		1,345,707		1,345,707
Long-term restricted cash		89,287		89,287
Financial liabilities:				
Accounts payable to suppliers	$	281,597	$	281,597
Accounts payable to related parties				
Current portion of long-term debt		275,826		275,826
Long-term debt		35,471		35,471
Other long-term payables		8,542		12,729
Long-Term Debt		35,197,241		37,595,238

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

17. Stockholders' equity

a. Common stock at par value is as follows:

As of December 31, 2016:

	Number of Shares		Amount
Fixed capital			
Series A	55,393	$	50
Variable capital			
Series A	20,105,331,110		15,935,391
Series B	8,609,634,800		5,473,527
Total	28,715,021,303	$	21,408,968

As of December 31, 2015:

	Number of Shares		Amount
Fixed capital			
Series A	55,393	$	50
Variable capital			
Series A	20,105,331,110		16,439,513
Series B	8,609,634,800		5,689,405
Total	28,715,021,303	$	22,128,968

As of December 31, 2014:

	Number of Shares		Amount
Fixed capital			
Series A	55,393	$	50
Variable capital			
Series A	20,105,331,110		19,296,863
Series B	8,609,634,800		6,641,855
Total	28,715,021,303	$	25,938,768

b. At Ordinary General Shareholders' Meeting held on August 23, 2016, RCO shareholders approved a reduction in the variable part of their capital of $300,000 through unanimous resolutions payable in proportion to the amount contributed by each of the shareholders. Said reduction was paid on September 19, 2016 in a proportional manner to all the shareholders of RCO and, in the case of Series "B" shares, through Indeval.

c. At the Annual General meeting held on February 25, 2016, shareholders of RCO approved a reduction in the variable portion of its capital stock for the amount of $420,000 through unanimous resolutions payable in proportion to the amount contributed by each of the shareholders which were paid on March 10, 2016 in a proportional manner to all the shareholders of RCO and, in the case of Series "B" shares, through Indeval.

d. At the Stockholders´ Ordinary General Meeting mentioned below, the stockholders approved reductions in the variable portion of common stock to be paid in proportion to the value of the contribution of capital stock by each shareholder, as follows:

Stockholders' meeting date		Amount
February 9, 2015	$	1,350,000
May 12, 2015		2,208,000
November 26, 2015		251,800
	$	3,809,800

On March 10, 2015, June 10, 2015, December 10, 2015 and March 10, 2016, payments related to these capital reductions by $1,230,000, $300,000, $1,200,000 and $1,079,800 respectively were paid, which were paid proportionally to all RCO shareholders and, in the case of 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 2015 and 2016, were not subject to ISR.

f. Administration of capital management - The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of the balances of debt and equity. Entity 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, 2016, 2015 and 2014, the tax value of the contributed capital account balance is $33,225,125 $37,736,625 and $35,546,934, respectively.

18. Earnings per share

The consolidated net profit (loss) and weighted average number of ordinary shares used in the calculation of basic and diluted earnings (losses) per share are as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
Consolidated net income (loss) for the period	$ 1,088,594	$ 1,000,177	$ (553,143)
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	28,715,021,303	28,715,021,303	28,715,021,303
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	28,715,021,303	28,715,021,303	28,715,021,303

19. Compensation to executives

a. Until April 15, 2016, the Entity granted to the relevant executives (1) a deferred performance bonus of up to 24 months of base salary based on a formula that considers the Entity's performance and specific function parameters. The deferred performance bonus vests over 5 years, and if certain returns on the invested capital were met, the relevant executives were entitled to certain distributions; these distributions were vested in periods of 5 and 10 years.

At December 31, 2015 and 2014, the liability recorded for deferred bonus and distributions was $52,472 and $105,719, respectively, and is presented in the balance sheet in Long-Term Employee Benefits line item. The expense for deferred bonus and distributions of returns were $75,616 and $136,873 in 2015 and 2014, respectively.

b. On April 15, 2016, the Entity modified the compensation plan for its relevant executives to convert it into a stock-based benefit plan. As of December 31, 2016, the compensation plan is determined in accordance with the following:

Type of Agreement	Share Appreciation Rights	Share Appreciation Rights	Share Appreciation Rights
Date of Grant	September 30, 2014	February 26, 2016	February 28, 2015
Units	10,000,000 and 40,000,000	45,000,000	20,000,000 and 80,0000
Reference value at the rant date	$1.726 and $2.00, respectively	$1.783	$1.748 and $2.00, respectively
Term	3 years	3 years	3 years
Conditions of grant	Vested in equal annual installments with reference to the value of the share	Vested in equal annual installments with reference to the value of the share	Vested in equal annual installments with reference to the value of the share

Type of Agreement	Deferred Compensation Units	Deferred Compensation Units	Deferred Compensation Units
Date of Grant	February 26, 2016	February 28, 2015	February 28, 2014
Units	6,340,154	28,291,484	3,550,729
Reference value at the grant date	$1.783	$1.748	$1.748
Term	3 years	3 years	3 years
Conditions of grant	Vested in equal annual installments with reference to the value of the share	Vested in equal annual installments with reference to the value of the share	Vested in equal annual installments with reference to the value of the share

Type of Agreement	Distribution Equivalent Rights	Distribution Equivalent Rights	Distribution Equivalent Rights
Date of Grant	February 26, 2016	February 28, 2015	February 28, 2014
Units	6,340,154	28,291,484	3,550,729
Reference value at the grant date	N/A	N/A	N/A
Term	3 years	3 years	3 years
Conditions of grant	Vested in equal annual installments in relation to dividends or capital reductions	Vested in equal annual installments in relation to dividends or capital reductions	Vested in equal annual installments in relation to dividends or capital reductions

At December 31, 2016, the liability for the compensation plan is $52,766 and the expense of 2016 for such concept was $17,243.

c. The Entity grants to level 2 relevant executives a deferred performance bonus ranging from 6 to 12 months of base salary determined based on a formula that considers Entity performance and specific function parameters; the deferred performance bonus vests over 3 years. At December 31, 2016, 2015 and 2014, liabilities for this concept amounted to $6,075, $5,765 and $8,462, respectively, and are presented in the balance sheet as long-term employee benefits line item. The expense for this concept was $3,200, $5,279 and $6,451 in 2016, 2015 and 2014, respectively.

d. On October 6, 2016, the Entity and level 2 relevant executives agreed to grant a single retention bonus for a total of $7,884. The bonus is subject to the continuance of the employment relationship.

20. 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. The Entity determines its reportable segments in accordance with IFRS 8, as follows:

- FARAC I, is the concession granted to RCO under the Concession Title of RCO, which was adjudicated as of October 4, 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: CONIPSA is 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. 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: COVIQSA is 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 and Guanajuato. 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: the concessionaire responsible for operating, conserving and maintaining, for a period of 30 (thirty) years counted from May 19, 2016, the Tepic - San Blas highway which starts at the El Trapichillo junction located in the Km 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 KM8 + 060 with a total length of 30.929KM located in the State of Nayarit.

These reporting segments, except for COTESA because is in construction period, are presented for the years ended December 31, 2016, 2015 and 2014:

	December 31, 2016				
	FARAC I	**COVIQSA**	**CONIPSA**	**Eliminations and others**	**Total**
Total revenues	$ 6,616,456	$ 880,652	$ 270,386	$ (51,675)	$ 7,715,819
Income from operations	4,169,780	672,543	158,519	(21,266)	4,979,576
Net income	1,008,251	473,465	97,155	(490,277)	1,088,594

	December 31, 2015				
	FARAC I	**COVIQSA**	**CONIPSA**	**Eliminations and others**	**Total**
Total revenues	$ 5,633,647	$ 862,666	$ 254,146	$ (61,732)	$ 6,688,727
Income from operations	3,663,451	603,895	158,457	(19,391)	4,406,412
Net income	966,466	397,678	93,027	(456,994)	1,000,177

	December 31, 2014				
	FARAC I	**COVIQSA**	**CONIPSA**	**Eliminations and others**	**Total**
Total revenues	$ 5,003,520	$ 827,814	$ 238,872	$ (75,111)	$ 5,995,095
Income from operations	2,859,217	578,740	198,094	(18,733)	3,617,318
Net income (loss)	(658,94)	408,453	117,037	(419,693)	(553,143)

21. Nonmonetary transactions

For the years ended December 31, 2016, 2015 and 2014, the Entity recognized construction revenues of $496,204, $346,097 and $317,706, respectively, which are not reflected in the consolidated statements of cash flows.

22. Contingencies

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 Highways are in process.

At present, the procedures are in process, which, in the opinion of the Entity, are not susceptible either individually or jointly to an adverse effect on its business, operations, results, cash flow or financial situation.

23. Commitment

During 2014, COVIQSA and CONIPSA executed an operating lease agreement for their current offices located in Insurgentes Avenue No. 2010, Colonia Playa Azul in Irapuato, Guanajuato C.P. 36555 for a mandatory five-year period which expires in November 2017; these leases establish monthly rental payments of $18 and $15, respectively, which may be increased by the NCPI. Rental expense was a $398, $396 and $556, for the years ended December 31, 2016, 2015 and 2014, respectively.

24. Subsequent events

a. On January 20, 2017, the Entity and the relevant executives modified the deferred compensation agreements entered into on April 15, 2016 to grant the relevant executives a retention bonus for a total of $105,000. The bonus is subject to the continuance of the employment relationship.

b. On February 17, 2017, RCO entered into an operating lease agreement for the offices where it is located; the lease agreement is for a five-year for the lessor and one year for RCO with annual renewal option and establishes monthly payments of $199 updated with the NCPI. Rental expense was $1,984, $2,105 and $2,056, for the years ended December 31, 2016, 2015 and 2014, respectively.

c. On February 22, 2017, the SCT authorized the partial start of operation of the Tepic – San Blas Highway concessioned to COTESA, with beginning at El Trapichillo, in the KM 6+600 of federal highway Mex-015D Tepic – Villa Unión and ending in the federal highway Mex-015 Santa Cruz – San Blas in the KM 8+060.

25. Authorization for issuance of financial statements

On February 23, 2017, the issuance of these consolidated financial statements was authorized by Demetrio Javier Sodi, Chief Executive Officer of the Entity and Jorge Parra Palacios, Chief Financial Officer of Red de Carreteras de Occidente, S.A.B. de C.V. These consolidated financial statements are subject to approval at the stockholders’ meeting, where they may be modified based on provisions set forth by the Mexican General Corporate Law.

* * * * * *