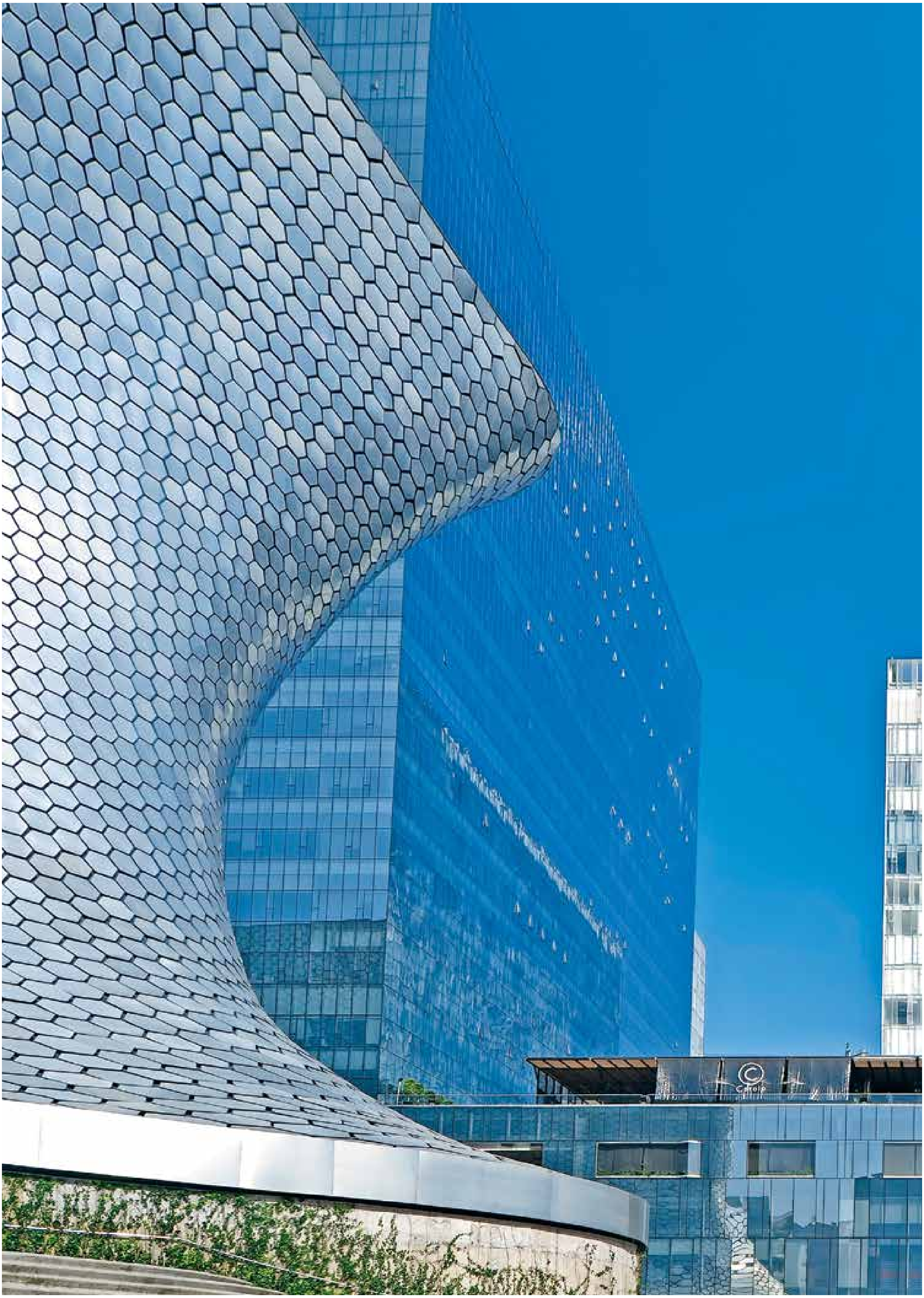
# GRUPO CARSO

2013 ANNUAL REPORT




Plaza Carso. On the Cover: Atotonilco Wastewater treatment Plant

GRUPO CARSO IS ONE OF THE LARGEST AND MOST IMPORTANT DIVERSIFIED CONGLOMERATES IN LATIN AMERICA. IT COMPRISES THREE SECTORS THAT HAVE BEEN DEFINED AS STRATEGIC: RETAILING, INDUSTRY AND INFRASTRUCTURE, AND CONSTRUCTION.

THE GROUP HAS AN IMPORTANT PRESENCE IN THE MEXICAN ECONOMY, WHERE IT REMAINS AS ONE OF THE MARKET LEADERS THANKS TO AN EXCEPTIONAL PORTFOLIO OF FORMATS, PRODUCTS AND SERVICES.

SINCE ITS FOUNDING MORE THAN 30 YEARS AGO, GRUPO CARSO HAS BEEN CHARACTERIZED BY ITS DYNAMISM, ITS INNOVATION IN TECHNOLOGIES AND PROCESSES AND SUSTAINABLE MANAGEMENT OF RESOURCES. THIS IS REFLECTED IN OPERATIVE SYNERGIES, PROFITABILITY AND CONSISTENT CASH-FLOW GENERATION, WHICH TRANSLATES INTO A HISTORY OF LONG-TERM CREATION OF VALUE FOR SHAREHOLDERS.

Independencia I oil Jack-Up

## Revenues by Geographic Division

| | |
|---|---|
| 85.0% | Mexico |
| 7.4% | Central and South America |
| 7.1% | North America |
| 0.5% | Europe |

## Retail

**Revenue Breakdown**

47.2%

**Operating Income Breakdown***

50.6%

## Industrial and manufacture

**Revenue Breakdown**

31.1%

**Operating Income Breakdown***

18.8%

## Infrastructure and construction

**Revenue Breakdown**

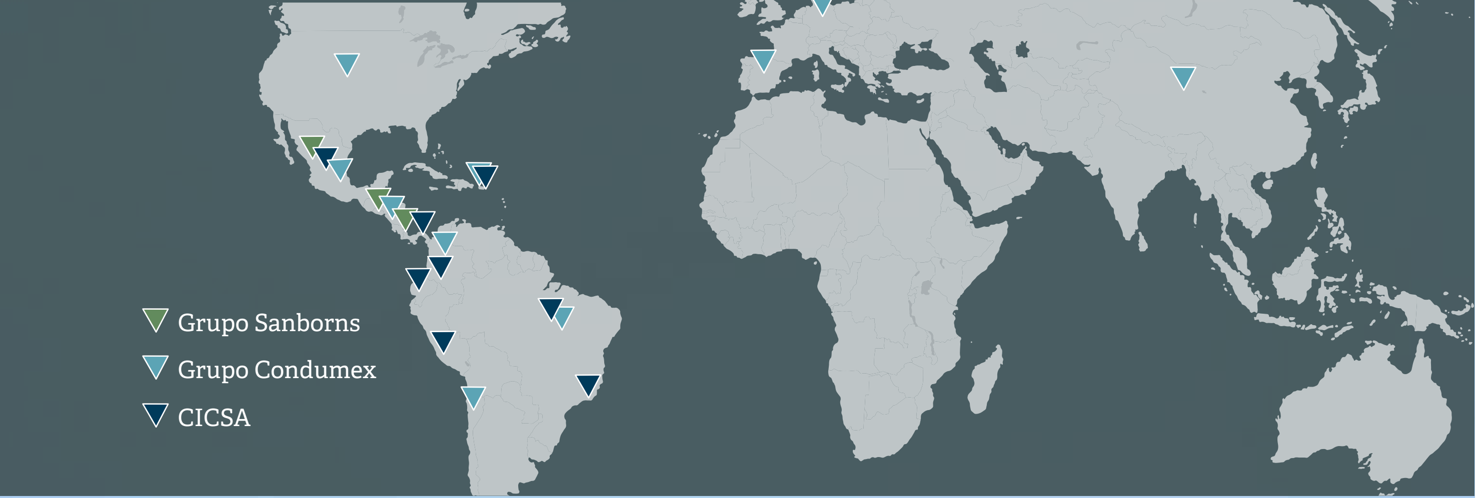
21.9%

**Operating Income Breakdown***

29.7%

*Does not include extraordinary items

## Markets Served




**Grupo Sanborns**
Operates some of the most successful retail formats in Mexico, with well-known brands. Through 423 units and more than 1 million square meters of sales area, the Group serves a large percentage of consumers in the middle, upper-middle and high market segments.

**Formats**
- Department Stores and boutiques
- Restaurant-Store
- Electronics and Entertainment Stores

**Main Brands**
- SEARS
- SANBORNS
- iSHOP
- MixUP
- SAKS FIFTH AVENUE

**Grupo Condumex**
Offers a portfolio of products and services focused on satisfying needs in the telecommunications, construction, electrical, power, automotive and mining industries.

**Products and Services**
- High-tension, telecom, electrical, coaxial and fiber optic cables
- Electromechanical installations
- Shock absorbers and automotive harnesses
- Precision steel tubing
- Transformers and reactors

**Main Brands**
- CONDUMEX
- LATINCASA
- IEM
- GABRIEL
- PRECITUBO
- SITCOM
- AMATECH
- CONDULAC
- MICROM
- SINERGIA
- EQUITER
- LOGTEC

**Infrastructure and Construction**
Provides service to four sectors: the petroleum and chemical industry, duct installation, infrastructure, civil construction and housing development. It is dedicated to the construction of:

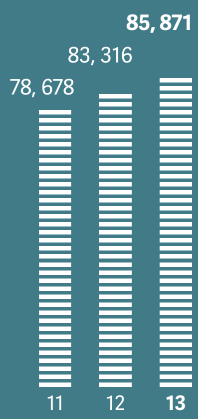
- Platforms
- Shopping centers, industrial plants, office buildings and housing
- Highways, dams and water treatment plants, gas ducts and aqueducts

**Main Brands**
- CICSA
- SWECOMEX
- BRONCO DRILLING
- CILSA
- GSM
- PC CONSTRUCCIONES
- URVITEC

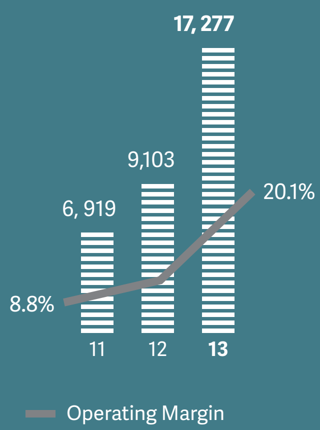
KEY
# Financial Information

Altabrisa Villahermosa Sanborns

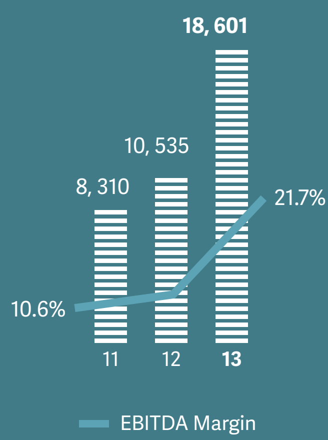
## Sales
(million pesos)




## Operating Income
(million pesos)




## EBITDA
(million pesos)




## Revenue Breakdown by Subsidiary

| | | |
|---|---|---|
| 47.2% | $ 40,514 | Grupo Sanborns |
| 31.1% | $ 26,723 | Grupo Condumex |
| 21.9% | $ 18,818 | CICSA |
| -0.2% | -$184 | Other |

## Operating Income Breakdown by Subsidiary*

| | | |
|---|---|---|
| 50.6% | $ 4,796 | Grupo Sanborns |
| 18.8% | $ 1,778 | Grupo Condumex |
| 29.7% | $ 2,816 | CICSA |
| 0.9% | $ 88 | Other |

*Does not include extraordinary items

Note: For the calculation of the operating income and EBITDA breakdown in 2013 an extraordinary income of Ps $7,589 million due to the sale of PPM, as well as Ps $210 million due to the valuation of investment properties were deducted from the consolidated figures.

Construction of oil platform

Substation with superconductive cable

(In thousands of Mexican pesos at December 31 of each year)

| | 2011 | 2012 | 2013 | Variation 2012-2013 |
|---|---|---|---|---|
| Sales | 78,677,725 | 83,315,882 | 85,870,545 | 3.1% |
| Gross Margin | 19,709,139 | 22,236,093 | 22,905,636 | 3.0% |
| Operating Income | 6,918,543 | 9,102,765 | 17,277,276 | 89.8% |
| EBITDA | 8,310,179 | 10,534,802 | 18,600,636 | 76.6% |
| Controlling Participation in Net Income | 4,321,562 | 7,640,589 | 13,929,481 | 82.3% |
| Earnings per Share (EPS)* | 1.88 | 3.34 | 6.08 | 82.3% |
| **Margins** | | | | |
| Gross | 25.1% | 26.7% | 26.7% | |
| Operating | 8.8% | 10.9% | 20.1% | |
| EBITDA | 10.6% | 12.6% | 21.7% | |
| Net | 5.5% | 9.2% | 16.2% | |
| **Revenues** | | | | |
| Retail | 36,415,957 | 39,411,287 | 40,514,434 | 2.8% |
| Industrial | 28,793,209 | 27,415,038 | 26,722,998 | -2.5% |
| Infrastructure and Construction | 13,822,996 | 16,669,940 | 18,818,223 | 12.9% |
| **EBITDA** | | | | |
| Retail | 4,916,525 | 5,225,703 | 5,500,202 | 5.3% |
| Industrial | 2,361,722 | 2,570,563 | 2,130,321 | -17.1% |
| Infrastructure and Construction | 1,093,471 | 2,601,213 | 3,281,544 | 26.2% |
| **EBITDA Margin** | | | | |
| Retail | 13.5% | 13.3% | 13.6% | |
| Industrial | 8.2% | 9.4% | 8.0% | |
| Infrastructure and Construction | 7.9% | 15.6% | 17.4% | |
| | | | | |
| Total Assets | 72,821,696 | 76,558,512 | 85,930,237 | 12.2% |
| Total Liabilities | 29,057,701 | 34,677,923 | 29,289,259 | -15.5% |
| Stockholders´Equity | 43,763,995 | 41,880,589 | 56,640,978 | 35.2% |
| Outstanding Shares ('000) | 2,298,757 | 2,289,877 | 2,289,802 | 0.0% |

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

LETTER TO
# Shareholders

In 2013, global markets continued to be characterized by high volatility, particularly in share prices, which mostly reflected generous valuation, thanks to low interest rates.

However, it is important to consider that due to the uncertainty in the evolution of demand, an important part of company profits were oriented toward dividends and share buy-backs, rather than reinvestment, which is what contributes to the generation of growth and employment.

Uncertainty in the global economy in 2013 continued to be marked by the rhythm of development of the principal countries and geographic regions. The United States grew moderately, Europe appears to have overcome its recession risk, but still with limited advances and high unemployment, and China faced difficulty estimating the size of its deceleration.

Mexico, following the world economic crisis of 2008-2009, showed during the following three years average GDP growth of 4.3%, which is mainly explained by the lower base of comparison following the sharp fall of Gross Domestic Product in 2009 of 4.7% and the reactivation of global dynamism. In Mexico, the growth rate of the past 10 years is 2.6%, well below that of Latin America's 3.9%.

In 2013, the Mexican economy demonstrated weak growth of 1.1% of GDP, due to external negative impacts, as well as internal adjustments due to the 2012 fiscal deficit, accompanied by inflationary pressure. The government budget, oriented toward rebalancing fiscal accounts, influenced economic activity, through conservative public spending and increased tax collection.

Furthermore, the exchange rate experienced a year of intense volatility, with a minimum of 11.98 per dollar, and a maximum of 13.49. The internal economic fundamentals continue to be solid, despite the low economic dynamism observed in 2013, as low interest rates throughout the world and credit availability incentivized investment.

The country has a well-capitalized financial system and a new regulatory framework that will allow more-accelerated growth rates, maintaining a healthy level of leverage, while in the external sector, a moderate recovery of the United States, Europe and Japan is expected, which will strengthen our economy. Given the bases for strong domestic investment and the activation of the domestic economy, we could have higher levels of development.

### Grupo Carso

The low dynamism of the Mexican economy mentioned above had different impacts on the performance of each of the sectors that make up Grupo Carso. The consumption environment began the year with a positive tendency. However, it began to revert in the second quarter of the year due to several factors: conservative public spending and investment, the crisis of housing developers, lower levels of remittances and weak performance in the manufacturing industry.

Under this scenario, in February 2013 a global initial public offering of Grupo Sanborns, S.A.B. de C.V. was made in the Mexican Stock Exchange. The percentage of equity placed at $28 pesos per share was 17%, and the subscribed capital was 60% in the local market and 40% in foreign markets.

Part of the objectives of the placement was to strengthen the presence of Sears and Sanborns department and specialty stores, remodel and open establishments with a new image and restructure the retail space. The process implies a rejuvenation of the fashion catalog, introducing new brands, a new layout and the establishment of a solid foundation to continue the expansion phase.

Despite continued weak private consumption, the commercial division achieved 3% growth in sales, contributing with 47% of the consolidated revenue of the Group and 51% of the operating profit, without considering extraordinary income. Part of these results were due to the promotion of the Sears credit card, as well as publicity efforts, loyalty programs and the identification of clients with our fashion and appliance brands, where we stand out in service quality. At the end of December 2013 we reached 3 million cardholders, a 7% year-on-year increase of own-branded cards through the relaunch of our credit program, where the training of our sales force played a very important role for the reactivation and signing of clients.

Among the most relevant activities of the commercial division was the opening of 14 new stores: 4 Sears, 4 Sanborns, 5 iShop and 1 Dax, with which we finished the year at 423 units, more than one million square meters of retail space and two shopping centers. In terms of remodeling, extensive makeovers were begun in 12 Sears and Sanborns stores that will be completed after the first half of the current year.

In regard to the industrial division, the performance of Grupo Condumex was overshadowed by a combination of external factors that continued throughout the entire year: a lack of tenders of power projects, lower demand for power transformers and a decrease in the international price of copper, which fell 8%.

The challenges presented in this sector led us to recognize during the last quarter of this year certain extraordinary costs and expenses through the reduction of installed capacity, as well as the adjustment of obsolete and slow-moving inventory.

Challenging times are also moments of opportunity and in Grupo Condumex we will seek synergies, savings, increased efficiencies and the opening of new markets and distribution channels.

In general terms, the portfolio of industrial products and services was affected by the impact of an economic recovery that was slower than expected in the majority of its product lines, with the exception of coaxial cables and in the automotive division, where demand continued for harnesses and cables for domestic and export markets. We have taken advantage of the growth of the automotive industry by increasing market share with several automotive companies that are established in our country.

The industrial division contributed with 31% of revenue and 19% of operating profit of Grupo Carso, without considering extraordinary income. Additionally, Carso Infraestructura y Construcción (CICSA) continued as one of the most solid construction companies in the industry, with a healthy debt structure and a backlog that has been steady at an average of two years.

As a result of the advance of projects of the infrastructure and civil construction divisions, principally the contracts for drilling and the fabrication of a number of offshore platforms, Carso Infraestructura reported increases of 13% in sales and 25% in operating profit.

In May of 2013, Operadora CICSA, S.A. de C.V., a subsidiary of Grupo Carso, announced the signing of a leasing contract for up to seven years for the Independencia I Jack-Up, with the objective of drilling oil wells in the Gulf of Mexico. The platform is the only one of its kind built in Latin America, with cutting-edge technology that is internationally certified and designed to operate at depths up to 400 feet and drill wells of up to 30,000 feet.

Carso Infraestructura y Construcción contributed with 22% of sales and 30% of consolidated operating profit, without considering extraordinary income. Among the most relevant events of 2013, at the end of September Grupo Carso announced the conclusion of the sale to Philip Morris International (PMI) of the remaining 20% of its participation in Philip Morris México (PMM), a subsidiary of PMI. The transaction price was $703 million dollars, which was registered as an extraordinary item within other income.

Additionally, Grupo Carso announced to the investing public during July that Carso Energy, through its subsidiary Tabasco Oil Company LLC, completed the first exploratory well in the Llanos Orientales fields in the Northeast of Colombia, marking the start of the development of production tests to confirm the economic viability of these deposits.

The combination of the results obtained in the three divisions resulted in a 3% increase in Grupo Carso net sales to $85.871 billion pesos. Operating profit and EBITDA increased 90% and 77%, respectively, while other income registered $7.589 billion pesos related to the sale of the 20% participation in PMM, which was completed in September 2013. Operating margin was 20% and EBITDA margin was 22%.

The financial situation of Grupo Carso remains strong, net cash flow generated by operations was $5.673 billion pesos. Total assets were $85.930 billion pesos, while consolidated equity ended the year at $56.641 billion pesos. The debt with cost to equity ratio was 0.2 times, while the net debt to EBIDTA ratio was negative (0.09) times.

In May and October of 2013, Grupo Carso paid an ordinary cash dividend of $0.70 pesos per share plus an extraordinary dividend of $4 pesos per share, the latter due to the sale of PMM. Both came from the balance of the net fiscal profit account. Fixed-asset investments were $2.361 billion pesos, with $1.675 billion corresponding to the investment in the opening of new stores and remodeling of Sears, Sanborns and iShop formats, which was considered within the Grupo Sanborns expansion plan.

We consider the financial structure of the company to be appropriate to face a number of investment projects that are required by the different subsidiaries. We will accelerate the expansion of the Grupo Sanborns formats and continue on the path of consolidation of new consumer product formats and categories, as well as work on synergies and best practices in the industrial and construction areas that allow us to continue to generate value through profitable and sustainable growth for our shareholders.

In November, Carso Infraestructura y Construcción, Duct Sector, received the Premio Nacional de Calidad 2013 award for quality, the highest distinction awarded by the Mexican government to companies that are a national reference in innovation, competitiveness and sustainability.

Additionally, we maintained communication with different public interest spheres, increased the number of collaborators and hours of training. In favor of the environment, we reduced consumption of energy, water and paper through savings and recycling programs in all of our subsidiaries. Specifically, Grupo Sanborns continued to donate food and hire persons with disabilities. Condumex achieved energy savings through the substitution of motors, compressors and lighting. CICSA implemented protection and recovery programs for flora and fauna, as well as the reforestation and restoration of impacted areas.

Finally, on behalf of the Board of Directors I would like to thank the shareholders, clients and suppliers for the confidence they have deposited in us and the entire team for their commitment and effort. It is thanks to all of you that Grupo Carso can achieve its planned goals, improve performance and continue to contribute to the development of our country.

Regards,

**Carlos Slim Domit**
Chairman of the Board

MANAGEMENT´S

# Discussion and Analysis


Nuevo Veracruz Sears

In 2013, consolidated revenue of Grupo Carso was $85.871 billion pesos, a 3.1% or $2.555 billion peso increase from the prior year. This was attributed to solid 12.9% sales growth in the infrastructure division and 2.7% growth in the commercial division.

Operating profit was $17.277 billion pesos, an 89.8% increase mainly due to the $7.589 billion peso net increase in Other Income related to the sale of the 20% participation in Philip Morris México (PMM), a transaction that was done on September 30, where the price is subject to an adjustment based on the future performance of PMM. Additionally, adjustments were made during the fourth quarter for slow-moving and obsolete inventory in the Construction and Energy sector.

EBITDA increased 76.6% to $18.601 billion pesos against $10.535 billion pesos in 2012. Without extraordinary effects in Other Income, operating profit in 2013 would have been $9.478 billion pesos with an operating margin of 11.0%, while EBITDA would have been $11.012 billion pesos, which would have corresponded to an EBITDA margin of 12.8%.

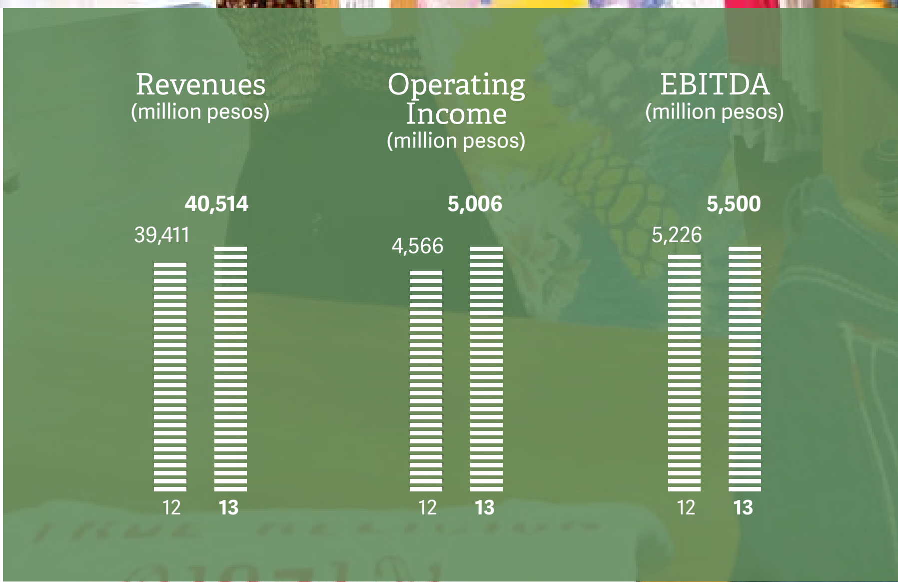
In financial terms, the Comprehensive Financing Result (CFR) was a positive $98 million pesos, which was 75% less than the CFR registered in 2012, which included a $611 million peso profit from financial derivatives. Net income attributable to the controlling interest increased 82.3% in 2013 to $13.929 billion pesos. This was mainly due to the register of the sale of the participation in PMM, as well as the increase in sales in the infrastructure division and to a lesser degree in the commercial division.

Total debt at December 31, 2013 was $8.883 billion pesos, 38.4% less than the debt reported at the close of the prior year. Net debt was a negative $1.1671 billion pesos, compared to net debt of $9.328 billion pesos on December 31, 2012. The financial situation of the Group continues to be healthy, with a ratio of net debt to 12-month EBITDA of -0.09 times (-0.15 times if the sale of PMM shares is discounted) and interest rate coverage of EBITDA/financial expenses of 32.0 times (18.9 times if the sales of PMM shares is discounted).

The Company has two securitization programs: i) one for short-term notes authorized in July of 2013 for up to $5.000 billion pesos, which had not been activated at the close of the year, and ii) another dual –short and long-term—note program that was authorized in February of 2012, also for $5.000 billion pesos or the equivalent in US dollars, that has been fully used.

Santa Fe Sears


# Commercial and Consumer
## DIVISION



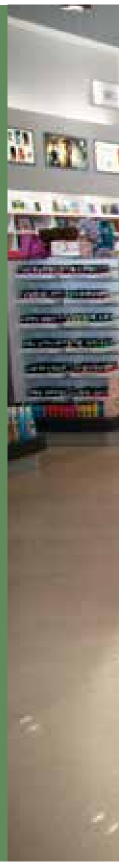

**Revenue at Grupo Sanborns was $40.514 billion pesos in 2013.**

**Grupo Sanborns**
In 2013, revenue at Grupo Sanborns was $40.514 billion pesos, a 2.7% or $1.103 billion pesos increase from the prior year.

Per format, Sears increased total sales by 3.4% and same-store sales (SSS) by 1.4%, Sanborns increased total sales by 0.7% and decreased SSS by 0.7%, iShop/MixUp stores increased total sales by 5.0% and SSS by 0.6%, while sales of other formats like Dax, Saks Fifth Avenue and Sanborns Café increased 5.2% in total sales.

Nuevo Veracruz Sanborns

**Net income attributable to the controlling interest of Grupo Sanborns was $3.233 billion pesos, compared to $2.967 billion pesos in 2012, a 9.0% increase.**



The increase in consolidated revenue was mostly due to the solid performance of Sears in the first as well as the fourth quarter, due to the Buen Fin pre-holiday promotions and the launch of new technology models in iShop stores, despite an environment of less dynamism in consumption.

In the credit business, our portfolio of own-branded cards continued to be a great tool, generating customer loyalty by giving between 5% and 10% additional discount in promotions. The number of cards issued was 3.1 million at the close of December 2013, compared to 2.9 million at the close of the prior year, a 6.9% increase.

The credit portfolio reached $9.661 billion pesos at December 31, 2013, posting a 9.1% increase, in the same magnitude as credit income, which was $2.695 billion pesos versus $2.472 billion recorded the previous year. The percentage of non-performing loans of more than 90 days was 2.9%.

Operating profit was $5.006 billion pesos with a margin of 12.4%, which represents an increase of 0.8 percentage points. This was due to an increase in sales and higher income from credit as mentioned before, as well as the register of other income, where $210 million came from the appraisal of investment properties. There was a slight decrease in cost of sales, which was diluted by an increase in general expenses, mainly caused by the opening of new Sanborns stores.

For effects of the calculation of EBITDA, the amount of the appraisal of investment properties was not included, for which this indicator totaled $5.500 billion pesos.

Net income attributable to the controlling interest of Grupo Sanborns was $3.233 billion pesos, compared to $2.967 billion pesos in 2012, a 9.0% increase.


Santa Fe Saks Fifth Avenue

Altabrisa Villahermosa Sears

## Revenue Breakdown by Format
(million pesos)

| | | |
|---|---|---|
| 52.1% | $21,074 | Sears |
| 31.1% | $12,619 | Sanborns |
| 11.1% | $4,494 | iShop/MixUp |
| 5.7% | $2,327 | Other |

Total: $**40, 514**

Nuevo Veracruz Sanborns

In 2013 we opened four Sears stores in Santa Fe, Colima, Durango and Nuevo Veracruz; we opened four Sanborns restaurant-retail stores: two in the Santa Fe in Samara and Garden shopping malls, a store in Playa del Carmen and another in Nuevo Veracruz. As for iShop, five new locations were opened: Parque Delta, Merida, Pachuca, Arcos Bosques and La Isla in Cancun. In total with all of the retail formats, Grupo Sanborns closed the year operating 423 units and accumulated a sales area of 1,005,410 m2, a 3.2% increase in sales area and 54,822 seats in the restaurants.

Grupo Sanborns capital investments were $1.675 billion pesos, which included the investment in new stores and start of remodeling and expansion.

In 2013 the activities of the commercial division in all formats consisted in focusing on a new image in stores, but basically in the layout, where the percentage of fashion merchandise and high-margin categories increased. The aim is to increase store traffic and sales per square meter, encouraging current clients who recognize the store for household appliances to gradually identify with the new portfolio of fashion brands. The remodeling plan includes new floors, the expansion of spaces and visual marketing with a focus on young clients. Additionally, "fashion corners" have been modernized with a better identification with house brands as well as international and exclusive ones.


Plaza Carso iShop

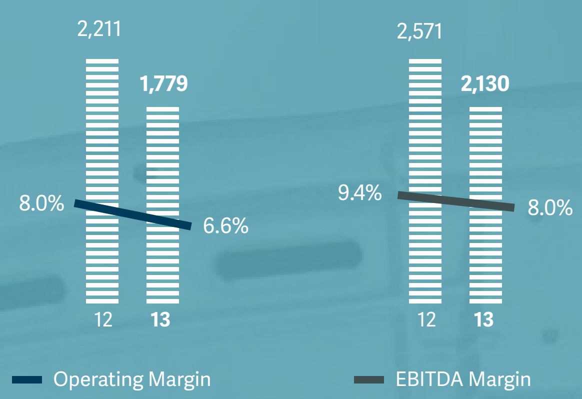
Arcomex Plant, automotive harnesses

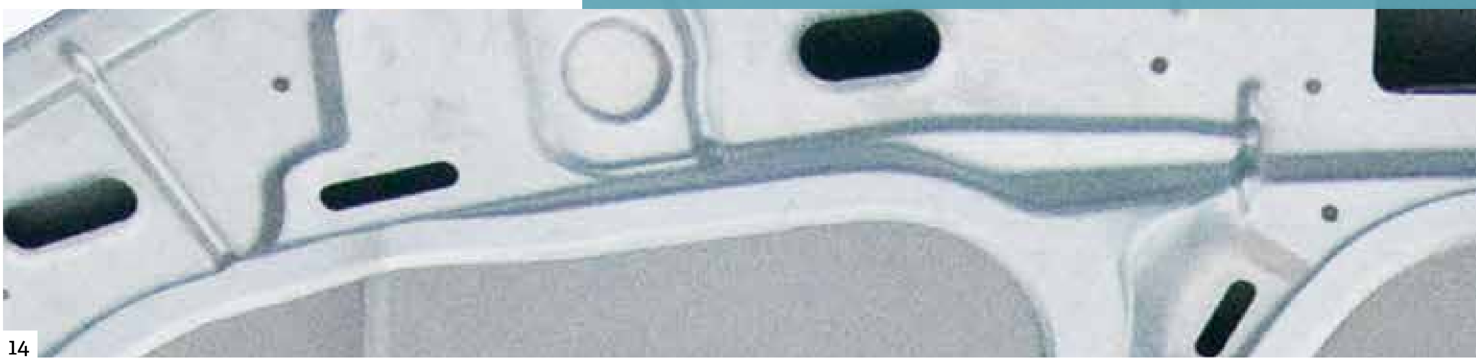
# Industrial and manufacturing

## DIVISION

**Operating Income** (million pesos)

**EBITDA** (million pesos)

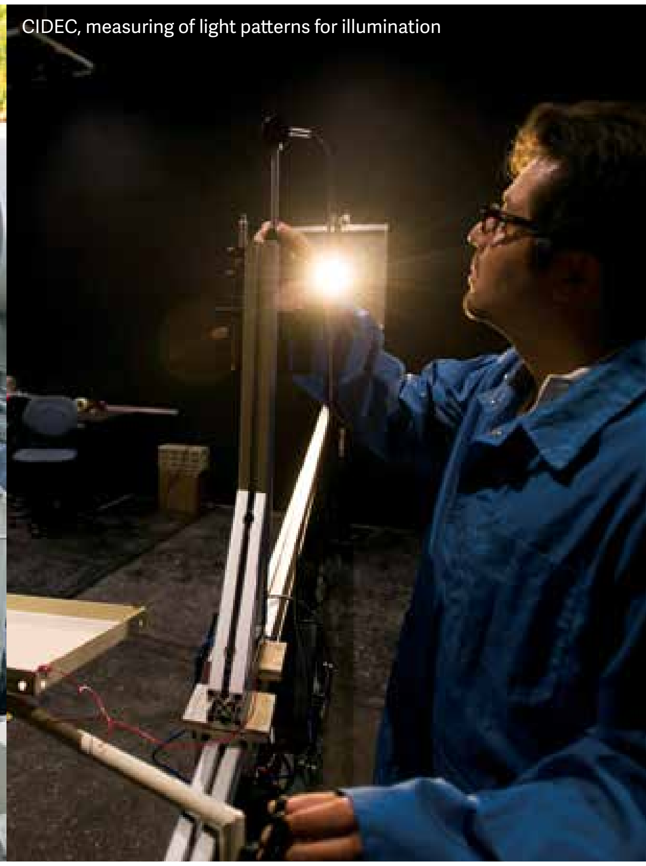


**In 2013, sales of Grupo Condumex were $26.723 billion pesos.**

**Grupo Condumex**
Sales of Grupo Condumex were $26.723 billion pesos in 2013, a 2.5% decrease due to performance of the following sectors: Automobile grew 17.8% due to the demand for harnesses and cable both nationally and internationally, mainly the United States and Brazil. It should be noted that the design of the new models of automobiles required a larger number of components, which increased price and volume.

Power Transformer



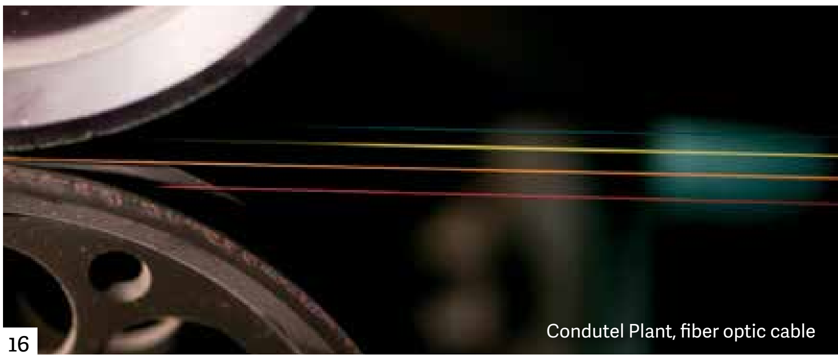
CIDEC, measuring of light patterns for illumination

In the case of Construction and Energy, there were external economic factors that impacted sales, which decreased 2.7%. Integrated turnkey projects increased; however, they did not compensate for the decrease of power cables and transformers derived from the scarcity of tenders for power projects. For this reason, an adjustment for slow-moving and obsolete inventory was registered in expenses in the power transformer division during the last quarter of the year.

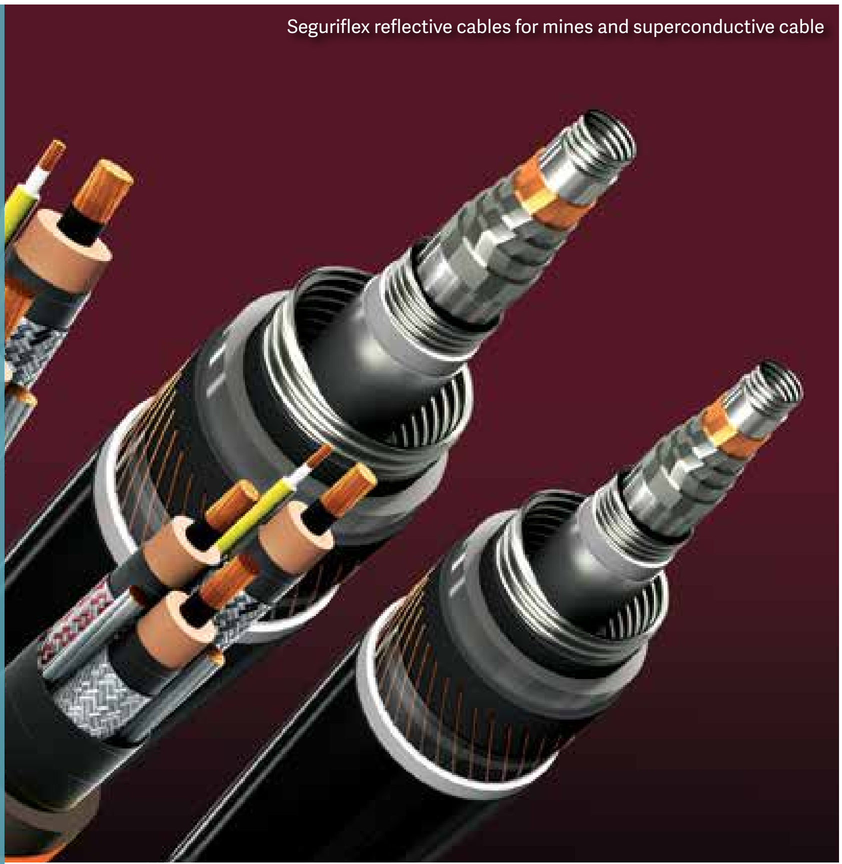
The growth of coaxial cables stood out, a division that increased volume by double digits; this was not the case for sales of copper and fiber optic cables. For this reason, the Telecommunications sector decreased 6.2%.

The appreciation of the peso added to a fall in the international price of copper, had a negative impact on Industrial Metals, a sector that fell 3.3% compared to the prior year.

Operating profit and EBITDA were $1.779 billion and $2.130 billion pesos, respectively, which represented decreases of 19.6% and 17.1% compared to figures from the prior year. This performance is due to the sales mix, where the Construction and Energy sector that contributes more than 50% of revenue and more than 30% of operating profit was impacted by the above mentioned factors.



Condutel Plant, fiber optic cable



Seguriflex reflective cables for mines and superconductive cable

**Net income attributable to the controlling interest of Grupo Condumex was $1.459 billion pesos, compared to $1.794 billion pesos in 2012.**

Similarly, controlling net income of Grupo Condumex was $1.459 billion pesos, compared to $1.794 in 2012, or an 18.7% decrease.

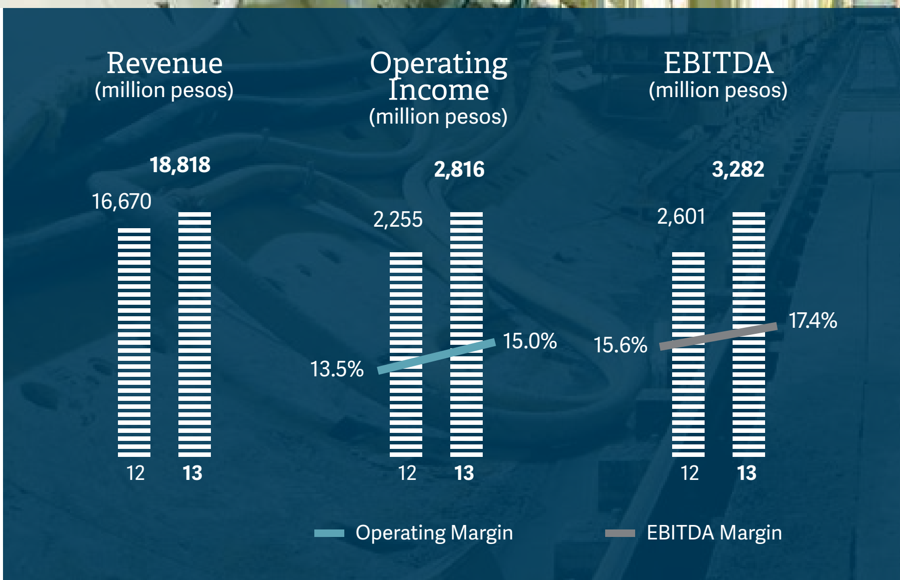
Capital investments for the year were $467 million pesos, which were channeled to industrial asset investment and maintenance programs in Mexico as well as South America.

Santa Rosalia Photovoltaic Solar Center

Emisor Oriente Tunnel (EOT)

# Construction and Infrastructure

DIVISION




**Annual sales of Carso Infraestructura y Construcción were $18.818 billion pesos in 2013.**

**Carso Construction and Infrastructure**
Annual sales of Carso Infraestructura y Construcción registered solid growth of 12.9% reaching $18.818 billion pesos in 2013, compared to $16.670 billion in 2012.

Independencia I Oil Jack-Up

**Operating profit and EBITDA increased 24.9% and 26.1% for the year.**

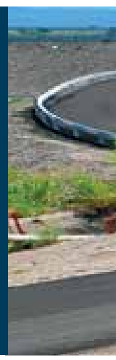
The sectors that contributed to this growth were: i) Fabrication and Services for the Chemical and Petroleum Industry, ii) Infrastructure and iii) Civil Construction, with increases of 41.8%, 17.3% and 6.8%, respectively.

Income from the allocation of vapor injection wells, modifications to existing Fabrication and Services drilling contracts and advances in the construction of platforms for Pemex Exploración y Producción (PEP) initiated in the second half of 2012 are noteworthy, as well as the advances in the Túnel Emisor Oriente (East Outlet Tunnel) and the Atotonilco water treatment plant in the Infrastructure sector, and finally a number of Civil Construction projects such as the Nuevo Veracruz shopping mall and other highway projects.

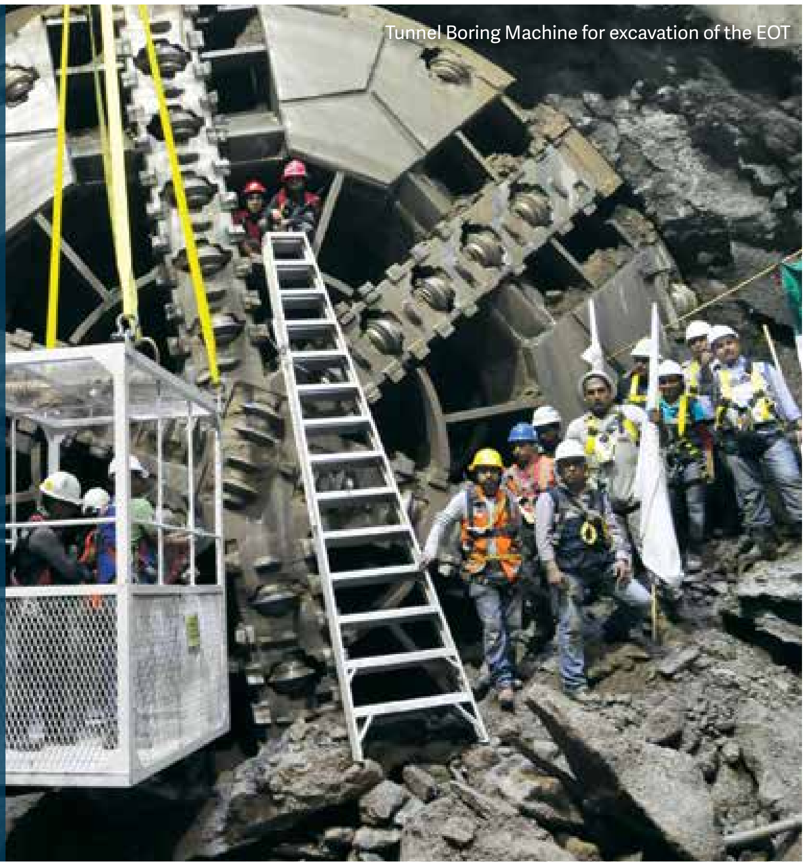
The sectors with sales decreases were i) Housing, which fell 53.3%, affected by the register of an extraordinary income in 2012 for the sale of a territorial reserve and ii) Duct Installation, a sector that decreased 10.5% because of a reduction in the volume of projects.

Operating profit and EBITDA increased 24.9% and 26.2% in the year, with an expansion of 1.5 and 1.8 percentage points in operating margin and EBITDA margin, respectively. The operating improvements were mainly due to a greater contribution from Fabrication and Services for the Chemical and Petroleum Industry, as well as the increase in sales of Infrastructure and Civil Construction.

Nacozari Thermoelectric Gasduct




*Amount of outstanding work contracts to build



Tunnel Boring Machine for excavation of the EOT

The improvement in sales and profitability was reflected in the level of net income attributable to the controlling interest, which went from $2.045 billion pesos in 2012 to $2.076 billion pesos in 2013.

The backlog for CICSA was $17.361 billion pesos on December 31, 2013, a reduction of 21.9% compared to the amount reported in the same period of the prior year. It is noteworthy that this figure does not include the $3.192 billion pesos of the part that corresponds to CICSA from projects in consortiums with other companies, such as the Atotonilco water treatment plant and the Mitla-Tehuantepec highway.

The investment in fixed assets carried out by Carso Infraestructura y Construcción in 2013 was of $205 million pesos, which were channeled to major maintenance of construction and production machinery and heavy equipment and to equipment related to well drilling, among other investments.

Regards,

**José Humberto**
**Gutiérrez-Olvera Zubizarreta**
CHIEF EXECUTIVE OFFICER

Culiacan Bypass Road

CIDEC members, advisory to the Panteras Team of the Universidad Panamericana (UP)

CORPORATE
# Social Responsibility

The companies of the three divisions of the Group have social, environmental and labor, health and security performance in line with the programs of the Fundación Carlos Slim and corporate values.

**Social Performance**
We have developed channels and mechanisms to communicate with different interest groups, we are carrying out education, health, infrastructure and community development investments through the following initiatives:

- Carso Centro de Estudios de Historia de México (CEHM)
- Carso Training Centers
- Centro de Investigación y Desarrollo Carso (CIDEC) R&D center
- Activities in collaboration with Fundación Telmex and Fundación Carlos Slim
- In-kind donations and volunteer consulting to student teams
- Participation in annual prevention and medical condition control campaigns in collaboration with the Instituto Carlos Slim de la Salud
- Real estate restoration program
- Program to hire persons with disabilities through the Confederación Mexicana de Organizaciones a Favor de la Persona con Discapacidad (CONEF), Centro de Atención Múltiple (CAM), YMCA and DIF.

**Environmental Performance**
In the 2010 Mayors' Summit, Grupo Carso joined the Mexico City Pact. The focus of the Group is to resolve environmental problems generating sustainable new businesses, as a way to find to overcome the challenges created


Microalgae for biodiesel tests

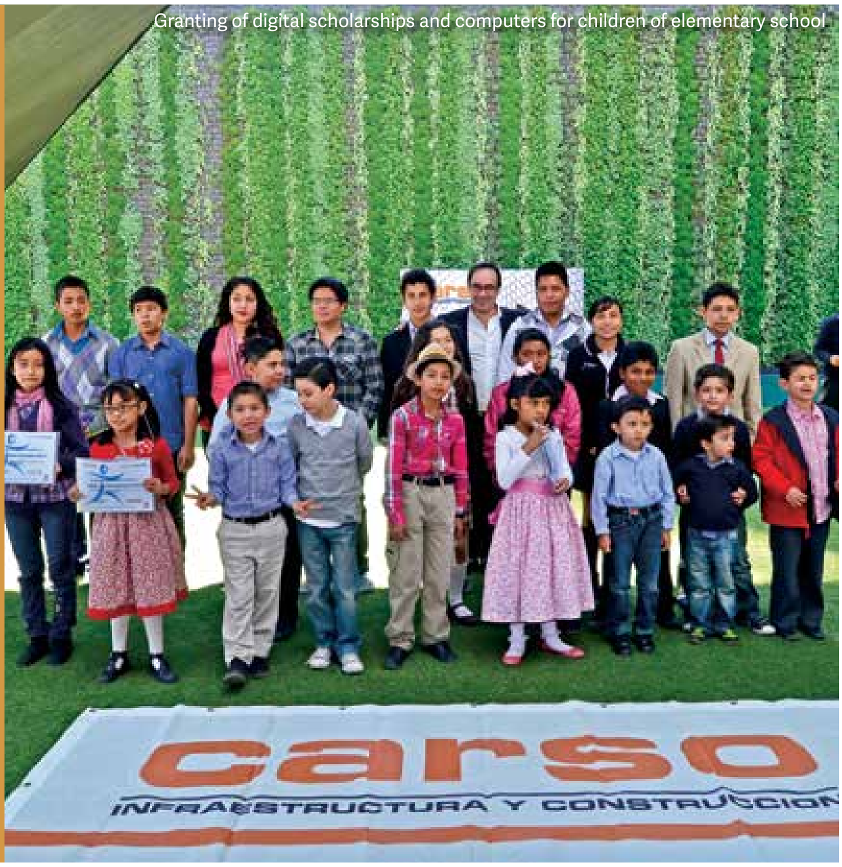

Sports event sponsored by Sanborns

For more information and detail regarding the sustainable activities, please consult:

Section on sustainable activities in the Grupo Carso SAB de CV website
www.carso.com.mx

Fundación Carlos Slim Report
http://www.carlosslim.com/pdf/reporte_fcs_agosto2012.pdf

Carso Infraestructura y Construcción, Ducts Sector, National Quality Award 2013



Granting of digital scholarships and computers for children of elementary school

by climate change. In the fourth annual Carso Environmental Report corresponding to 2013, the following was included:

- The update of the Environmental Policy
- Compliance of the projects proposed in 2012
- The presentation of environmental indicators on a sector and/or company basis

**Labor, Health and Security Performance**
In 2013 Grupo Carso employed more than 69,000 full and part-time persons in Mexico, Latin America and some countries in Europe. An important part of the efforts of the Group are focused on personnel, offering support programs that also positively impact families, such as:

- Education and scholarship programs for collaborators and their immediate families
- Digital scholarships
- Programs of annual sports events
- Personal development workshops through the Asociación para la Superación de México, A.C. (ASUME A.C.)
- Flexible schedule plans
- Professional Development Program

Throughout the year, more than 222,000 man-hours of training were given in Condumex and CICSA, while in Grupo Sanborns more than 15,000 training events were held with more than 144,000 participants. Collaborators have a safe workplace with the tools and equipment to carry out their duties, as well as the necessary training through:

- Training plans and courses
- Health prevention campaigns with the collaboration of the Mexican Social Security Institute (IMSS) and the Health Ministry (SSA)
- Implementations OHSAS 18000
- Two training centers and 68 classrooms exclusively for Sears employees


CICSA, nursery for reforestation of affected areas

BOARD OF

# Directors

Atotonilco Wastewater Treatment Plant, digesters

| Board Members | Position* | Years as Board Member** | Type of Member*** |
|---|---|---|---|
| Carlos Slim Domit | COB – Grupo Carso<br>COB – Grupo Sanborns<br>Co-Chairman – América Móvil<br>COB – Teléfonos de México | Twenty-three | Patrimonial Related |
| Antonio Cosío Ariño | CEO – Cía. Industrial de Tepeji del Río | Twenty-three | Independent |
| Arturo Elías Ayub | Director of Strategic Alliances, Communication And Institutional Relations – Teléfonos de México<br>CEO – Fundación Telmex | Sixteen | Related |
| Claudio X. González Laporte | COB – Kimberly Clark de México | Twenty-three | Independent |
| José Humberto Gutiérrez Olvera Zubizarreta | CEO – Grupo Carso<br>COB – Minera Frisco | Twenty-three | Related |
| Daniel Hajj Aboumrad | CEO – América Móvil | Nineteen | Related |
| David Ibarra Muñoz | CEO – Despacho David Ibarra Muñoz | Twelve | Independent |
| Rafael Moisés Kalach Mizrahi | COB and CEO – Grupo Kaltex | Twenty | Independent |
| José Kuri Harfush | COB – Janel | Twenty-four | Independent |
| Juan Antonio Pérez Simón | COB – Sanborn Hermanos<br>Vice Chairman – Teléfonos de México | Twenty-four | Independent |
| Fernando Senderos Mestre | COB – Grupo Kuo<br>COB – Dine | Seven | Independent |
| Patrick Slim Domit | Vice Chairman – Grupo Carso<br>Co-Chairman – América Móvil<br>CEO – Grupo Sanborns<br>Commercial Director of Mass Market – Teléfonos de México<br>COB – Grupo Telvista<br>COB – Sears Operadora México | Eighteen | Patrimonial Related |
| Marco Antonio Slim Domit | COB and CEO – Grupo Financiero Inbursa<br>COB – Inversora Bursátil<br>COB – Seguros Inbursa<br>COB – Impulsora del Desarrollo y el Empleo en América Latina | Twenty-three | Patrimonial Related |

| Board Members | Position* | Years as Board Member** | Type of Member*** |
|---|---|---|---|
| Fernando Solana Morales | CEO – Solana y Asociados, S. C. | Nine | Independent |
| **Alternate Board Members** | | | |
| Julio Gutiérrez Trujillo | Business Consultant | Nine | Independent |
| Antonio Cosío Pando | General Manager – Cía. Industrial de Tepeji del Río | Twelve | Independent |
| Alfonso Salem Slim | Vice Chairman – Impulsora del Desarrollo y el Empleo en América Latina<br>COB –Inmuebles Carso | Thirthteen | Patrimonial Related |
| Antonio Gómez García | CEO – Carso Infraestructura y Construcción<br>COB and CEO – Grupo Condumex | Ten | Related |
| Fernando G. Chico Pardo | CEO – Promecap, S.C. | Twenty-four | Independent |
| Ignacio Cobo González | COB – Grupo Calinda | Twelve | Independent |
| Alejandro Aboumrad Gabriel | COB – Grupo Proa | Twenty-three | Independent |
| **Treasurer** | | | |
| Arturo Spínola García | CFO and Administration Director – Carso Infraestructura y Construccion and Grupo Condumex | | |
| **Pro-secretary** | | | |
| Alejandro Archundia Becerra | General Manager Corporate Legal – Grupo Condumex | One | |

* Based on information from the Board members.
** The age as Board member was considered since 1990, year when the shares of Grupo Carso S.A.B. de C.V. were listed in the Mexican Stock Exchange.
*** Based on information from the Board members.

COB: Chairman of the Board
CEO: Chief Executive Officer

# Corporate and Auditing Practices Committee

GRUPO CARSO, S.A.B DE C.V.

**José Kuri Harfush**
Chairman

Antonio Cosío Ariño
Claudio X. González Laporte
Rafael Moisés Kalach Mizrahi

**To the Board of Directors:**
As the chairman of the Corporate and Auditing Practices Committee of Grupo Carso, S.A.B. de C.V. (the "Committee"), I submit the following annual report of activities for the 2013 fiscal year.

**Corporate Practices, Evaluation and Compensation Functions**
The director general of Grupo Carso, S.A.B. de C.V. (the "Company") and the executives of the corporate entities controlled by the Company, satisfactorily complied with the stated goals and with their responsibilities.

The transactions with affiliates submitted to the consideration of the Committee were approved. Among them are the following significant transactions, each of which represents more than 1% of the consolidated assets of the Company, executed successively:

Teléfonos de México, S.A. de C.V., for installation services of the external plant, fiber optics and network design, including the sale of copper telephone cable and fiber optic cable; call center services, the sale of telephony articles; food service and commission for the sale of junk, salvaging and substitution of automobiles for fleets; Minera Real de Ángeles, S.A. de C.V. for the sale of transformers, control panels, substations, motor control center, instrumentation for the control of cyclones, generators, equipment for water recirculation and cables; installation and turnkey services; delivery and construction projects; Concesionaria Autopista Guadalajara-Tepic, S.A. de C.V., for the construction of freeways; Delphi Packard Electric Systems for the sale of harness, cable and automotive engineering services; Concesionaria de Carreteras y Libramientos del Pacífico Norte, S.A. de C.V. for the construction of the Farac Culiacán highway project; Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V. for the construction of the Emisor Oriente tunnel project; Empresa Brasileira de Telecomunicacoes, S.A. for the construction of numerous projects and the sale of telephone cable in Brazil; Net Servicos de Comunicacao, S.A. for television, telephone and Internet installation services, and the sale of telephone cable. Radiomovil Dipsa, S.A. de C.V. for the purchase of cellular handsets, fee schedules memory cards for telephones and other concepts; and Minera María, S.A. de C.V. for the purchase of electrolytic cathode.

All transactions with related parties were reviewed by Galaz, Yamazaki, Ruiz Urquiza, S.C., and a summary of them is contained in a note of the certified financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries at December 31, 2013.

The director general of Grupo Carso, S.A.B. de C.V. receives no remuneration for his activity. The Company does not have employees, and as to remuneration of the relevant executives of the companies controlled by the Company, we verified that they complied with the policies approved by the Board of Directors.

The Board of Directors of the Company granted no exemption to any members of the Board, relevant executives or anyone in an executive position to take advantage of business opportunities, either for himself or for third parties, that correspond to the Company or to the corporate entities it controls or in which it has a significant influence. The Committee, on its part, granted no exemptions for the operations referred to in paragraph c), Section III, Article 28 of the Securities Market Law.

**Auditing Functions**
The internal control and internal auditing system of Grupo Carso, S.A.B. de C.V. and of the corporate entities controlled by it are satisfactory and comply with the guidelines approved by the Board of Directors, as observed in the information provided to the Committee by management of the Company and in the external audit certification.

We have no knowledge of any relevant default on the guidelines and operation and accounting registry policies of the Company or of the corporate entities controlled by it and, consequently, no preventive or corrective measures were implemented.

The performance of the Galaz, Yamazaki, Ruiz Urquiza, S.C. and Camacho, Camacho y Asociados, S.C. accounting firms, the corporate entities that conducted the audit of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries at December 31, 2013, and of the external auditor in charge of said audit, was satisfactory and the objectives agreed at the time they were retained were achieved. In addition, according to the information provided by said firms to the management of the Company, their fees for the external audit represented a percentage less than 10% of their total revenue.

On the other hand, approval was given for Galaz, Yamazaki, Ruiz Urquiza, S.C. to provide to Grupo Carso, S.A.B. de C.V. and to some of its subsidiaries the following additional services: federal tax audit services (Grupo Carso, S.A.B. de C.V., Sanborns Hermanos, S.A. de C.V. and Promotora Musical, S.A. de C.V.); asset depreciation report (IEM, S.A. de C.V.); additional work related to the drafting of fiscal rulings trabajos (IEM, S.A. de C.V. y Microm, S.A. de C.V.); limited review of the financial statements of Grupo Sanborns, S.A.B. de C.V. regarding the public offering of its shares and the digitalization of numerous documents for Grupo Sanborns.

As a result of the review of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries at December 31, 2013, no adjustments were required to the audited figures contained in said financial statements.

Pursuant to the information provided to us by the management of the Company and the meetings we held with the external and internal auditors without the presence of the Company's officers, and to the best of our knowledge, there were no relevant comments from shareholders, members of the Board, relevant executives, employees or, in general, any third party, related to the accounting, internal control and matters related to the internal or external audit, nor claims by said persons regarding any irregularity in the management of the Company.

During the period to which this report refers, we verified that the resolutions adopted by shareholders' meetings and the Board of Directors of the Company were duly complied with. In addition, according to the information provided to us by the management of the Company, we verified that it has controls that allow for determining that it complies with provisions applicable to the stock market and that the legal department conducts a review at least once a year to verify said compliance, and there were no comments in this respect or any adverse change in the legal situation.

With respect to financial information prepared by the Company and filed with the Bolsa Mexicana de Valores (Mexican Stock Exchange) and the Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission), we verified that the information was prepared under the same principles, criteria and accounting practices with which the annual information is prepared.

**Finance and Planning Functions**

During the 2013 fiscal year, the Company and some of the entities under its control effected significant investments. In this regard, we verified that the financing was carried out in accordance with the strategic plan of the Company over the medium and long terms. In addition, we periodically evaluated that the strategic position of the Company conformed to said plan. We also reviewed and evaluated the budget for the 2013 fiscal year together with financial projects that were taken into account for its preparation, which include the principal investments and financial transactions of the Company, which we consider are viable and congruent with investment and financing policies and with the strategic vision of the Company.

For the preparation of this report, the Committee for Corporate and Auditing Practices evaluated information provided by the director general of the Company, the relevant executives of the corporate persons controlled by the Company and by the external auditor.

**José Kuri Harfush**
Chairman

CONSOLIDATED
# Financial Statements

# Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Grupo Carso, S.A.B. de C.V. and Subsidiaries ( the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in stockholders' equity and consolidated statements of cash flows for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

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

## Responsibility of Independent Auditors

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Carso, S.A.B. de C.V. and Subsidiaries as of December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

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

C. P. C. Manuel Nieblas Rodríguez
March 24, 2014

# Consolidated Statements of Financial Position

As of December 31, 2013 and 2012
(In thousands of Mexican pesos)

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | 6 | $ 10,435,876 | $ 4,981,463 |
| Investments in securities (held for trading) | 7 | 117,627 | 103,864 |
| Accounts and notes receivable, net | 8 | 19,418,643 | 17,126,771 |
| Due from related parties | 23 | 3,164,341 | 2,275,154 |
| Inventories, net | 9 | 14,326,479 | 14,824,993 |
| Prepaid expenses | | 966,063 | 1,281,111 |
| Derivative financial instruments | 13 | 6,213 | 610 |
| Total current assets | | 48,435,242 | 40,593,966 |
| Non-current assets: | | | |
| Long-term accounts receivable | | 59,562 | 83,172 |
| Real estate inventories | | 831,035 | 515,923 |
| Property, machinery and equipment, net | 14 | 20,311,612 | 20,001,231 |
| Investment property | 15 | 2,249,466 | 1,534,811 |
| Investment in associates and joint venture | 16 | 12,004,831 | 11,602,107 |
| Employee retirement benefits | 21 | 685,902 | 633,572 |
| Derivative financial instruments | 13 | 249,372 | 303,942 |
| Intangible assets, net | 17 | 302,223 | 329,036 |
| Deferred income taxes | 27 | 94,578 | 120,929 |
| Other assets – net | 18 | 706,414 | 839,823 |
| Total non-current assets | | 37,494,995 | 35,964,546 |
| Total assets | | $ 85,930,237 | $ 76,558,512 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Notes payable to financial institutions and other | | $ 3,145,499 | $ 9,330,449 |
| Current portion of long-term debt | 19 | 4,010 | 38,904 |
| Trade accounts payable | | 9,086,008 | 9,315,568 |
| Due to related parties | 23 | 1,364,811 | 975,923 |
| Other accounts payable and accrued liabilities | | 1,646,357 | 3,024,702 |
| Provisions | 20 | 2,977,613 | 2,186,067 |
| Direct employee benefits | | 775,376 | 747,471 |
| Derivative financial instruments | 13 | 17,848 | 8,874 |
| Advances from customers | | 1,540,472 | 1,779,402 |
| Total current liabilities | | 20,557,994 | 27,407,360 |
| Non-current liabilities: | | | |
| Long-term debt | 19 | 5,733,362 | 5,043,693 |
| Deferred income taxes | 27 | 876,802 | 1,252,091 |
| Provisions | 16c | 1,297,021 | – |
| Other long-term liabilities | | 830 | 3,714 |
| Deferred revenue - Net | | – | 872 |
| Derivative financial instruments | 13 | 823,250 | 970,193 |
| Total non-current liabilities | | 8,731,265 | 7,270,563 |
| Total liabilities | | 29,289,259 | 34,677,923 |
| Stockholders' equity: | | | |
| Capital stock | 22 | 2,536,774 | 2,536,774 |
| Net stock issuance premium | | 879,092 | 879,092 |
| Retained earnings | | 45,264,844 | 35,291,538 |
| Other comprehensive income items | | 227,774 | 9,929 |
| Controlling interest | | 48,908,484 | 38,717,333 |
| Non-controlling interest | | 7,732,494 | 3,163,256 |
| Total consolidated stockholders' equity | 22 | 56,640,978 | 41,880,589 |
| Total liabilities and stockholders' equity | | $ 85,930,237 | $ 76,558,512 |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Profit or Loss and Other Comprehensive Income

As of December 31, 2013 and 2012
(In thousands of Mexican pesos, except for basic earnings per common share data)

| | Note | 2013 | 2012 |
|---|---|---|---|
| Continuing operations: | | | |
| Net sales | 24 | $ 85,870,545 | $ 83,315,882 |
| Cost of sales | 25 | 62,964,909 | 61,079,789 |
| Gross profit | | 22,905,636 | 22,236,093 |
| Sales and distribution expenses | 25 | 9,390,266 | 9,133,691 |
| Administrative expenses | 25 | 3,275,905 | 3,224,660 |
| Depreciation | 25 | 690,047 | 645,431 |
| Statutory employee profit sharing | | 225,344 | 208,190 |
| Gain on disposal of shares of associates | 16c | (7,588,664) | – |
| Other income, net | 26 | (364,538) | (78,644) |
| Interest expense | | 581,374 | 815,206 |
| Interest income | | (459,899) | (294,495) |
| Exchange gain | | (2,870,750) | (1,923,075) |
| Exchange loss | | 2,651,572 | 1,626,347 |
| Effects of valuation of derivative financial instruments | | (706) | (611,042) |
| Equity in income of associates | | (1,308,793) | (1,662,858) |
| Income before income taxes | | 18,684,478 | 11,152,682 |
| Income taxes | 27 | 3,721,708 | 2,921,694 |
| Income from continuing operations | | 14,962,770 | 8,230,988 |
| Discontinued operations: | | | |
| Income from discontinued operations, net | 28 | – | 5,782 |
| Consolidated net income for the year | | $ 14,962,770 | $ 8,236,770 |
| Other comprehensive income, net of income tax | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | $ 172,203 | $ (446,084) |
| Valuation of derivative financial instruments | | (27,456) | 2,255 |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Actuarial gain (losses) | | 71,440 | (148,191) |
| Share of other comprehensive income of associates | | 456 | 8,863 |
| Consolidated comprehensive income of the year | | $ 15,179,413 | $ 7,653,613 |
| Consolidated net income attributable to: | | | |
| Controlling interest | | $ 13,929,481 | $ 7,640,589 |
| Non-controlling interest | | 1,033,289 | 596,181 |
| | | $ 14,962,770 | $ 8,236,770 |
| Basic earnings per common share attributable to controlling interest: | | | |
| Continuing operations | | $ 6.083 | $ 3.337 |
| Discontinued operations | | – | 0.003 |
| Basic earnings per common share | | $ 6.083 | $ 3.340 |
| Weighted average number of shares (‘000) | | 2,289,802 | 2,289,877 |
| Consolidated comprehensive income attributable to: | | | |
| Controlling interest | | $ 14,147,326 | $ 7,083,273 |
| Non-controlling interest | | 1,032,087 | 570,340 |
| | | $ 15,179,413 | $ 7,653,613 |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2013 and 2012
(In thousands of Mexican pesos)

| | Capital stock | Net stock issuance premium | Retained earnings | Translation effects of foreign operations |
|---|---|---|---|---|
| Consolidated balances as of January 1, 2012 | $ 2,535,478 | $ 879,092 | $ 32,394,029 | $ 659,242 |
| Capital stock repurchase | 1,296 | – | (60,890) | – |
| Cash dividends declared | – | – | (1,373,881) | – |
| Dividends paid to non-controlling interest | – | – | – | – |
| Decrease in non-controlling interest due to stock purchase (Note 2f) | – | – | (3,308,309) | – |
| Balances before comprehensive income | 2,536,774 | 879,092 | 27,650,949 | 659,242 |
| Consolidated comprehensive income of the year | – | – | 7,640,589 | (420,774) |
| Consolidated balances as of December 31, 2012 | 2,536,774 | 879,092 | 35,291,538 | 238,468 |
| Cash dividends declared | – | – | (10,762,042) | – |
| Dividends paid to non-controlling interest | – | – | – | – |
| Increase in non-controlling interest due to stock issuance (Note 2e) | – | – | 6,834,440 | – |
| Decrease in non-controlling interest due to stock purchase | – | – | (28,573) | – |
| Balances before comprehensive income | 2,536,774 | 879,092 | 31,335,363 | 238,468 |
| Consolidated comprehensive income of the year | – | – | 13,929,481 | 172,959 |
| Consolidated balances as of December 31, 2013 | $ 2,536,774 | $ 879,092 | $ 45,264,844 | $ 411,427 |

See accompanying notes to consolidated financial statements.

| Valuation of derivative financial instruments | Actuarial losses | Share of other comprehensive income of associates | Total controlling interest | Non-controlling interest | Total stockholders' equity |
|---|---|---|---|---|---|
| $ (30,815) | $ (85,858) | $ 24,676 | $ 36,375,844 | $ 7,388,151 | $ 43,763,995 |
| – | – | – | (59,594) | – | (59,594) |
| – | – | – | (1,373,881) | – | (1,373,881) |
| – | – | – | – | (1,241,637) | (1,241,637) |
| – | – | – | (3,308,309) | (3,553,598) | (6,861,907) |
| (30,815) | (85,858) | 24,676 | 31,634,060 | 2,592,916 | 34,226,976 |
| 2,950 | (148,355) | 8,863 | 7,083,273 | 570,340 | 7,653,613 |
| (27,865) | (234,213) | 33,539 | 38,717,333 | 3,163,256 | 41,880,589 |
| – | – | – | (10,762,042) | – | (10,762,042) |
| – | – | – | – | (757,796) | (757,796) |
| – | – | – | 6,834,440 | 4,327,430 | 11,161,870 |
| – | – | – | (28,573) | (32,483) | (61,056) |
| (27,865) | (234,213) | 33,539 | 34,761,158 | 6,700,407 | 41,461,565 |
| (27,467) | 71,897 | 456 | 14,147,326 | 1,032,087 | 15,179,413 |
| $ (55,332) | $ (162,316) | $ 33,995 | $ 48,908,484 | $ 7,732,494 | $ 56,640,978 |

# Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012
(In thousands of Mexican pesos)

| | 2013 | 2012 |
|---|---|---|
| Cash flows from operating activities: | | |
| Consolidated net income | $ 14,962,770 | $ 8,236,770 |
| Adjustments not requiring (providing) cash: | | |
| Income tax recognized in earnings | 3,721,708 | 2,921,694 |
| Depreciation | 1,530,204 | 1,345,079 |
| Amortization | 3,232 | 86,958 |
| Gain on sale of property, machinery and equipment | (1,597) | (9,453) |
| Equity in income of associated companies | (1,308,793) | (1,662,858) |
| Interest income | (459,899) | (294,495) |
| Interest expense | 581,374 | 815,206 |
| Gain on disposal of shares of associates | (7,588,664) | – |
| Exchange gain from financing | (32,595) | (30,270) |
| Other items | 542,460 | (318,940) |
| | 11,950,200 | 11,089,691 |
| Items related to operating activities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (2,241,581) | (1,685,085) |
| Due from related parties | (889,187) | (608,496) |
| Inventories | 93,538 | (831,454) |
| Prepaid expenses | 315,048 | (191,309) |
| Real estate inventories | (395,605) | 153,708 |
| Other assets | 831,202 | 6,795 |
| Increase (decrease) in: | | |
| Trade accounts payable | (229,560) | 649,842 |
| Due to related parties | 388,888 | (41,129) |
| Other liabilities | 1,062,812 | 296,818 |
| Income taxes paid | (5,097,420) | (1,697,217) |
| Derivative financial instruments | (115,752) | 670,322 |
| Net cash flows provided by operating activities | 5,672,583 | 7,812,486 |
| Cash flows from investing activities: | | |
| Purchase of investments in securities held for trading | (1,026,801) | (1,169,273) |
| Sale of investments in securities held for trading | 1,013,038 | 1,177,065 |
| Purchase of property, machinery and equipment | (2,361,218) | (1,791,312) |
| Proceeds from sale of property, machinery and equipment | 68,171 | 451,242 |
| Intangible assets | (230,088) | (141,513) |
| Interest received | 459,899 | 294,495 |
| Dividends received | 761,335 | 347,662 |
| Long-term accounts receivable | 23,610 | 69,399 |
| Sale of shares in associates | 7,858,665 | 8,596 |
| Acquisition of shares in subsidiaries and associates | (293,922) | (182,625) |
| Net cash flows provided by (used in) investing activities | 6,272,689 | (936,264) |
| Cash flows from financing activities: | | |
| Borrowings | 8,556,225 | 13,228,313 |
| Payment of borrowings and long-term debt | (14,053,805) | (9,552,967) |
| Interest paid | (587,349) | (808,420) |
| Dividends paid | (11,513,922) | (2,615,518) |
| Capital stock repurchase | – | (59,594) |
| Proceeds from issuance of shares by our subsidiary | 11,348,631 | – |
| Expenses related to the issuance of shares by our subsidiary | (186,761) | – |
| Acquisition of non-controlling interest | (61,056) | (6,861,907) |
| Net cash flows used in financing activities | (6,498,037) | (6,670,093) |
| Effects of exchange rate changes on cash and cash equivalents | 7,178 | (114,072) |
| Net decrease in cash and cash equivalents | 5,454,413 | 92,057 |
| Cash and cash equivalents at beginning of the year | 4,981,463 | 4,889,406 |
| Cash and cash equivalents at end of the year | $ 10,435,876 | $ 4,981,463 |

See accompanying notes to consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012
(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

## 1. Activities

Grupo Carso, S.A.B. de C.V. ("Grupo Carso") and Subsidiaries (the "Entity") is a holding entity with a duration of 99 years that maintains investments in the shares of a group of companies that operate in the industrial, retail and infrastructure and construction sectors. Grupo Carso is domiciled in Lago Zurich 245, sixth floor, Colonia Ampliación Granada, Mexico City, Postal Code 11529.

## 2. Significant events for the year

a. On December 16, 2013 the subsidiary Tenedora de Empresas de Materiales de Construcción, S.A. de C.V. acquired shares representing 10% of the variable common stock Grupo Cuprum, S.A.P.I. de C.V. for $291,938.

b. On December 26, 2013, the Entity acquired 12.13% of the shares of Geoprocesados, S. A. de C. V., a minority stockholder of Tabasco Oil Company LLC (TOC), for the amount of US$ 5,000, equal to $64,804, thereby increasing its equity investment to 82.13% of the voting stock of TOC at year end.

c. On September 30, 2013, Grupo Carso sold to Philip Morris International, INC. ("PMI") the remaining 20% of its equity investment in Philip Morris México, S. A. de C. V. (PMM), a subsidiary of PMI engaged in the tobacco business in Mexico. The sales price was US$ 703 million and is subject to a potential adjustment process reflecting the performance of PMM during the three-year period that will end in 2015, two years after the transaction closing.

d. On April 23, 2013, the subsidiary Operadora CICSA, S.A. de C.V. executed a lease contract, without a purchase option, with Pemex Exploración y Producción (PEP) for a jack-up marine drilling platform known as "Independencia 1", which was the first built in Mexico by the company. The contract includes comprehensive platform maintenance services and will be utilized by PEP to drill oil wells in the Mexican waters of the Gulf of Mexico. The contract was executed for an amount of up to US$ 415 million over a seven-year period.

   Based on this contract, the Entity has entered this business activity, thereby increasing its participation in the oil industry, in which it already has well drilling businesses. It is also engaged in the design and manufacture of specialized platforms and equipment, pipeline engineering and construction.

e. On February 8, 2013, the subsidiary Grupo Sanborns, S.A.B. de C.V. (Grupo Sanborns) made a public offering of its common stock in the amount of $11,348,631 in Mexico and abroad. Of this amount, 40.5% was placed on foreign markets, with the remaining 59.5% placed in Mexico. Considering over-allotment, this placement involved 17.2% of Grupo Sanborns' common stock. The proceeds received by this offering will be primarily used to fund the expansion plan and remodel the main formats of Grupo Sanborns (Sears, Sanborns and iShop), and for other corporate purposes such as the repayment of financing and working capital. This transaction increased the net premium derived from the placement of the shares of Grupo Sanborns which the Entity recorded for the amount of $6,834,440 as part of its retained earnings, together with a noncontrolling equity increase of $4,327,430, both of which were recorded in the accompanying 2013 statement of changes in stockholders' equity.

f. On January 12, 2012, the Entity made a Public Offering (the "Offering") for the acquisition of up to $6,793,779, equal to 828,509,610 ordinary no par value Series B-1 shares which represented 32.82% of the common stock of its subsidiary, Carso Infraestructura y Construcción, S.A. de C.V. (CICSA), an entity listed with the Mexican Stock Exchange (BMV). Through the Offering, which expired on February 10, 2012, Grupo Carso acquired 32.71% of the noncontrolling interest in and increased its holding to 99.92 of the outstanding shares of CICSA, thereby resulting in its delisting from the BMV. This transaction resulted in a charge to retained earnings of $3,308,309, together with a decrease in noncontrolling interest in the amount of $3,553,598.

g. The subsidiary, Tenedora de Empresas de Materiales de Construcción, S.A. de C.V. made two equity contributions in Elementia, S.A. de C.V. as follows: on July 31, 2012, it acquired 822,620 Series B-L shares for the amount of $267,971 and on December 28, 2012, it acquired an additional 822,620 Series B-L shares for the amount of $267,971.

## 3. Basis of presentation

a. New and revised International Financial Reporting Standards (IFRS's) affecting amounts reported and/or disclosures in the financial statements
   In the current year, the Entity has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

   Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
   The Entity has applied the amendments to IFRS 7 Disclosures – *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

   The amendments to the IFRS 7, have been applied retrospectively. As the Entity does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

### New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Entity has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 e IFRS 12 regarding the transitional guidance.

The impact of the application of these standards is set out below.

### Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in IAS 28 (as revised in 2011).

IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures.

The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The accounting change related to the investment in the companies denominated: Infraestructura y Saneamiento Atotonilco, S.A. de C.V. and Constructora MT de Oaxaca, S.A. de C.V., joint-controlled entities of CICSA, was applied according to the respective transitional provisions of IFRS 11. The comparative figures of 2012 were restated to reflect the accounting change applied to the investments. In order to apply the equity method, the initial investment at January 1, 2012 is measured as the sum of the book values of the assets and liabilities that the Entity had previously consolidated according to the proportional consolidation method. Furthermore, the Entity's management evaluated the impairment of the initial investment at January 1, 2012 and concluded that there was no impairment loss. The effect of applying IFRS 11 was not material for the Entity.

### Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. (Please see notes 14c and 16 for details)

### IFRS 13 Fair Value Measurement

The Entity has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Entity has not made any new disclosures required by IFRS 13 for the 2012 comparative period Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

### Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Entity has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### 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]
Amendments to IFRS 9 and IFRS 7, Mandatory Effective Date of IFRS 9 and Transition Disclosures [3]
Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities [1]
Amendments to IAS 32, – Offsetting Financial Assets and Financial Liabilities [1]

1 Effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.
3 Effective for annual periods beginning on or after January 1, 2016, 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 amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

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. 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 (loss) income.

- 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.

The Entity's management anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Entity's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

### Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

The Entity's management does not anticipate that the investment entities amendments will have any effect on the Entity's consolidated financial statements as the Entity is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The Entity's management does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Entity's consolidated financial statements as the Entity does not have any financial assets and financial liabilities that qualify for offset.

## 4. Significant accounting polices

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards released by IASB.

b. Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for certain long-term non-monetary assets and financial instruments which were recognized at fair value upon transition to IFRS. Historical cost is generally measured as the fair value of the consideration received for the assets. The consolidated financial statements are prepared in pesos, the legal currency of the United Mexican States and are presented in thousands, except as noted otherwise.

i. Historical cost

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

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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

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 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.

c. Basis of consolidation - The consolidated financial statements incorporate the financial statements of the Grupo Carso and its subsidiaries controlled by it. Control is achieved when the Grupo Carso:

- 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 its returns.

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

- The size of the Grupo Carso holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Grupo Carso, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Grupo Carso 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 Grupo Carso, 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 from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Net income 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.

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

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.

The ownership percentages over the capital stock of its subsidiaries as of December 31, 2013 and 2012 are shown below:

| Subsidiary | Country of incorporation and operations | Activity | Ownership % December 31, 2013 | Ownership % December 31, 2012 |
|---|---|---|---|---|
| Carso Infraestructura y Construcción, S.A. de C.V. and subsidiaries ("CICSA") | Mexico, Central America and South America | Performance of several branches of engineering, including: oil well drilling and oil rig construction projects and all types of civil, industrial and electromechanical projects and facilities; construction and maintenance of highways, water pipes, water treatment plants and hydroelectric stations; housing construction; and installation of telecommunication and telephone networks. | 99.93 | 99.92 |
| Grupo Condumex, S.A. de C.V. and subsidiaries ("Condumex") | Mexico, U.S.A., Central America, South America and Spain | Manufacture and sale of cable products used in the construction, automotive, energy and telecommunications industries; manufacture and sale of copper and aluminum products and sale of automotive parts. | 99.58 | 99.57 |
| Grupo Sanborns, S.A.B. de C.V. and subsidiaries ("Sanborns") | Mexico, El Salvador and Panama | Operation of department stores, gift shops, record stores, restaurants, cafeterias and management of shopping malls through the following commercial brands, principally: Sanborns, Sears, Saks Fifth Avenue, Mix-up and iShop. | 82.77 | 99.98 |
| Industrial Cri, S.A. de C.V. and subsidiaries ("Industrial Cri") | Mexico | Holding of shares of companies in the following sectors: installation and maintenance of telephone stands, makers of all types of candies and manufacture of bicycles. In 2013 Industrial Cri was absorbed through a merger by Condumex. | – | 100.00 |
| Carso Energy, S.A. de C.V. and subsidiary | Mexico and Colombia | Holding of shares of companies in the sector of exploration and production of oil, gas and other hydrocarbons. | 100.00 | 100.00 |

i. Changes in the Entity ownership interests in existing subsidiaries

Changes in the Entity 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 Grupo Carso.

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.

d. Cash and cash equivalents- Consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash or with a maturity of three months upon its acquisition and are subject to insignificant value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in results of the period. Cash equivalents are represented by money market funds and short-term bank investments in pesos and U.S. dollars.

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

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

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Entity's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

f. Goodwill - The goodwill arising from a business combination are recognized at historical cost as an asset at the date that control is acquired (the acquisition date), less impairment losses recognized, if any. Goodwill is the excess of the consideration transferred the amount of any non-controlling interest in the acquired over the fair value of the acquirer's interest in the equity of the acquired and / or on the net at the date of acquisition identifiable assets acquired and liabilities assumed.

When the fair value of the identifiable net assets acquired exceeds the sum of the consideration transferred, the amount of such excess is recognized in earnings as a gain on purchase.

Goodwill is not amortized and is subject to annual impairment testing. For purposes of impairment testing, goodwill is allocated to each cash-generating unit for which the Entity expects to obtain benefits. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of unit, proportionately, based on the carrying amount of each asset in the unit. The impairment loss recognized for goodwill purposes cannot be reversed in a subsequent period.

When a subsidiary is disposed-off, the amount attributable to goodwill is included in determining the gain or loss on the disposal.

g. Investments in associates and joint ventures - An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Entity's share of losses of an associate or a joint venture exceeds the Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate or joint venture), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets as* a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Entity reduces its ownership interest in an associate or a joint venture but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

h. Revenue recognition - Revenue is measured at the fair value of the consideration received or receivable considering the amount of sales returns, discounts and other similar discounts or rebates. Revenues are recognized based on the criteria below:

- Sale of goods - The sale of goods is recognized when the inherent risks and rewards are transferred to the customer, provided the respective income can be reliably measured, it is likely that the Entity will receive the economic benefits associated with the transaction, the costs that have been or will be incurred to perform the transaction can be reliably measured, the Entity is not continuously involved in the ownership of the goods and does not retain effective control over them. Generally, revenues recognition coincides with the date on which the goods are delivered and ownership is legally transferred to the customer.

- Finance income on credit sales - Finance income on credit sales recognized when it is accrued and is generated by credit card transactions (Sanborns, Sears, Saks, Dorian's, Mixup and Corpti).

- Services - Provided are recognized when the service is rendered.

- Rentals - Is recognized on a straight-line basis as lease services are provided and maintenance fees are collected; these amounts are recognized throughout the period of the lease contract from which they are derived.

– Construction contracts - When can be estimated reliably the results of a construction contract revenue is recognized using the percentage-of-completion method based on costs incurred, taking into account the expected costs and revenues at the end of the project, as the activity takes place. Changes in the performance of work, and estimated profit, including those that may arise for prizes conclusion derived from projects in advance, contractual penalties and final agreements in contracts, are recognized as income in the periods in which revisions are made or approved by customers.

  Under different contracts, recognized revenues do not necessarily reflect the amounts billable to customers. Management periodically evaluates the fairness of its accounts receivable. In those cases in which the recovery of these amounts entails certain difficulties, additional allowances for doubtful accounts are created and applied to the results of the year in which they are determined. The estimate prepared for this reserve is based on management's judgment and also considers prevailing circumstances when it is determined.

  Contract costs include labor, raw materials, subcontractor, project startup and indirect costs. The Entity periodically evaluates the fairness of the estimates used to determine the work completion percentage. If, as a result of this evaluation, the Entity considers that the estimated costs to be incurred until project conclusion exceed expected revenues, a provision is recognized for the estimated losses of the period in question. In the case of works projects financed by the Entity in which the contract value includes work execution and financing revenues, the net financial expense (income) needed for project development forms part of the respective contract costs, which are recognized in results based on project work completion. In this type of contract, the total project amount can be collected from the customer until the termination date by submitting periodic project work completion reports for the customer's approval, which enable the Entity to obtain project financing when required.

– Changes to construction contracts - Are recognized when the amount can be reliably quantified and there is reasonable evidence of approval by the customer. Revenues are recognized when claims can be measured reliably and when, derived from progress in the negotiations, there is reasonable evidence that the client will accept your payment.

– Infrastructure concessions - Revenues from the operation of concession projects are recognized as concession service revenue in accordance with the respective recognition and measurement criteria. Normally, the prices for the service provided under concession agreements are regulated by the grantor. Changes in tariffs are not recognized until the date such changes enter into effect.

– Revenues from real property developments - Are recognized on the date when the public deed is granted for the respective housing, when the rights, rewards and obligations derived from the real property are transferred to the buyer and when at least 20% of the agreed price has been received. If any uncertainty exists as regards future collections, revenues are recorded as they are generated. In those cases for which there are indications of recovery difficulties, additional allowances for doubtful accounts are created, thereby affecting the results of the year in which they are determined.

– Dividends and interests - Dividend income from other investments is recognized once the right of shareholders to receive this payment has been established (when it is probable that the economic benefits will flow to the Entity and that the income can be reliably valued).

  Interest income derived from financial assets is recognized when accrued, when it is likely that the Entity will receive the respective economic benefits and when these amounts can be reliably valued. Interest income is primarily generated by the operation of credit cards in department stores.

i. Loyalty programs for customers - Awards are accounted for as a separate component of the initial sale transaction, measured at their fair value and recognized as deferred income in the statement of financial position, within other accounts payable and accrued liabilities. Deferred revenue is recognized in income once the award is redeemed or expires.

j. Leasing - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

   Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

   Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Entity's general policy on borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

k. Foreign currencies - In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 11c. below for hedging accounting policies)
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Entity losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Entity losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

The functional and recording currency of Grupo Carso and all of its subsidiaries is the Mexican peso, except for foreign subsidiaries whose functional and recording currency are as shown below:

| Company | Currency in which transactions are recorded | Functional currency |
|---|---|---|
| Cablena, S.A. | Euro | Euro |
| Cablena do Brasil, Limitada | Real | Real |
| Carso Construcción de Costa Rica, S.A. | Colon | Colon |
| Cicsa Colombia, S.A. | Colombian Peso | Colombian Peso |
| Carso Construcción de Dominicana, S. de R.L. (antes Cicsa Dominicana, S.A.) | Dominican Peso | Dominican Peso |
| Cicsa Ingeniería y Construcción Chile Ldta, S. de R.L. | Chilean Peso | Chilean Peso |
| Tabasco Oil Company, LLC, sucursal en Colombia | Colombian Peso | US Dollar |
| Cicsa Jamaica Limited | Jamaican dollar | Jamaican dollar |
| Cicsa Perú, S.A.C. | New Sol | New Sol |
| Cobre de México, S.A. de C.V. | Peso | US Dollar |
| Servicios Integrales GSM, S. de R.L. de C.V. | Peso | US Dollar |
| Bronco Drilling MX, S.A. de C.V. | Peso | US Dollar |
| Arcomex, S.A. de C.V. | Peso | US Dollar |
| Arneses Eléctricos Automotrices, S.A. de C.V. | Peso | US Dollar |
| Condumex Inc. | US Dollar | US Dollar |
| Condutel Austral Comercial e Industrial, Limitada | Chilean Peso | Chilean Peso |
| Cometel de Centroamérica, S.A. | Quetzal | Quetzal |
| Cometel de Honduras, S.A. | Lempira | Lempira |
| Cometel de Nicaragua, S.A. | Cordoba | Cordoba |
| Cometel de Colombia, S.A.S. | Colombian Peso | Colombian Peso |
| Cordaflex, S.A. de C.V. | Peso | US Dollar |
| Cupro do Brasil, Limitada | Real | Real |
| Grupo Sanborns Internacional, S.A. (Panamá) | US Dollar | US Dollar |
| Nacel de Centroamérica, S.A. | Quetzal | Quetzal |
| Nacel de Honduras, S.A. | Lempira | Lempira |
| Nacel de Nicaragua, S.A. | Cordoba | Cordoba |
| Nacel de El Salvador, S.A. | US Dollar | US Dollar |
| Procisa Ecuador, S.A. | US Dollar | US Dollar |
| Procisa do Brasil Projetos, Constructores e Instalaciones, Ltd. | Real | Real |
| Procosertel, S.A. | Argentine peso | Argentine peso |
| Procosertel Uruguay, S.A. | Uruguayan peso | Uruguayan peso |
| Corporación de Tiendas Internacionales, S.A. de C.V. (El Salvador) | US Dollar | US Dollar |
| Carso Construcción de Puerto Rico, L.L.C. | US Dollar | US Dollar |
| Procisa, S.A.S. | Colombian Peso | Colombian Peso |

The entities listed above are considered foreign operations under IFRS.

l. Borrowing costs - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Government grants - Government grants are not recognized until there is reasonable assurance that the Entity will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Entity recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Entity should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Entity with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

n. Employee retirement benefits and statutory employee profit sharing (PTU)- Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The seniority premium liability for all personnel, non-union personnel pensions and retirement payments treated as pensions are considered in defined benefit plans. The cost of these benefits is determined by using the projected unit credit method and the actuarial valuations prepared at the end of each reporting period. Actuarial gains and losses are immediately recognized in other comprehensive income net of deferred tax, based on the net asset or liability recognized in the consolidated statement of financial position, so as to reflect the over or underfunded status of employee benefit plan obligations. Similarly, past service costs are recognized in results when the plan is modified or when restructuring costs are incurred.

Retirement benefit obligations recognized in the statement of financial position represent the current value of the defined benefit obligation adjusted according to actuarial gains and losses and the past service costs, less the fair value of plan assets. When plan assets exceed the liabilities of the defined benefit plan, they are valued according to the lower of: i) the defined benefit plan surplus, and ii) the present value of any economic benefits derived from the plan and available as future plan contribution reimbursements or reductions.

Statutory employee profit sharing
PTU is recorded in the results of the year in which it is incurred.

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

1. Current tax

Current income taxes, calculated as the higher of the regular Mexican income tax ("ISR") or the Business Flat Tax ("IETU"), abrogated with effect from January 1, 2014, are recorded in the results of the year in which they are incurred.

Grupo Carso has the authorization of the Secretary of Finance and Public Credit in Mexico to prepare its income tax on a consolidated basis, which includes the proportional taxable income or loss of its Mexican subsidiaries, abrogated with effect from January 1, 2014. For its part, the tax provisions of the foreign subsidiaries are determined based on the taxable income of each individual entity.

2. Deferred income tax

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

As a consequence of the 2014 Tax Reform, as of December 31, 2013 deferred IETU is no longer recognized.

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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. Current and deferred tax

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.

4. Tax on assets

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

p. Inventories and cost of sale - Are stated at the lower of cost of acquisition and / or construction or net realizable value (estimated selling price less all costs to sell), as follows:

q. Industrial inventories, construction and commercial - Are valued using the first- in first-out and / or average cost methods depending on the activity of each entity; including the cost of materials, direct costs and an appropriate portion of fixed and variable overhead costs that are incurred in the production of inventory by the Entity. Impairments are reflected as reductions in the carrying amount of inventories.

r. Real estate inventories - Inventory of properties substantially completed are valued at the lower of cost or net realizable value. The land to be developed are tested for impairment if there are indications that its value will not be recoverable. The real estate inventory includes all direct costs of land, construction and other development and incurred during the development stage, as well as financing costs. The cost of real estate developments, including the ground, materials, subcontracts, and those indirect costs related to the property developments, such as indirect labor, purchases, repairs and depreciation. General and administrative costs are expensed as incurred.

In the event that the estimated total property development costs exceed the estimated total revenue, the expected loss is recognized through the income statement. Cost of sales of real estate inventories is determined and prorated based on total costs of the related projects.

The Entity classifies land as long-term inventories when sale is estimated to be completed after one year.

s. Property, plant and equipment - As of January 1, 2011, property, plant and equipment were valued at deemed cost (depreciated cost adjusted for an inflation index), or fair value determined through appraisals for certain items of property, machinery and equipment. Subsequent acquisitions are recorded at acquisition cost. Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets which are reviewed yearly; the effect of any change in the accounting estimate is recognized on a prospective basis. Depreciation of machinery and equipment in certain subsidiaries is calculated based on units produced during the period in relation to the total estimated production of the assets over their service lives.

| | Depreciation weighted average rate | % Residual values |
|---|---|---|
| Buildings and leasehold improvements | 1.4 a 10 | 5 y 10 |
| Machinery and equipment | 4.1 a 5 | |
| Vehicles | 25 | 5, 10 y 25 |
| Furniture and equipment | 5 a 12.8 | |
| Computers | 16.7 a 41.2 | |

Borrowing costs incurred during the period of construction and installation of qualifying property, machinery and equipment are capitalized.

The gain or loss on the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources received from sale and the carrying value of the asset, and is recognized in results.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Entity's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if your life is less, within the relevant lease.

t. Investment property - Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

u. Intangible assets - Intangible assets are recognized in the accompanying balance sheets only if they can be identified, provide future economic benefits and control exists over such assets. Intangible assets with an indefinite useful life are not amortized and the carrying value of these assets is subject to annual impairment testing, and intangible assets with a defined useful life are amortized systematically based on the best estimate of their useful life, determined in accordance with the expected future economic benefits. The useful life, residual value and amortization method are subject to annual impairment assessment; any change is recorded on a prospective basis.

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

Intangible assets recognized by the Entity mainly relate to costs incurred during the evaluation phase, which are capitalized as other assets during the exploration and evaluation of the Project, and are amortized on the straight-line basis over the useful life of the concession or of the Project, whichever is lower.

Plans and projects for environmental control are presented within other assets. The expenses that are made for this concept are applied to the provision for environmental remediation and the subsequent increase to such provision is debited to the net income of the year, only if it corresponds to present obligations or to other future obligations, in the year that they are determined.

v. Intangible assets a acquired in business combination - Intangible assets acquired in a business combination and recognized at their fair value at the acquisition date (which is regarded as their cost). Intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

In assessing value in use, the estimated cash flows future cash are discounted present value using a discount rate before tax that reflects current market valuations, the time value of money and the risks specific to the asset for which have not been adjusted future cash flows.

w. Impairment of tangible and intangible assets other than goodwill - At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When 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, but so that 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, 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.

- Provision to remedy environmental damage - The Entity has adopted environmental protection policies within the framework of applicable laws and regulations. However, due to their activities, the industrial subsidiaries, sometimes perform activities that adversely affect the environment. Consequently, the Entity implements remediation plans (which are generally approved by the competent authorities) that involve estimating the expenses incurred for this purpose.

  The estimated costs to be incurred could be modified due to changes in the physical condition of the affected work zone, the activity performed, laws and regulations, variations affecting the prices of materials and services (especially for work to be performed in the near future), as well as the modification of criteria used to determine work to be performed in the affected area, etc.

The fair value of a liability for asset retirement obligations is recognized in the period incurred. The liability is measured at fair value and is adjusted to its present value in subsequent periods, as expense is recorded. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's useful life.

- Restructurings - A restructuring provision is recognized when the Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

- Reserve for purchase of own shares - Purchases and sales of shares are recognized directly in reserve acquisition of treasury shares at cost of acquisition and placement respectively. Any gain or loss is recognized in the net stock issuance premium.

y. Financial instruments - Financial assets and financial liabilities are recognized when a group 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.

i. Financial assets -

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) 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. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

– Financial assets at FVTPL

Financial assets are classified as of FVTPL when the financial asset is either held for trading or it is designated as of FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as of FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the Entitying is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as of FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income (expenses) - Net' line item. Fair value is determined in the manner described in note 12.

– Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to maturity investments are measured at amortized cost using the effective interest method less any impairment.

- Financial assets classified as held for sale

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Entity that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Entity also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the Entity's management consider that fair value can be reliably measured). Fair value is determined in the manner described in note 12. The gains and losses generated by fair value changes are recognized in other comprehensive income and accrued in the investment revaluation reserve, while excluding impairment losses, interest calculated through the effective interest method and exchange losses and gains, which are recognized in results. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Entity's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

- Loans and receivables

Loans, accounts receivable from customers and other accounts receivable with fixed or determinable payments which are not traded on an active market are classified as loans and accounts receivable. Loans and accounts receivable are valued at their applied cost by using the effective interest method less any impairment. An allowance for bad debts is recognized in results when the Entity has objective evidence that accounts receivable are impaired. Interest income is recognized by applying the effective interest rate, while excluding short-term accounts receivable when interest recognition is insignificant.

- Effective interest rate method

Is a method for calculating the applied cost of a financial instrument and assigning income or financial cost throughout the period in question. The effective interest rate is the rate used to discount estimated future cash flows (including all fees and basis points paid or received and which form an integral part of the effective interest rate, transaction costs and other premiums or discounts during the expected life of the financial instrument (or, when appropriate, during a shorter period) based on the initially recognized net book value of the financial asset or liability.

Interest is recognized based on the effective interest rate for debt instruments other than financial assets classified as FVTPL.

- Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

– Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Entity retains an option to repurchase part of a transferred asset), the Entity allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

ii. Financial liabilities and equity instruments

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

Equity Instruments - An equity instrument is any contract that evidences a residual interest in the assets of an entity. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issuance costs.

Repurchase of the Entity's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

Financial liabilities - Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

iii. Other financial liabilities

Other financial liabilities including loans are initially valued at their fair value, net of transaction costs. They are subsequently valued at their applied cost by using the effective interest rate method, while interest expenses are recognized on an effective return basis.

iv. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

z. Derivative financial instruments - The Entity enters into a variety of derivative financial instruments trading and hedging in order to manage its exposure to risk of: a) interest rate, b) rate debt and y c) metal prices. Further details of derivative financial instruments are disclosed in note 13.

When derivatives are entered into to hedge risks, and such derivatives meet all hedging requirements, their designation is documented at the beginning of the hedging transaction, describing the transaction's objective, characteristics, accounting treatment and how the effectiveness of the instrument will be measured.

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. The Entity designates certain derivatives either as fair value hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecasted transactions or foreign currency risk hedges of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a long-term asset or liability if the maturity date of the instrument is 12 months or more, and it is not expected to be realized or canceled within those 12 months. Other derivatives are presented as short-term assets and liabilities.

– Hedge accounting

The Entity designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

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

– Cash Flow Hedges

At the start of each hedge, the Entity documents the hedging relationship and objective, together with its risk management strategy. This documentation includes the manner in which the Entity will measure the effectiveness of the hedge with regards to offsetting changes to the fair value of the hedged item or the cash flow attributable to the hedged risk.

The Entity recognizes all assets and liabilities resulting from transactions involving derivative financial instruments at fair value in the statement of changes in financial position, regardless of its reason for holding these instruments. Fair value is determined based on the prices reported on recognized markets; however, when they are not quoted on a market, the Entity utilizes valuation techniques accepted by the financial sector. The decision to enter into an economic or accounting hedge is based on an analysis of market conditions and expectations concerning domestic and international economic scenarios.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "operating expenses".

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

– Fair value hedges

Changes in the fair value of derivatives that are designated and qualify 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 and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to 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. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

– Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the caption “other (income) expense”.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

The debt and equity instruments are classified as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

– Embedded derivatives

The Entity reviews its executed contracts to identify any embedded derivatives which must be separated from the host contract for valuation and accounting purposes. When an embedded derivative is identified in other financial instruments or other contracts (host contracts) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL with changes through income.

An embedded derivative is presented as a long-term asset or liability when the respective hybrid instrument will mature in 12 months or more and when is not expected to be realized or canceled during that 12-month period. Other embedded derivatives are presented as short-term assets or liabilities.

During the reporting period, the Entity did not enter into any fair value hedges for its net investment in foreign transactions or embedded derivatives.

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

bb. Earnings per share - (i) The basic earnings per common share is calculated by dividing the net consolidated profit attributable to the controlling interest by the weighted average of common outstanding shares during the year, and (ii) The basic profit per common share for discontinued operations is calculated by dividing the result for discontinued operations by the weighted average of common outstanding shares during the year.

## 5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity’s accounting policies, which are described in note 4, the Entity’s management are 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.

Critical accounting judgments and key sources of uncertainty in applying the estimations that may have a significant impact on the amounts recognized in the accompanying interim consolidated financial statements are as follows:

a. Inventory and accounts receivable allowances - The Entity use estimates to determine inventory and accounts receivable reserves. When calculating inventory reserves, the Entity considers production and sales volumes, as well as the demand for certain products. When determining the allowance for doubtful accounts, the Entity primarily considers the financial risk represented by each customer, unguaranteed accounts and significant collection delays based on established credit conditions.(See Notes 8 and 9 for further detail).

b. Property, plant and equipment - the Entity reviews the estimated useful lives of property, plant and equipment at the end of each reporting period, to determine the depreciation of these assets. Asset useful lives are defined according to the technical studies prepared by specialized internal personnel and with the participation of external specialists. During the years 2013 and 2012, based on detailed analysis of the Entity management modify the useful life of certain components of property, plant and equipment components. The level of uncertainty related to useful life estimates is also linked to market changes and asset utilization based on production volumes and technological development.

c. Investment property - The Entity prepares an annual valuation of investment property with the assistance of independent appraisers. The valuation techniques are based on different methods including physical inspection, market and income approaches; the Entity has utilized the physical inspection. The valuation methodology includes observable assumptions for properties which, while dissimilar, nonetheless involve the same geographic zones and commercial use. The Entity considers the highest and best use of its assets.

   The valuation techniques used by the Entity were not modified in 2013 and 2012. Entity management considers that the valuation methodologies and assumptions utilized are appropriate for determining the fair value of the Entity's investment properties.

d. Impairment of long-lived assets - The carrying value of noncurrent assets is reviewed to detect indications of impairment; i.e., if certain situations or changing circumstances indicate that carrying values may not be recoverable. If indications of impairment are detected, the Entity performs a review to determine whether the carrying value exceeds its recovery value and is impaired. When applying asset impairment tests, the Entity must estimate the value in use assigned to property, plant and equipment and cash generating units, in the case of certain assets. Value in use calculations require that the Entity determine the future cash flows produced by cash generating units, together with an appropriate discount rate for calculating present value. The Entity utilizes cash flow projections by estimating market conditions, prices, production and sales volumes.

e. Valuation of financial instruments - The Entity uses valuation techniques for its financial instruments which include information that is not always based on an observable market to estimate the fair value of certain financial instruments. Notes 11 y 12 contains detailed information on the key assumptions used to determine the fair value of the Entity's financial instruments, as well as an in-depth sensitivity analysis of these assumptions. Entity management considers that the valuation techniques and assumptions it has utilized are suitable for determining the fair value of its financial instruments.

f. Contingencies - As the Entity is involved in certain legal proceedings, it evaluates the probability of a payment obligation arising, accordingly, it considers the legal situation in effect at the estimate date and the opinion of its legal advisers; these evaluations are periodically reconsidered.

g. Employee benefits at retirement - The Entity uses assumptions to determine the best annual estimate of these benefits. Like the above assumptions, these benefits are jointly and annually determined in conjunction with independent actuaries. These assumptions include demographic hypotheses, discount rates, expected remuneration increases and future employee tenure, among other items. While the Entity considers that these assumptions are appropriate, any modification in this regard could affect the value of employee benefit assets (liabilities) and the statement of income and other comprehensive income of the period in which any such modification takes place.

h. Revenue recognition for construction contracts: When the results of a construction contract can be estimated reliably, revenue is recognized using the percentage-of-completion method based on costs incurred, taking into account the expected costs and revenues at the end of the project, as the activity takes place. Changes in the performance of work, and estimated yields, including those that may arise for incentives for early conclusion of the projects, contractual penalties and final agreements in contracts, are recognized as income in the periods in which revisions are made or approved by customers.

   In accordance with the terms of various contracts, revenue is recognized and not necessarily related to the actual amounts billable to customers. Management periodically evaluates the reasonableness of its receivables. In cases where there is evidence collection difficulty, additional allowances for doubtful accounts affecting income in the year they are determined are recognized. The estimate of the reserve is based on the best judgment of the Entity under the circumstances prevailing at the time of its determination.

## 6. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. 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:

| | 2013 | 2012 |
|---|---|---|
| Cash | $ 1,172,728 | $ 1,258,943 |
| Cash equivalents | | |
| Banking paper | 917,841 | 676,836 |
| Government paper | 2,837,547 | 1,961,267 |
| Certificates of deposit | 6,360 | – |
| Demand deposits in US$ | 586,375 | 765,400 |
| Bank notes | – | 230,000 |
| Current account investments | – | 70,064 |
| Daily investments of cash surpluses | 4,912,320 | 16,431 |
| Other | 2,705 | 2,522 |
| Total | $ 10,435,876 | $ 4,981,463 |

## 7. Investments in securities held to maturity

| | 2013 | 2012 |
|---|---|---|
| Fixed term investments | $ 117,627 | $ 103,864 |

At December 31, 2013 investment securities having the Bank are mainly represented by investments in fixed term denominated in euros, with monthly installments, with an average rate of 3%, which are valued at amortized cost less any existing impairment.

## 8. Accounts receivables

| | 2013 | 2012 |
|---|---|---|
| Clients | $ 14,146,050 | $ 13,701,578 |
| Allowance for doubtful accounts | (486,945) | (483,960) |
| | 13,659,105 | 13,217,618 |
| Work completed pending certification | 4,513,993 | 3,199,975 |
| Sundry debtors | 165,193 | 178,668 |
| Recoverable income tax | 119,409 | – |
| IETU | 165,182 | 214,883 |
| Other recoverable taxes | 58,188 | 146,581 |
| Other | 737,573 | 169,046 |
| | $ 19,418,643 | $ 17,126,771 |

a. Clients

The Entity offers sales promotions through which it grants credit to its customers for different periods which, on average, are 203 and 206 days at December 31, 2013 and 2012, respectively. In the case of sales promotions with collection periods exceeding one year, the respective accounts receivable are classified as short-term because they form part of the Entity's regular transaction cycle, which is a common industry practice. Maturities exceeding one year are $1,117,653 and $703,131 at December 31, 2013 and 2012, respectively.

The average credit period of revenues derived from the cable, electronics, auto and corporate sectors is 30 and 60 days; interest is not charged.

Given the nature and diversity of project development periods, there is no average credit period for the operation of the infrastructure and construction sector; interest is not charged. The Entity does not maintain any collateral or other credit enhancements as regards these balances; similarly, it does not have the legal right to offset them against amounts owed to the counterparty.

b. Past due but not impaired

Accounts receivable from customers include amounts that are overdue at the end of the reporting period and for which the Entity has not recognized an allowance for bad debts as there has been no significant change in the customer's credit rating and the amounts in question are still deemed to be recoverable. A summary of customer accounts receivable which are overdue, but are not considered impaired is detailed below:

| | 2013 | 2012 |
|---|---|---|
| 1 to 30 days | $ 1,841,226 | $ 1,618,593 |
| 31 to 60 days | 902,693 | 429,651 |
| 61 to 90 days | 407,007 | 224,460 |
| Past due more than 90 days | 1,218,439 | 1,248,599 |
| Total | $ 4,369,365 | $ 3,521,303 |

The Entity carries out certain procedures to follow up on customers' compliance with payments for which collateral was not provided and which only have guarantors. According to the Entity's policies, if customer payments are delayed, the respective credit line is suspended for future purchases. Similarly, in the event of more significant delays, the Entity implements out-of-court and legal measures to recover the outstanding balance. However, if such measures are unsuccessful, the respective credit line and account are canceled. The Entity has recognized an allowance for doubtful accounts equal to 100% of all uncollectible accounts receivable.

c. The allowance for doubtful accounts is a follows:

| | 2013 | 2012 |
|---|---|---|
| Receivables for sales of construction services | $ (85,624) | $ (59,092) |
| Receivables for sales of property and retail services | (328,687) | (328,045) |
| Customers by selling property and industrial services | (72,634) | (96,823) |
| | $ (486,945) | $ (483,960) |

d. Reconciliation of the allowance for doubtful accounts is presented below:

| | 2013 | 2012 |
|---|---|---|
| Beginning balance | $ (483,960) | $ (427,278) |
| Period accrual | (313,747) | (350,575) |
| Write offs and cancelations | 310,762 | 293,893 |
| Ending balance | $ (486,945) | $ (483,960) |

e. Work completed pending certification

| | 2013 | 2012 |
|---|---|---|
| Costs incurred on uncompleted contracts | $ 15,650,595 | $ 15,031,441 |
| Estimated earnings | 3,167,627 | 2,501,884 |
| Revenue recognized | 18,818,222 | 17,533,325 |
| Less: Certifications to date | (13,541,497) | (13,873,694) |
| Less: Advances received | (762,732) | (445,484) |
| Less: Work completed pending certification long-term | – | (14,172) |
| Work completed pending certification | $ 4,513,993 | $ 3,199,975 |

## 9. Inventories

| | 2013 | 2012 |
|---|---|---|
| Raw materials and auxiliary materials | $ 2,873,307 | $ 3,027,602 |
| Production-in-process | 545,935 | 773,486 |
| Finished goods | 989,082 | 1,050,285 |
| Merchandise in stores | 8,970,969 | 8,762,282 |
| Land and housing construction in progress | 204,291 | 628,074 |
| Allowance for obsolete inventories | (518,589) | (515,419) |
| | 13,064,995 | 13,726,310 |
| Merchandise in-transit | 836,172 | 642,916 |
| Replacement parts and other inventories | 425,312 | 455,767 |
| | $ 14,326,479 | $ 14,824,993 |

At December 31, 2013 and 2012, inventories written off directly to results in administrative expenses and/or other expenses amount to $32,643 and $83,552, respectively.

In the case of the retail sector, the Entity uses two estimates to determine potential inventory impairment losses; one of these is utilized for obsolete and slow-moving inventories, while the other is used for goods shrinkage.

The estimate for obsolescence and slow-moving inventories is determined based on prior-year experience by store and department, the displacement of goods on the market, their utilization at different locations, fashions and new product models. The Entity analyzes the possibility of increasing this reserve when goods have insufficient displacement and until such time as the entire cost is classified as an impairment loss.

The goods shrinkage estimate is determined based on the Entity's experience and the results of cyclical physical inventory counts. The Entity adjusts these inventories according to the variable shrinkage percentages of different stores.

A reconciliation of the allowance for obsolete, slow moving and missing inventories is presented below:

| | 2013 | 2012 |
|---|---|---|
| Beginning balance | $ (515,419) | $ (395,772) |
| Period accrual | (179,121) | (167,930) |
| Write offs and cancelations | 175,951 | 48,283 |
| Ending balance | $ (518,589) | $ (515,419) |

## 10. Backlog

A reconciliation of backlog at December 31, 2013 and 2012 as follows:

| | Total |
|---|---|
| Balance at January 1, 2012 | $ 11,709,636 |
| New contracts and changes 2012 | 27,156,956 |
| Less: Income 2012 | (16,638,510) |
| Balance at December 31, 2012 | 22,228,082 |
| New contracts and changes 2013 | 13,954,166 |
| Less: Income 2013 | (18,821,102) |
| Balance at December 31, 2013 | $ 17,361,146 |

## 11. Financial risk management

The Entity is exposed to market, operating and financial risks as a result of its use of financial instruments, these include interest rate, credit, liquidity and exchange rate risks, which are managed in a centralized manner by the corporate treasury. The Entity seeks to minimize its exposure to these risks by contracting hedges based on derivative financial instruments. The use of financial derivatives is governed by the Entity policies approved by the board of directors, which provide written principles of recruiting them. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

The different financial instrument categories and amounts at December 31, 2013 and 2012, are detailed below:

| | 2013 | 2012 |
|---|---|---|
| Financial assets | | |
| Cash and cash equivalents | $ 10,435,876 | $ 4,981,463 |
| At amortized cost: | | |
| • Held-to-maturity financial assets | 117,627 | 103,864 |
| Measured at fair value: | | |
| • Derivative financial instruments | 255,585 | 304,552 |
| Accounts receivable in the short and long term, Net | 19,478,205 | 17,209,943 |
| Due from related parties | 3,164,341 | 2,275,154 |
| Financial liabilities | | |
| At amortized cost: | | |
| • Loans with financial institutions and long-term debt | $ 8,882,871 | $ 14,413,046 |
| • Payables to suppliers | 9,086,008 | 9,315,568 |
| • Due to related parties | 1,364,811 | 975,923 |
| • Other payables, accrued liabilities and long-term provisions | 2,943,378 | 3,024,702 |
| Measured at fair value: | | |
| • Derivative financial instruments | 841,098 | 979,067 |

The Board of Directors establishes and monitors the policies and procedures used to measure risks, which are described below:

a. Capital risk management - The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of the balances of debt and equity. The capital structure of the Entity is composed by its net debt (mainly the bank loans, in and debt securities detailed in Note 19) and stockholders' equity (issued capital, capital reserves, retained earnings and non-controlling equity detailed in Note 22). The Entity is not subject to any kind of capital requirement.

Management reviewed monthly its capital structure and borrowing costs and their relation to EBITDA (defined in this case as earnings before taxes, interest, exchange rate fluctuations, valuation of derivative financial instruments, depreciation and amortization) in connection with the preparation of financial projections as part of the business plan submitted to the Board of Directors and shareholders. The Entity's policy is to maintain a net debt ratio of no more than three times EBITDA, determined as the ratio of net debt to EBITDA of the last 12 months.

The net debt ratio of the Entity is presented below:

| | 2013 | 2012 |
|---|---|---|
| Loans with financial institutions and other | $ 8,882,871 | $ 14,413,046 |
| Due to related parties | 1,364,811 | 975,923 |
| Cash and cash equivalents | (10,435,876) | (4,981,463) |
| Held-to-maturity financial assets | (117,627) | (103,864) |
| (Cash surplus) Net debt with financial institutions and / or related parties | (305,821) | 10,303,642 |
| EBITDA | 18,600,636 | 10,534,802 |
| Net debt ratio | (0.02) | 0.98 |
| EBITDA | $ 18,600,636 | $ 10,534,802 |
| Interest on debt | 581,374 | 815,206 |
| Interest Coverage Ratio | 31.99 | 12.92 |

b. Interest rate risk management - The Entity is exposed to interest rate risks from customer loans and financial debt contracted at variable rates. The Entity has short-term loans primarily for working capital and in some cases has long-term loans that are intended for certain projects whose completion will meet their obligations, and in some cases, depending on the proportion of short-term debt and long term, are contracted interest rate hedges (swap contracts).Hedging activities are regularly evaluated to ensure that they are properly aligned with interest rates and the respective risks and to facilitate the application of more profitable hedge strategies. Hedge contracts are detailed in Note 13.

The Entity's exposure to interest rate risks is primarily based on the Mexican Interbank Equilibrium Offered rate (TIIE) applicable to financial liabilities and its customer portfolio. Accordingly, it periodically prepares a sensitivity analysis by considering the cost of the net exposure from its customer portfolio and financial liabilities derived that earn and bear interest at variable interest rates; it also prepares an analysis based on the amount of outstanding credit at the end of the period.

If benchmark interest rates had increased and/or decreased by 100 basis points in each reporting period and all other variables had remained constant, the pretax profit of 2013 and 2012 would have increased or decreased by approximately $54,217 and $68,689, respectively. At December 31, 2013 and 2012, there would have been no effect on other comprehensive income because the derivative financial instruments in effect at that date were designated as held-for-trading, thereby directly affecting the result of the year.

c. Exchange risk management -

i. The functional currency of the entity is primarily the Mexican peso. Accordingly, it is exposed to currency risk Mexican peso against U.S. dollar that arises in connection with retail operations and financing. In some cases, these same operations give a natural hedge, while in other cases, currency forwards are entered into in order to hedge such operations. Because the Entity has investments in foreign subsidiaries, it is exposed to the risk of foreign currency translation. The foreign operations maintain monetary assets and liabilities denominated in various currencies, mainly the U.S. dollar, euro and Brazilian real, resulting in exposure to foreign exchange risk, which is naturally hedged by the same business operations. The carrying values of monetary assets and liabilities denominated in foreign currency and which primarily generate exposure for the Entity at the end of the reporting period, are as follows (figures in thousands):

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| U.S. dollars | 409,437 | 570,990 | 551,387 | 517,884 |
| Euro | 9,945 | 7,723 | 9,499 | 9,092 |
| Brazilian real | 47,242 | 34,971 | 107,935 | 86,754 |
| Colombian peso | 27,461,721 | 20,338,494 | 35,665,325 | 26,921,088 |
| Peruvian New Sol | 40,971 | 34,565 | 69,188 | 66,525 |

The following table indicates the Entity's sensitivity to a 10% increase or decrease of the Mexican peso versus the US dollar. This percentage is the sensitivity rate used to internally report the exchange rate risk to key management personnel and also represents management's evaluation of the possible fair value change to exchange rates. The sensitivity analysis only includes monetary items denominated in foreign currency and adjusts their conversion at the end of the period by applying a 10% fluctuation; it also includes external loans. A negative or positive figure, respectively (as detailed in the following table), indicates a (decrease) or increase in net income derived from a decrease in the value of the Mexican peso of 10% with regard to the US dollar (figures in thousands):

| | Equity [1] | | Liabilities | | Assets | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| U.S. dollars | – | – | (40,944) | (57,099) | 55,139 | 51,788 |
| Euro | 342 | 187 | (995) | (772) | 950 | 906 |
| Brazilian real | – | – | (4,724) | (3,497) | 10,794 | 8,675 |
| Colombian peso | – | – | (2,746,172) | (2,033,849) | 3,566,533 | 2,692,109 |
| Peruvian New Sol | – | – | (4,097) | (3,457) | 6,919 | 6,653 |

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

ii. Forwards contracts denominated in foreign currency

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

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

| Cash flow hedges | Average exchange | | Notional | | Fair value | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Euro purchase | | | | | | |
| Less than one month | 16.9644 | 16.9093 | 232 EUR | – | $ (32) | $ – |
| More than 12 months | 16.9644 | 16.9093 | 5,340 EUR | 5,650 EUR | $ 4,922 | $ (2,667) |

d. Credit risk management- The credit risk refers to the situation in which the borrower defaults on its contractual obligations, thereby generating a financial loss for the Entity and which is essentially derived from customer accounts receivable and liquid funds. The credit risk affecting cash and cash equivalents and derivative financial instruments is limited because the counterparties are banks with high credit ratings issued by credit rating agencies. The Entity's maximum credit risk exposure is represented by the balance in the statement of financial position. The other exposure to credit risk is represented by the balance of each financial asset principally in trade receivables. The Entity sells its products and /or services to customers, who have demonstrated financial solvency, and periodically assesses the financial condition of its customers and maintains billing insurance contracts for domestic and export sales. Therefore, the Entity does not believe there is a significant risk of loss due to a concentration of credit in its customer base in the retail sector, as they are diluted by more than 1,790,000 customers, which do not represent a concentration of risk. In regards to industrial and infrastructure and construction, although the credit concentration risk is higher accounts receivable are covered by collections insurance in some cases. The Entity also believes that potential credit risk is adequately covered by its allowance for doubtful accounts, which represents its estimate of incurred losses related to impairment of accounts receivable (see Note 8).

e. Liquidity risk management - Corporate Treasury has the ultimate responsibility for liquidity management, and has established appropriate policies to control this through monitoring of working capital, managing short, medium and long-term funding requirements, maintaining cash reserves and available credit lines, continuously monitoring cash flows (projected and actual), and reconciling the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturities of the Entity's non-derivative financial liabilities, based on contractual repayment periods. The table has been designed based on un-discounted projected cash flows of financial liabilities based on the date on which the Entity must make payments. The table includes both projected cash flows related to interest and capital on financial debt in the statements of financial position. Where the contractual interest payments are based on variable rates, the amounts are derived from interest rate at the end of the period. The contractual maturities are based on the dates on which the Entity shall make each payment.

The amounts contained in the debt to credit institutions include interest rate instruments and fixed as detailed in Note 19. If changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period under review, is presented at fair value.

The Entity expects to meet its obligations with cash flows from operations and resources received from the maturity of financial assets. Additionally, the Entity has access to credit lines with various banks and debt securities programs.

| As of December 31, 2013 | Weighted average effective interest rate | 3 months | 6 months | 1 year | Between 1 and 3 years | More than 3 years | Total |
|---|---|---|---|---|---|---|---|
| Loans with financial institutions and others | MN 4.56% US 1.15% EU 0.71% RA 5.50% | $ 3,108,300 | $ – | $ 41,209 | $ 733,362 | $ 5,000,000 | $ 8,882,871 |
| Payables to suppliers | | 8,904,682 | 145,117 | 5,230 | 30,977 | 2 | 9,086,008 |
| Due to related parties | | 1,364,811 | – | – | – | – | 1,364,811 |
| Derivative financial instruments | | 838,030 | 705 | 1,463 | 900 | – | 841,098 |
| Accrued interest payable | | 24,947 | – | – | – | – | 24,947 |
| Total | | $ 14,240,770 | $ 145,822 | $ 47,902 | $ 765,239 | $ 5,000,002 | $ 20,199,735 |

| As of December 31, 2012 | Weighted average effective interest rate | 3 months | 6 months | 1 year | Between 1 and 3 years | More than 3 years | Total |
|---|---|---|---|---|---|---|---|
| Loans with financial institutions and others | MN 5.80% US 1.26% EU 0.83% RA 5.50% | $ 9,341,554 | $ 9,726 | $ 19,452 | $ 42,284 | $ 5,000,030 | $ 14,413,046 |
| Payables to suppliers | | 9,158,672 | 156,896 | – | – | – | 9,315,568 |
| Due to related parties | | 975,923 | – | – | – | – | 975,923 |
| Derivative financial instruments | | 5,441 | 1,310 | 2,123 | 201 | 969,992 | 979,067 |
| Accrued interest payable | | 30,922 | – | – | – | – | 30,922 |
| Total | | $ 19,512,512 | $ 167,932 | $ 21,575 | $ 42,485 | $ 5,970,022 | $ 25,714,526 |

f. Market risk - The Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates and commodities. The Entity enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- Forward foreign exchange contracts to hedge the exchange rate risk arising on the export of products and loans in other currencies.
- Swaps interest rate swaps to mitigate the risk of rising financing cost.
- Forward foreign exchange contracts to hedge the exchange rate risk arising on translation of investment in a foreign operation with functional currency different from the Mexican peso.
- Commodities contracts to hedge risks of fluctuations in the prices of certain metals.

Exposure to market risk is measured using sensitivity analysis. There have been no changes in exposure to market risks or the manner in which those risks are being managed and measured.

If commodity prices had an increase and / or decrease of 10% in each reporting period and all other variables held constant, profit before tax for the years 2013 and 2012 for the next period would have (decreased) increased by approximately $ 187,327 and $ 183,491, respectively.

## 12. Fair value of financial instruments

This note provides information about how the Entity determines fair values of various financial assets and financial liabilities.

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

Some of the Entity's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets/financial liabilities | Fair value as of 31/12/13 | Fair value as of 31/12/12 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| 1) Foreign currency forward contracts (see Note 13) | Assets – $4,889 | Liabilities – $2,667 | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. | N/A | N/A |
| 2) Interest rate swaps, copper and aluminum shopping cart (see Note 13) | Assets – $2,978; (designated for hedging) | Liabilities – $1,390 | Level 2 | Discounted cash flow Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties. | N/A | N/A |
| 3) Contingent liabilities from the sale of investment in shares in Philip Morris Mexico (PMM) (see Nota16c) | Liabilities – $1,297,021 | – | Level 3 | The value of the transaction will be computed by considering the PMM's average EBITDA of three fiscal [1] years of PMM including the year of sale | EBITDA | EBITDA average of 2012 to 2014 - $385,842 |

[1] The fair value of financial instruments presented below has been determined by the Entity using available market information or other valuation techniques that require judgment in developing and interpreting the estimates of fair values also makes assumptions that are based on market conditions existing at each of the dates of the statement of financial position. Consequently, the estimated amounts presented are not necessarily indicative of the amounts the Entity could realize in a current market exchange. The use of different assumptions and / or estimation methods may have a material effect on the estimated fair value amounts.

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels ranging from 1 to 3 based on the degree to which the fair value is observed are:

- Level 1 of fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 of the fair value measurements are those derived from indicators other than quoted prices included within Level 1 but including indicators that are observable for the asset or liability, either directly or indirectly quoted prices meaning derived from these prices; and
- Level 3 of fair value measurements are those derived from valuation techniques that include indicators for the asset or liability that are not based on observable market data (unobservable indicators).

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

To obtain and disclose the fair value of long-term debt using quoted market prices or quotations for similar instruments operators. To determine the fair value of financial instruments using other techniques such as estimated cash flows, considering the dates flow curves intertemporal market and discounting these flows with rates that reflect the risk of the counterparty and the risk of the Entity for the reference period. The fair value of interest rate swaps is calculated as the present value of estimated net cash flows in the future. The fair value of currency futures is determined using quoted forward exchange rates at the date of statement of financial position.

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

| | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Carrying amounts | Fair value | Carrying amounts | Fair value |
| Financial assets: | | | | |
| Cash and equivalent cash | $ 10,435,876 | $ 10,435,876 | $ 4,981,463 | $ 4,981,463 |
| Instruments available-for-sale: | | | | |
| Fixed-term securities | 117,627 | 117,627 | 103,864 | 103,864 |
| Derivative financial instruments (i) | 255,585 | 255,585 | 304,552 | 304,552 |
| Loans and receivables: | | | | |
| Accounts receivable in the short and long term | 19,478,205 | 20,156,431 | 17,209,943 | 17,967,609 |
| Due to related parties | 3,164,341 | 3,164,341 | 2,275,154 | 2,275,154 |
| Accounts and notes payable: | | | | |
| Notes payable to financial institutions including current portion of long-term debt and others | (3,882,871) | (3,879,508) | (6,914,076) | (6,914,076) |
| Debt securities | (5,000,000) | (4,999,951) | (7,498,970) | (7,508,108) |
| Trade accounts payable | (9,086,008) | (9,086,008) | (9,315,568) | (9,315,568) |
| Due to related parties | (1,364,811) | (1,364,811) | (975,923) | (975,923) |
| Other accounts payable, accrued liabilities and long-term provisions | (2,943,378) | (2,943,378) | (3,024,702) | (3,024,702) |
| Derivative financial instruments (i) | (841,098) | (841,098) | (979,067) | (979,067) |
| Total | $ 10,333,468 | $ 11,015,106 | $ (3,833,330) | $ (3,084,802) |

The fair values shown at December 31, 2013 and 2012, except for the receivables to commercial customers and debt securities approximate their carrying value because the values observed in the market are very similar to those recorded in this period.

(i) Represents financial instruments that are measured at fair value after initial recognition, grouped into levels ranging from 1 to 3 based on the degree to which the fair value is observed, and these Level 2 indicators derived from other than quoted prices, but including indicators that are observable for the asset or liability either directly or indirectly quoted prices that is to say derived from these prices. During the years ended December 31, 2013 and 2012 there were no transfers between levels, both years corresponded to Level 2.

## 13. Financial derivative instruments

The purpose of contracting financial derivative instruments is: (i) to partially cover the financial risks of exposure to exchange rates, interest rates, and prices of certain metals; or (ii) to realize financial returns due to the behavior of the underlying. The decision to contract an economic financial hedge is based on market conditions, the expectation of such instrument at a given date, and the domestic and international economic context of the economic indicators that influence the Entity's operations.

The transactions performed with foreign exchange and/or interest rate forwards and swaps; as well as embedded derivatives, are summarized below:

| | | Notional | | | Valuation as of December 31, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| Instrument | Designated as | Amount | Unit | Maturity | Asset (liability) | Net income of the year | Income of prior year | Gain (loss) on settlement |
| Dollar forwards | Purchase | 895,000 | Dollars | During 2013 | $ – | $ – | $ – | $ (98,342) |
| Dollar forwards | Sale | 110,000 | Dollars | March 2014 | (13,935) | 13,935 | – | – |
| Dollar forwards | Sale | 1,795,000 | Dollars | During 2013 | – | – | – | (57,132) |
| TIIE swaps to fixed rate | Purchase | 8,600,000 | Mexican Pesos | May 2017 to may 2027 | (823,250) | (146,743) | 969,993 | 313,854 |
| TIIE swaps to fixed rate | Purchase | 150,000 | Mexican Pesos | During 2013 | – | – | – | 3 |
| TIIE swaps to fixed rate | Sale | 1,700,000 | Mexican Pesos | June 2017 and may 2018 | 247,557 | 37,302 | (284,859) | (81,991) |
| Embedded | N/A | 2,464 | Dollars | 2015 | (3,752) | 17 | 3,735 | – |
| Total at December 31, 2013 | | | | | $ (593,380) | $ (95,489) | $ 688,869 | $ 76,392 |
| Total at December 31, 2012 | | | | | $ (670,458) | $ 273,282 | $ 397,176 | $ (876,077) |

Open and closed transactions with hedge forwards to purchase foreign currency are summarized below:

| | | Notional | | | Valuation as of December 31, 2013 | | |
|---|---|---|---|---|---|---|---|
| Instrument | Designated as | Amount ('000) | Unit | Maturity | Asset (liability) | Comprehensive income | Gain (loss) on settlement |
| Euro forwards purchase | Coverage | 5,572 | Euro | January, 2014 to December, 2015 | $ 4,889 | $ (3,422) | $ – |
| Euro forwards purchase | Coverage | 3,559 | Euro | During 2013 | – | – | 2,573 |
| Total at December 31, 2013 | | | | | $ 4,889 | $ (3,422) | $ 2,573 |
| Total at December 31, 2012 | | | | | $ (2,667) | $ 1,867 | $ 3,406 |

The transactions opened and settled with hedge swaps to purchase metals:

| | Notional | | | Valuation at December 31, 2013 | | |
|---|---|---|---|---|---|---|
| Instrument | Amount ('000) | Unit | Maturity | Asset (liability) | Comprehensive income | Gain (loss) on settlement |
| Copper Swaps | 650 | Tons | January to December 2014 | $ 3,107 | $ (2,175) | $ – |
| Copper Swaps | 2,646 | Tons | During 2013 | – | – | 3,131 |
| Aluminum Swaps | 125 | Tons | January to February, 2014 | (129) | 90 | – |
| Aluminum Swaps | 3,439 | Tons | During 2013 | – | – | 9,406 |
| Total at December 31, 2013 | | | | $ 2,978 | $ (2,085) | $ 12,537 |
| Total at December 31, 2012 | | | | $ (1,390) | $ 973 | $ 10,742 |

## 14. Property, plant and equipment

The reconciliation between the carrying amount at the beginning and end of the year 2013 and 2012 is as follows:

| Investment: | Balances as of January 1, 2013 | Additions | Retirements / disposals | Transfers | Translation effect | Balances as of December 31, 2013 |
|---|---|---|---|---|---|---|
| Land | $ 2,616,985 | $ 144,247 | $ – | $ (178,556) | $ (282) | $ 2,582,394 |
| Buildings and leasehold improvements | 11,772,916 | 273,453 | (91,149) | (323,812) | (8,589) | 11,622,819 |
| Machinery and equipment | 17,357,045 | 446,613 | (98,246) | 315,199 | (180,345) | 17,840,266 |
| Furniture and equipment | 3,294,926 | 312,176 | (39,393) | 12,608 | (6,206) | 3,574,111 |
| Computers | 1,599,601 | 80,666 | (61,710) | 34,591 | 168 | 1,653,316 |
| Vehicles | 1,045,191 | 98,007 | (96,536) | 20,294 | (11,481) | 1,055,475 |
| Construction in progress | 712,462 | 1,006,056 | (8,690) | (459,524) | (2,346) | 1,247,958 |
| Total investment | 38,399,126 | 2,361,218 | (395,724) | (579,200) | (209,081) | 39,576,339 |
| **Accumulated depreciation:** | | | | | | |
| Buildings and leasehold improvements | (5,497,679) | (422,543) | 60,866 | 244,855 | (13,104) | (5,627,605) |
| Machinery and equipment | (8,685,019) | (717,136) | 74,416 | 17,795 | 60,361 | (9,249,583) |
| Furniture and equipment | (2,141,752) | (176,162) | 38,620 | 9,333 | 11,783 | (2,258,178) |
| Computers | (1,338,705) | (112,706) | 56,038 | (716) | 20,861 | (1,375,228) |
| Vehicles | (614,417) | (101,657) | 71,192 | (974) | 15,649 | (630,207) |
| Total accumulated depreciation | (18,277,572) | (1,530,204) | 301,132 | 270,293 | 95,550 | (19,140,801) |
| **Impairment:** | | | | | | |
| Buildings and leasehold improvements | – | – | – | – | (3,099) | (3,099) |
| Machinery and equipment | (120,323) | (50) | 477 | 163 | (1,094) | (120,827) |
| Computers | – | – | 84 | (84) | – | – |
| Accumulated impairment losses | (120,323) | (50) | 561 | 79 | (4,193) | (123,926) |
| Net investment | $ 20,001,231 | $ 830,964 | $ (94,031) | $ (308,828) | $ (117,724) | $ 20,311,612 |

| Investment: | Balances as of January 1, 2012 | Additions | Retirements / disposals | Transfers | Translation effect | Balances as of December 31, 2012 |
|---|---|---|---|---|---|---|
| Land | $ 2,484,462 | $ 7,488 | $ 109,573 | $ 31,082 | $ (15,620) | $ 2,616,985 |
| Buildings and leasehold improvements | 11,290,593 | 409,519 | (92,055) | 208,019 | (43,160) | 11,772,916 |
| Machinery and equipment | 17,060,925 | 329,521 | (304,273) | 529,512 | (258,640) | 17,357,045 |
| Furniture and equipment | 3,218,762 | 120,798 | (39,278) | 13,126 | (18,482) | 3,294,926 |
| Computers | 1,480,593 | 99,089 | (19,955) | 59,066 | (19,192) | 1,599,601 |
| Vehicles | 992,828 | 124,260 | (74,864) | 26,259 | (23,292) | 1,045,191 |
| Construction in progress | 1,029,980 | 700,637 | (165,048) | (834,356) | (18,751) | 712,462 |
| Total investment | 37,558,143 | 1,791,312 | (585,900) | 32,708 | (397,137) | 38,399,126 |
| Accumulated depreciation: | | | | | | |
| Buildings and leasehold improvements | (5,127,170) | (415,165) | 21,415 | (20,109) | 43,350 | (5,497,679) |
| Machinery and equipment | (8,342,589) | (558,818) | 82,865 | 51,822 | 81,701 | (8,685,019) |
| Furniture and equipment | (1,988,073) | (175,118) | 16,978 | 2,535 | 1,926 | (2,141,752) |
| Computers | (1,192,822) | (107,805) | 18,737 | (55,933) | (882) | (1,338,705) |
| Vehicles | (584,228) | (88,173) | 60,910 | (11,023) | 8,097 | (614,417) |
| Total accumulated depreciation | (17,234,882) | (1,345,079) | 200,905 | (32,708) | 134,192 | (18,277,572) |
| **Impairment:** | | | | | | |
| Machinery and equipment | (129,222) | – | – | – | 8,899 | (120,323) |
| Accumulated impairment losses | (129,222) | – | – | – | 8,899 | (120,323) |
| Net investment | $ 20,194,039 | $ 446,233 | $ (384,995) | $ – | $ (254,046) | $ 20,001,231 |

## 15. Investment properties

Investment properties are properties held to earn rentals and / or capital gains. The properties that are under construction or development may qualify as investment property.

Investment property acquired and improvements are recorded at cost, including transaction costs related to the acquisition of assets. Investment property acquired in exchange for equity instruments are stated at fair value, as detailed below.

Subsequent to initial recognition, investment properties are measured at fair value. Fair values are determined by independent appraisers.

The gain in fair value is recorded in the "other income" in the income statement during the period in which they occur.

Initial direct costs incurred in negotiating lease leases are added to the carrying amount of investment properties.

An investment property is derecognized on disposal or when the investment property is permanently out of use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between net income and book value of investment property) is included in profit or loss in the period in which the property is derecognized.

| | 2013 | 2012 |
|---|---|---|
| Investment properties | $ 2,249,466 | $ 1,534,811 |

The changes in investment properties are as follows:

| | 2013 | 2012 |
|---|---|---|
| Balance at beginning of period | $ 1,534,811 | $ 1,477,628 |
| Additions | 195,751 | 57,183 |
| Transferred from property, plant and equipment | 308,828 | – |
| Gain/(loss) on property revaluation | 210,076 | – |
| Balance at end of period | $ 2,249,466 | $ 1,534,811 |

Additions and transfers are primarily composed of land located in Baja California and a warehouse located in Mexico City.

All investment properties of Grupo Carso are held under freehold.

Grupo Carso is based on valuations performed by independent experts with qualifications and relevant experience in the locations and categories of investment properties it holds.

The valuation techniques considered under the following different approaches:

In the cost approach the appraiser estimates the value of the asset compared to the cost of producing a new individual asset or a replacement property, which suggests the market as appropriate. The cost compared to the value of existing assets and is adjusted for differences in age, condition and value for the comparable asset. In its simplest form, the cost approach is represented by the net replacement value less all depreciation rates. Depreciation for valuation purposes is defined as the difference in value between real property and a new hypothetical property, taken as a basis of comparison.

In the market approach (comparable sales) the appraiser looks at recent sales with similar properties (comparable) to indicate the value of the asset. If there are no active subjects identical to comparable sales prices of comparable adjusted to match them to the characteristics of the subject asset.

The value of the asset can be estimated by expected future profits to its owner. The income approach is not widely used in the valuation of machinery and equipment, given the difficulty in determining the income that can be directly related to a specific asset, while in the real estate valuation is applicable to assets of commercial nature.

Key metrics for all investment properties are shown below:

| | Recommended ranges for capitalization rates | |
|---|---|---|
| No. Type of property | Low | Maxim |
| 1 Land | 4% | 8% |
| 2 Warehouses | 10% | 14% |
| 3 Shops | 9% | 18% |

The Entity, through its subsidiaries, has two shopping malls, Loreto and Plaza Inbursa located in Mexico City, which generate rental income that is recognized as leasing services are provided and amounted to $220,448 and $215,305 for the years ended December 31, 2013 and 2012 respectively. At December 31, 2013 the occupancy rate of shopping centers is 98%.

Direct operating expenses including maintenance costs incurred in relation to the investment property are recognized in income and constitute approximately 37% and 41% of rental income for years ended December 31, 2013 and 2012, respectively.

## 16. Investment in shares of associated entities and joint ventures

a. The principal associated entities and their activities are as follows:

| Associated | Ownership percentage 2013 | 2012 | Location | Activity |
|---|---|---|---|---|
| Elementia, S. A. de C. V. (“Elementia”) | 46.00 | 46.00 | Mexico | Manufacture and sale of high technology products for the cement, concrete, polyethylene, styrene, copper and aluminum production industries. |
| Infraestructura y Transportes México, S.A. de C.V. (“ITM”) | 16.75 | 16.75 | Mexico | Railroad transportation. |
| Infraestructura y Saneamiento Atotonilco, S.A. de C.V. (joint venture) | 42.50 | 42.50 | Mexico | Construction of wastewater treatment plant. |
| Constructora MT de Oaxaca, S.A. de C.V. (joint venture) | 40.00 | 40.00 | Mexico | Highway construction. |
| Philip Morris México, S.A. de C.V. (PMM) | – | 20.00 | Mexico | Manufacture and sale of cigarettes. |
| Cuprum, S.A.P.I. de C.V. (Cuprum) | 10.00 | – | Mexico | Manufacture of aluminum products. |

b. The recognition of the equity method on the main associated entities and income derived from other investments was as follows:

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Stockholders' equity | Net income | Ownership percentage | Investment in shares | Equity in income |
| Elementia [(1)] | $ 11,264,571 | $ 205,999 | 46.00 | $ 5,735,999 | $ 94,760 |
| ITM [(2)] | 26,338,352 | 3,327,045 | 16.75 | 4,858,023 | 557,281 |
| PMM [(3)] | – | – | – | – | 456,434 |
| Grupo Telvista, S.A. de C.V. | 2,248,456 | 160,846 | 10.00 | 224,846 | 16,085 |
| Infraestructura y Saneamiento Atotonilco, S.A. de C.V. | 517,245 | 117,473 | 42.50 | 219,829 | 46,989 |
| Constructora MT de Oaxaca, S.A. de C.V. | 184,343 | 177,860 | 40.00 | 73,737 | 71,144 |
| Cuprum | – | – | 10.00 | 291,938 | – |
| Others associated entities | – | – | – | 597,896 | 63,935 |
| Total investment in shares of associated entities | | | | 12,002,268 | 1,306,628 |
| Others investments | | | | 2,563 | 2,165 |
| Total investment in shares of associated entities and joint ventures | | | | $ 12,004,831 | $ 1,308,793 |

(1) The investment in shares includes goodwill of $554,284.
(2) The investment in shares includes a fair value complement of $446,349.
(3) The recognition of the equity method corresponds of January 1 at September 30, 2013.

| | 2012 | | | | |
|---|---|---|---|---|---|
| | Stockholders' equity | Net income | Ownership percentage | Investment in shares | Equity in income |
| Elementia [(1)] | $ 10,416,086 | $ 325,256 | 46.00 | $ 5,347,066 | $ 149,583 |
| ITM [(2)] | 24,283,411 | 4,354,952 | 16.75 | 4,513,820 | 729,453 |
| PMM | 4,088,992 | 2,985,714 | 20.00 | 817,798 | 597,143 |
| Grupo Telvista, S.A. de C.V. | 2,122,350 | 176,747 | 10.00 | 212,235 | 17,675 |
| Infraestructura y Saneamiento Atotonilco, S.A. de C.V. | 406,683 | 255,462 | 42.50 | 172,840 | 108,571 |
| Constructora MT de Oaxaca, S.A. de C.V. | 6,485 | 6,472 | 40.00 | 2,595 | 2,589 |
| Others associated entities | – | – | – | 533,262 | 54,850 |
| Total investment in shares of associated entities | | | | 11,599,616 | 1,659,864 |
| Others investments | | | | 2,491 | 2,994 |
| Total investment in shares of associated entities and joint ventures | | | | $ 11,602,107 | $ 1,662,858 |

(1) The investment in shares includes goodwill of $554,284.
(2) The investment in shares includes a fair value complement of $446,349.

c. As mentioned in Note 2c, the September 30, 2013, Grupo Carso sold the shares of PMM to PMI. The sale price amounted U.S.$703 million, and is subject to a potential adjustment process that reflects the performance of PMM for a period of three years, ending two years after the transaction closing. The fair value of the potential adjustment as of December 31, 2013, represents an adverse effect for Grupo Carso in the amount of $ 1,297,021 which was recorded in non-current provisions in the consolidated statement of financial position. Finally, on September 30, 2013 PMM declared and paid a dividend to Grupo Carso in the amount of $ 495,800, out of profits generated through September 30, 2013. Both the fair value adjustment and the dividend were recorded as part of the gain on the sale of PMM.

d. Although the Entity holds less than 20% of the shares of ITM, the Entity has significant influence because our related party Sinca Inbursa has an additional 8.5% equity interest.

   Regarding Telvista Group, the Entity has significant influence because our related party America Movil has the rest of the shareholding equivalent to 90%.

## 17. Intangible assets

| | Amortization period | Balance as of December 31, 2012 | Additions | Balance as of December 31, 2013 |
|---|---|---|---|---|
| Cost: | | | | |
| Concession contract | 10 | $ 397,869 | $ – | $ 397,869 |
| Trademark use | Indefinite | 5,911 | – | 5,911 |
| Total cost | | 403,780 | – | 403,780 |
| Accumulated amortization: | | | | |
| Concession contract | | (74,744) | (26,813) | (101,557) |
| Net cost | | $ 329,036 | $ (26,813) | $ 302,223 |

| | Amortization period | Balance as of January 1, 2012 | Additions | Balance as o f December 31, 2012 |
|---|---|---|---|---|
| Cost: | | | | |
| Concession contract | 10 | $ 397,869 | $ – | $ 397,869 |
| Trademark use | Indefinite | 5,911 | – | 5,911 |
| Total cost | | 403,780 | – | 403,780 |
| Accumulated amortization: | | | | |
| Concession contract | | (52,829) | (21,915) | (74,744) |
| Net cost | | $ 350,951 | $ (21,915) | $ 329,036 |

## 18. Others assets

Other assets were as follows:

| | Amortization period | 2013 | 2012 |
|---|---|---|---|
| Exploration expenses | | $ 480,504 | $ 247,699 |
| Guarantee deposits | | 131,273 | 130,840 |
| Goodwill | Indefinite | 91,051 | 91,051 |
| Insurance | 1 year | 237,591 | 153,828 |
| Recoverable expenses | | – | 82,415 |
| Prepaid expenses | 1 year | 12,113 | 192,989 |
| Installation costs | | 45,673 | 45,673 |
| Others | | 60,231 | 48,719 |
| | | 1,058,436 | 993,214 |
| Accumulated amortization: | | (352,022) | (153,391) |
| | | $ 706,414 | $ 839,823 |

| | Exploration expenses | Guarantee deposits | Goodwill | Insurance |
|---|---|---|---|---|
| Investment: | | | | |
| Balance as of January 1, 2012 | $ 85,476 | $ 133,250 | $ 91,051 | $ 98,479 |
| Acquisitions | 162,223 | – | – | 55,349 |
| Applications / Recoveries | – | (2,410) | – | – |
| Balance as of December 31, 2012 | 247,699 | 130,840 | 91,051 | 153,828 |
| Acquisitions | 232,805 | 666 | – | 83,763 |
| Applications / Recoveries | – | (233) | – | – |
| Balance as of December 31, 2013 | $ 480,504 | $ 131,273 | $ 91,051 | $ 237,591 |

| | Exploration expenses | Guarantee deposits | Goodwill | Insurance |
|---|---|---|---|---|
| Accumulated amortization: | | | | |
| Balance as of January 1, 2012 | $ – | $ – | $ – | $ (66,357) |
| Amortization | – | – | – | (62,797) |
| Balance as of December 31, 2012 | – | – | – | (129,154) |
| Amortization | – | – | (91,051) | (73,706) |
| Balance as of December 31, 2013 | $ – | $ – | $ (91,051) | $ (202,860) |

The amortization recorded to income was $198,631 and $61,881 in 2013 and 2012, respectively, of which $61,862 and $56,023 is recognized as part of cost of sales for 2013 and 2012 respectively.

## 19. Long-term debt

Long-term debt is as follows:

| | 2013 | 2012 |
|---|---|---|
| a. Direct loan in different currencies, mainly euros, with quarterly and semiannual maturities at variable rates, and final maturity in 2015 | $ 736,999 | $ 81,218 |
| b. Debt securities issued in Mexican pesos with monthly maturities from March 2012 with interest rate of TIIE + 0.53 and final maturity in 2017 | 5,000,000 | 5,000,000 |
| c. Other loans | 373 | 1,379 |
| | 5,737,372 | 5,082,597 |
| Less - current portion | (4,010) | (38,904) |
| Long-term debt | $ 5,733,362 | $ 5,043,693 |

Maturities of long-term debt as of December 31, 2012 are as follows:

| Payable for- | |
|---|---|
| 2015 | $ 733,362 |
| 2017 and thereafter | 5,000,000 |
| | $ 5,733,362 |

Long-term debt accrues interest at variable rates. Interest rates for loans in Mexican pesos during 2013 stood at a weighted average of 4.55%; the average financing rate in euros for 2013 and 2012 was 0.72% and 1.24%, respectively.

Through its subsidiary Sears Operadora de México, S.A. de C.V., the Entity was authorized by the CNBV on June 17, 2013 to issue securitized certificates in Mexican pesos under a two-year program. The authorized amount of the program was up to $2,000,000, on a revolving basis, and the combined amount of the current issues cannot exceed the authorized amount on any date. The maturity of each issue of securitized certificates was between one day and 365 days; the amount, rate and maturity of each issue were freely determined by the Company. As of December 2, 2013, no certificates have been issued.

On December 2, 2013, the Securitized Certificate was canceled, according to Official notice No. 153/7717/2013 “Cancellation of registration in the National Securities Registry of the securities indicated”.

| Recoverable expenses | | Prepaid expenses | | Installation costs | | Others | | Total |
|---|---|---|---|---|---|---|---|---|
| $ | 44,356 | $ | 192,989 | $ | 18,138 | $ | 58,782 | $ 722,521 |
| | 38,059 | | – | | 27,535 | | – | 283,166 |
| | – | | – | | – | | (10,063) | (12,473) |
| | 82,415 | | 192,989 | | 45,673 | | 48,719 | 993,214 |
| | – | | – | | – | | 11,512 | 328,746 |
| | (82,415) | | (180,876) | | – | | – | (263,524) |
| $ | – | $ | 12,113 | $ | 45,673 | $ | 60,231 | $ 1,058,436 |

| Recoverable expenses | | Prepaid expenses | | Installation costs | | Others | | Total |
|---|---|---|---|---|---|---|---|---|
| $ | – | $ | – | $ | (16,549) | $ | (8,604) | $ (91,510) |
| | – | | – | | 3,438 | | (2,522) | (61,881) |
| | – | | – | | (13,111) | | (11,126) | (153,391) |
| | – | | (2,850) | | (29,289) | | (1,735) | (198,631) |
| $ | – | $ | (2,850) | $ | (42,400) | $ | (12,861) | $ (352,022) |

## 20. Provisions

The provisions presented below represent charges incurred during 2013 and 2012, or contracted services attributable to the period, which are expected to be settled within a period not exceeding one year. The final amounts to be paid and the timing of any outflow of economic resources involve uncertainty and therefore may vary.

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Opening balance | Additions | Provision applied | Reversals | Closing balance |
| Contractor costs | $ 1,407,194 | $ 8,171,012 | $ (7,267,651) | $ (9,008) | $ 2,301,547 |
| Construction costs and other extraordinary items | 461,490 | 658,064 | (735,580) | (141,973) | 242,001 |
| Environmental costs and plant closure | 96,353 | 36,647 | – | – | 133,000 |
| Employment relationships | 71,542 | 209,388 | (235,378) | – | 45,552 |
| Others | 149,488 | 298,622 | (192,597) | – | 255,513 |
| | $ 2,186,067 | $ 9,373,733 | $ (8,431,206) | $ (150,981) | $ 2,977,613 |

| | 2012 | | | | |
|---|---|---|---|---|---|
| | Opening balance | Additions | Provision applied | Reversals | Closing balance |
| Contractor costs | $ 1,053,194 | $ 8,503,164 | $ (7,827,723) | $ (321,441) | $ 1,407,194 |
| Construction costs and other extraordinary items | 618,925 | 894,248 | (666,774) | (384,909) | 461,490 |
| Environmental costs and plant closure | 84,353 | 12,000 | – | – | 96,353 |
| Employment relationships | 55,882 | 134,784 | (119,124) | – | 71,542 |
| Others | 136,539 | 131,326 | (118,377) | – | 149,488 |
| | $ 1,948,893 | $ 9,675,522 | $ (8,731,998) | $ (706,350) | $ 2,186,067 |

## 21. Retirement employee benefits

The Entity has plans for retirement, death or total disability payments for non-union employees in most of its subsidiaries. The defined benefit plans are administered by a legally separate fund of the Entity. The board of the pension fund is comprised of an equal number of representatives of both employer and (former) employees. The board of the pension fund is required according to the law and the articles of association to act in the interests of the Fund and all interested parties, active and inactive employees, retirees and employer. The board of the pension fund is responsible for investment policy in relation to the assets of the fund.

The Entity manages a plan that also covers seniority premiums for all staff working in Mexico, consisting of a single payment of 12 days per year worked based on final salary, not to exceed twice the minimum wage established by law. The related liability and annual cost of benefits is calculated by an independent actuary on the basis of formulas defined in the plans using the projected unit credit method.

Under these plans, employees are entitled to additional retirement benefits (if any) to the retirement age of 65. Other postretirement benefits are awarded.

| | |
|---|---|
| Investment risk | The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund. |
| Interest risk | A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments. |
| Longevity risk | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. |
| Salary risk | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability. |

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

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of October 30, 2013 by Asociación Mexicana de Actuarios Consultores en Planes de Beneficios para Empleados, A.C. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | 2013 % | 2012 % |
|---|---|---|
| Discount rate | 7.25 | 7.02 |
| Expected rate of salary increase | 5.16 | 5.48 |
| Expected return on plan assets | 7.33 | 7.08 |
| Average longevity at retirement age for current pensioners (years) | | |
| Males | 65 | 65 |
| Females | 65 | 65 |
| Average longevity at retirement age for current employees (future pensioners) (years) | | |
| Males | 65 | 65 |
| Females | 65 | 65 |

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

| | 2013 | 2012 |
|---|---|---|
| Vested benefit obligation | $ (1,051,373) | $ (914,668) |
| Non-vested benefit obligation | (1,694,608) | (1,934,747) |
| Defined benefit obligation | (2,745,981) | (2,849,415) |
| Plan assets at fair value | 3,431,883 | 3,482,987 |
| Net projected asset | $ 685,902 | $ 633,572 |
| Contributions to plan assets | $ 125,398 | $ 120,353 |

Net period cost comprises the following:

| | 2013 | 2012 |
|---|---|---|
| Service costs | $ 173,414 | $ 175,610 |
| Interest cost | 57,844 | 176,172 |
| Expected yield on plan assets | 16,583 | (231,411) |
| Past service cost | 8,304 | 1,125 |
| Effect of reduction or early liquidation (other than a restructuring or discontinued operation) | (36,490) | (45,880) |
| Net period cost | $ 219,655 | $ 75,616 |

Components of defined benefit costs recognized in other comprehensive income

| | 2013 | 2012 |
|---|---|---|
| Actuarial (losses) and gain – net | $ 102,057 | $ (211,701) |

Changes in the present value of the defined benefit obligation:

| | 2013 | 2012 |
|---|---|---|
| Changes in the present value of the defined benefit obligation at January 1 | $ (2,849,415) | $ (2,545,485) |
| Service costs | (171,667) | (175,610) |
| Interest cost | (190,657) | (176,172) |
| Actuarial (losses) and gain – net | 324,452 | (22,713) |
| Benefits paid | 141,306 | 70,565 |
| Present value of the defined benefit obligation | $ (2,745,981) | $ (2,849,415) |

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

| | 2013 | 2012 |
|---|---|---|
| Opening fair value of plan assets | $ 3,482,987 | $ 3,203,038 |
| Expected yield on plan assets | 234,009 | 231,411 |
| Actuarial losses – net | (208,673) | (9,029) |
| Contributions to plan | 125,398 | 120,353 |
| Benefits paid | (139,339) | (70,565) |
| Others | (62,499) | 7,779 |
| Closing fair value of plan assets | $ 3,431,883 | $ 3,482,987 |

The main categories of investments are:

| | | Plan assets at fair value | |
|---|---|---|---|
| | | 2013 | 2012 |
| Equity instruments | | $ 1,565,274 | $ 1,937,892 |
| Debt instruments | | $ 1,351,644 | $ 1,098,190 |
| Properties | | $ 514,965 | $ 446,905 |

The overall expected rate of return is a weighted average of the expected returns on various categories of plan assets. The evaluation of management on expected returns is based on historical performance trends and analysts' predictions on the market for assets over the life of the related obligation.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by $171,546 (increase of $151,040).

If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by $135,788 (decrease by $136,003).

If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $ 75,473 (decrease by $82,040).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Each year an Asset-Liability-Matching study is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study. Main strategic choices that are formulated in the actuarial and technical policy document of the Fund are:

Asset mix based on 45.61% equity instruments 39.39% debt instruments and 15.00 % investment property.

There has been no change in the process used by the Entity to manage its risks from prior periods.

The Entity's subsidiaries fund the cost of the entitlements expected to be earned on a yearly basis. The residual contribution (including back service payments) is paid by the entities of the Entity. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) are paid immediately to the Fund. Apart from paying the costs of the entitlements, the Entity's subsidiaries are not liable to pay additional contributions in case the Fund does not hold sufficient assets. In that case, the Fund would take other measures to restore its solvency, such as a reduction of the entitlements of the plan members.

The average duration of the benefit obligation as of December 31, 2013 is 14.42 years (2012: 17.86 years). This number can be analyzed as follows:

- Active members: 19.31 years (2012:20.45 years);
- Deferred members: 22.60 years (2012: 21.50 years), and
- Retired members: 6.76 years (2012: 6.51 years).

The Entity expects to make a contribution of $ 125,398 (2012: $ 120,353) to the defined benefit plans during the next financial year.

The history of experience adjustments made, is as follows:

| | 2013 | 2012 |
|---|---|---|
| Present value of defined benefit obligation | $ (2,745,981) | $ (2,849,415) |
| Fair value of plan assets | $ 3,431,883 | $ 3,482,987 |
| Surplus | $ 685,902 | $ 633,572 |
| Adjustments based on experience on plan liabilities | $ 221,445 | $ (59,382) |
| Adjustments based on experience on plan assets | $ (208,673) | $ (9,029) |

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

| | 2013 | 2012 |
|---|---|---|
| Short-term benefits | $ 143,363 | $ 139,417 |
| Defined benefit plans | 5,866 | 5,803 |
| Other long-term benefits | 292,016 | 320,170 |

## 22. Stockholders' equity

a. The historical amount of issued and paid-in common stock of Grupo Carso as of December 31, 2013 and 2012 is as follows:

| | Number of shares | | Amount | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Series A1 | 2,745,000,000 | 2,745,000,000 | $ 644,313 | $ 644,313 |
| Treasury shares repurchased | (455,198,300) | (455,198,300) | (106,845) | (106,845) |
| Historical capital stock | 2,289,801,700 | 2,289,801,700 | $ 537,468 | $ 537,468 |

Common stock consists of ordinary, nominative shares with no par value.

The Council Board of Directors held on October 21, 2013, the directors in exercising the powers that were delegated to them by the general ordinary stockholders' meeting on April 25, 2013, the payment of a dividend was approved by the shareholders for the amount of $4.00 per share, payable on November 4, 2013. The total payment was $9,159,207.

Pursuant to a general ordinary stockholders' meeting on April 25, 2013, the payment of a dividend was approved by the shareholders for the amount of $0.70 per share, payable in two exhibitions of $0.35 per share each, on May 14 and October 15, 2013 against vouchers Nos. 27 and 28, respectively, of the securities that are in effect at the time the payments. The total payment was $1,602,835.

Pursuant to a general ordinary stockholders' meeting on April 26, 2012, the payment of a dividend was approved by the shareholders for the amount of $0.60 per share, payable in two exhibitions of $0.30 per share each, on May 15 and October 16, 2012. The total payment was $1,373,881.

b. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of common stock. The legal reserve may not be distributed during the existence of the Entity unless the Entity is dissolved. As of December 31, 2013 and 2012, the legal reserve, of the entity was $381,635.

c. Stockholders' equity, except restated paid-in capital and tax retained earnings, will be subject to income tax payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

d. Is established an additional Income Tax on dividends paid 10% when they are distributed to individuals and persons resident abroad. The income tax is paid via withholding and a final payment by the shareholder. For foreigners may apply treaties to avoid double taxation. This tax is applicable as the distribution of profits generated from 2014.

## 23. Transactions and balances with related parties

a. Balances receivable and payable with related parties are as follows:

| | 2013 | 2012 |
|---|---|---|
| Receivable- | | |
| Minera Real de Ángeles, S.A. de C.V. | $ 1,101,970 | $ 407,400 |
| Minera San Francisco del Oro, S.A. de C.V. | 454,018 | 160,861 |
| Delphi Packard Electric Systems, Inc. | 335,594 | 267,682 |
| Teléfonos de México, S.A.B. de C.V. | 164,454 | 315,486 |
| Minera Tayahua, S.A. de C.V. | 132,748 | 35,379 |
| Concesionaria autopista Guadalajara-Tepic, S.A. de C.V. | 127,359 | – |
| América Móvil Perú, S.A.C. | 92,567 | 211,947 |
| Empresa Brasileira do Telecomunicaciones, S.A. | 89,796 | 92,017 |
| Net Servicios de Comunicacao, S.A. | 82,935 | 48,549 |
| Telmex Colombia, S.A. | 66,902 | 78,586 |
| Radiomóvil Dipsa, S.A. de C.V. | 54,418 | – |
| Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V. | 45,344 | – |
| Minera Espejeras, S.A. de C.V. | 44,310 | – |
| Ecuador Telecom, L.L.C. | 37,066 | 18,229 |
| Compañía de Teléfonos y Bienes Raíces, S.A. de C.V. | 31,311 | 44,222 |
| Consorcio Red Uno, S.A. de C.V. | 23,446 | 18,982 |
| Compañía Dominicana de Teléfonos, S. A. | 22,370 | 22,953 |
| Alquiladora de Casas, S.A. de C.V. | 19,952 | 15,670 |
| Servicios Corporativos Frisco, S.A. de C.V. | 19,567 | – |
| Renta de Equipo, S.A. de C.V. | 15,250 | 20,291 |
| AMX Argentina, S.A. | 14,209 | 28,537 |
| Nacional de Cobre, S.A. de C.V. | 12,997 | 6,216 |
| Telecomunicaciones de Guatemala, S.A. | 12,943 | 19,395 |
| Inmobiliaria Aluminio, S.A. de C.V. | 11,930 | – |
| Ocampo Mining, S.A. de C.V. | 11,843 | – |
| Selmec Equipos Industriales, S.A. de C.V. | 11,651 | – |
| Inmuebles General, S.A. de C.V. | 4,685 | 36,615 |
| Consorcio Ecuatoriano de Telecomunicaciones, S.A. | 4,059 | 14,009 |
| Empresa Nicaragüense de Telecomunicaciones, S.A. | 2,526 | 18,013 |
| Bienes Raíces de Acapulco, S.A. de C.V. | 391 | 26,698 |
| Concesionaria de Carreteras, Autopistas y Libramientos República, S.A. de C.V. | – | 127,573 |
| Constructora de Inmuebles PLCO, S.A. de C.V. | – | 53,855 |
| Inmobiliaria para el Desarrollo de Proyectos, S.A. de C.V. | – | 21,435 |
| Uninet, S.A. de C.V. | – | 21,978 |
| Telmex Argentina, S.A. de C.V. | – | 14,939 |
| Other | 115,730 | 127,637 |
| | $ 3,164,341 | $ 2,275,154 |
| Payable- | | |
| Uninet, S.A. de C.V. | $ 390,399 | $ – |
| Minera María, S.A. de C.V. | 377,603 | 152,553 |
| Centro Histórico de la Cd. de México, S.A. de C.V. | 132,364 | 70,482 |
| Constructora de Inmuebles PLCO, S.A. de C.V. | 95,904 | – |
| Sears Brand Management | 73,440 | 76,875 |
| Constructora MT Oaxaca, S.A. de C.V. | 63,728 | 47,256 |
| Concesionaria de Carreteras y Libramientos del Pacífico Norte, S.A. de C.V. | 47,345 | 312,245 |
| Dorian´s Tijuana, S.A. de C.V. | 42,759 | – |
| Comunicación Celular, S.A. de C.V. | 24,329 | 48,566 |
| Infraestructura y Saneamiento de Atotonilco, S.A. de C.V. | 21,763 | – |
| Inmobiliaria para el Desarrollo de Proyectos, S. A. de C. V. | 15,261 | – |
| América Movil, S.A.B. de C.V. | 13,056 | 13,278 |
| Fundación Centro Histórico de la Ciudad de México, S.A. de C.V. | 11,984 | 11,965 |
| Proyectos Educativos Inmobiliarios, S.A. de C.V. | 10,299 | – |
| Inmuebles Srom, S.A. de C.V. | 7,418 | 29,649 |
| Concesionaria Autopista Guadalajara-Tepic, S.A. de C.V. | – | 61,811 |
| Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V. | – | 26,437 |
| Cleaver Brooks de México, S.A. de C.V. | – | 23,972 |
| Inmose, S.A. de C.V. | – | 11,374 |
| Asociación Pediátrica, S.A. de C.V. | – | 11,343 |
| Other | 37,159 | 78,117 |
| | $ 1,364,811 | $ 975,923 |

i. The amounts pending are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current period or prior periods regarding bad or doubtful debts relating to amounts owed by related parties.

ii. Transactions with related parties, carried out in the ordinary course of business, were as follows:

| | 2013 | 2012 |
|---|---|---|
| Sales | $ 19,440,107 | $ 21,335,324 |
| Interest income | 251,856 | – |
| Purchases | (3,923,688) | (3,109,469) |
| Prepaid insurance | (181,386) | (132,037) |
| Lease expenses | (675,408) | (538,587) |
| Interest expenses | – | (5,882) |
| Services rendered | (246,022) | (376,280) |
| Other expenses, net | (648,066) | (181,017) |
| Purchases of fixed assets | (47,510) | (57,135) |

b. Transactions with associated companies, carried out in the ordinary course of business, were as follows:

| | 2013 | 2012 |
|---|---|---|
| Sales | $ 1,480,132 | $ 1,273,153 |
| Services acquired | 94,584 | 91,315 |
| Rentals collected | 9,287 | 25,687 |
| Purchases | (174,287) | (177,053) |
| Interest expense | (807) | (638) |
| Other income, net | (74,080) | (4,427) |
| Purchases of fixed assets | (8,697) | (3,030) |

c. Borrowings from financial institutions includes balances with Banco Inbursa, S.A. of $512,000 and $34,069 as of December 31, 2013 and 2012, respectively; which accrue interest at a variable rate based on general market conditions (4.85% as of December 31, 2013).

## 24. Income

| | 2013 | 2012 |
|---|---|---|
| Sales | | |
| Services | $ 1,814,242 | $ 1,734,688 |
| Sale of goods | 60,384,984 | 60,348,407 |
| Interests | 2,697,681 | 2,472,529 |
| Rentals | 243,173 | 241,118 |
| Construction | 20,641,235 | 18,435,017 |
| Others | 89,230 | 84,123 |
| | $ 85,870,545 | $ 83,315,882 |

## 25. Cost and expenses by nature

| Concept | 2013 Cost of sales | Distribution and selling | Administrative | Total |
|---|---|---|---|---|
| Wages and salaries | $ 3,482,803 | $ 3,276,618 | $ 1,418,189 | $ 8,177,610 |
| Employee benefits | 352,865 | 1,435,505 | 290,149 | 2,078,519 |
| Raw materials | 20,368,606 | – | – | 20,368,606 |
| Manufacturing expenses | 4,751,949 | – | – | 4,751,949 |
| Finished products | 32,987,626 | – | – | 32,987,626 |
| Advertising | – | 374,394 | – | 374,394 |
| Insurance | 82,034 | 78,373 | 59,827 | 220,234 |
| Freight | – | 266,734 | – | 266,734 |
| Fees | 3,262 | 26,022 | 74,238 | 103,522 |
| Maintenance | 11,170 | 306,780 | 67,115 | 385,065 |
| Plant costs | – | 19,990 | 276,503 | 296,493 |
| Security services | 14,314 | 99,320 | 41,621 | 155,255 |
| Lease | – | 1,090,596 | 88,391 | 1,178,987 |
| Telephone | – | 49,927 | 57,084 | 107,011 |
| Electricity | 4,599 | 625,805 | 7,415 | 637,819 |
| Credit card fees | – | 205,037 | – | 205,037 |
| Other | 65,524 | 1,535,165 | 895,373 | 2,496,062 |
| Subtotal | 62,124,752 | 9,390,266 | 3,275,905 | 74,790,923 |
| Depreciation | 840,157 | 659,976 | 30,071 | 1,530,204 |
| Total | $ 62,964,909 | $ 10,050,242 | $ 3,305,976 | $ 76,321,127 |

| Concept | 2012 Cost of sales | Distribution and selling | Administrative | Total |
|---|---|---|---|---|
| Wages and salaries | $ 3,135,572 | $ 2,624,954 | $ 1,431,324 | $ 7,191,850 |
| Employee benefit | 311,145 | 1,880,112 | 260,511 | 2,451,768 |
| Raw material | 20,460,303 | – | – | 20,460,303 |
| Manufacturing expenses | 4,088,060 | – | – | 4,088,060 |
| Finished products | 32,196,225 | – | – | 32,196,225 |
| Advertising | – | 383,984 | – | 383,984 |
| Insurance | 89,471 | 73,559 | 37,227 | 200,257 |
| Freight | – | 271,136 | – | 271,136 |
| Fees | 13 | 52,909 | 108,687 | 161,609 |
| Maintenance | 2,821 | 384,306 | 84,504 | 471,631 |
| Plant costs | – | 31,911 | 251,752 | 283,663 |
| Security services | – | 111,044 | 33,317 | 144,361 |
| Lease | – | 1,111,295 | 82,480 | 1,193,775 |
| Telephone | – | 62,966 | 72,900 | 135,866 |
| Electricity | – | 638,625 | 7,054 | 645,679 |
| Credit card fees | – | 53,154 | – | 53,154 |
| Other | 96,531 | 1,453,736 | 854,904 | 2,405,171 |
| Subtotal | 60,380,141 | 9,133,691 | 3,224,660 | 72,738,492 |
| Depreciation | 699,648 | 617,371 | 28,060 | 1,345,079 |
| Total | $ 61,079,789 | $ 9,751,062 | $ 3,252,720 | $ 74,083,571 |

## 26. Other (income) expenses - net

| | 2013 | 2012 |
|---|---|---|
| Cancellation charge Urvitec land sales contract | $ (51,429) | $ – |
| Gain on investment property revaluation | (210,076) | – |
| Sales of materials and waste | (52,951) | (116,569) |
| Loss (income) on sale of fixed asset | (1,597) | 9,462 |
| Other, net | (48,485) | 28,463 |
| | $ (364,538) | $ (78,644) |

## 27. Income taxes

The ISR is based on the fiscal year profits; which differs from the net income reported in the consolidated statement of comprehensive income due to temporary differences including timing differences with respect to the recognition of taxable or deductible revenues or expenses and permanent items that are never taxable or deductible. The liabilities for current tax is calculated using enacted tax rates or rates that are substantially approved at the end of the period in jurisdictions in which the Entity and its subsidiaries are subject to tax.

The Entity is subject to ISR and IETU.

ISR -The rate was 30% in 2013 and 2012 and as a result of the new 2014 ISR law (2014 Tax Law, the rate will continue at 30% in 2014 and thereafter). The Entity incurred ISR on a consolidated basis up to 2013 with its Mexican subsidiaries. As a result of the 2014 tax reform, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax determined during the subsequent five years beginning in 2014, as illustrated below.

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

IETU - IETU was eliminated as of 2014; therefore, up to December 31, 2013, 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%.

The current income tax is the greater of ISR and IETU up to 2013.

Until 2012, based on its financial projections, the Entity determined that it will basically pay ISR. Therefore, the Entity only recognizes deferred ISR. From 2013, deferred income tax is calculated only due to the abrogation of the flat tax.

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

| | 2013 | 2012 |
|---|---|---|
| ISR: | | |
| Current | $ 4,045,888 | $ 3,376,012 |
| Current from prior periods | (324,180) | (468,928) |
| IETU: | | |
| Current | – | 14,610 |
| | $ 3,721,708 | $ 2,921,694 |

b. Following is an analysis of the deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

| | 2013 | 2012 |
|---|---|---|
| ISR deferred (asset) liability: | | |
| Property, machinery and equipment | $ 1,871,292 | $ 1,917,078 |
| Inventories | (6,105) | 205,299 |
| Accounts receivable from installment sales | 546,039 | 276,560 |
| Advances from customers | (679,897) | (617,654) |
| Natural gas and metals swaps and forwards | (171,616) | (202,355) |
| Revenues and costs by percentage-of-completion method | 591,243 | 234,745 |
| Allowances for assets and reserves for liabilities | (819,282) | (706,036) |
| Other, net | (273,275) | (31,876) |
| Deferred ISR on temporary differences | 1,058,399 | 1,075,761 |
| | | |
| Effect of tax loss carry-forwards | (295,763) | (158,984) |
| ISR payable for combined inventory | – | 195,123 |
| Deferred ISR payment (long-term CUFINRE) | 19,588 | 19,262 |
| | 782,224 | 1,131,162 |
| Total deferred tax asset | 94,578 | 120,929 |
| Total deferred income taxes liability | $ 876,802 | $ 1,252,091 |

c. The movements of deferred tax liability during the year are as follows:

| | 2013 | 2012 |
|---|---|---|
| Opening balance | $ 1,131,162 | $ 1,632,620 |
| ISR payable for combined inventory | (195,123) | 195,123 |
| Income tax applied to results | (129,057) | (664,051) |
| Recognized in other comprehensive income | 19,236 | (58,510) |
| Effect of consolidation and other items | (43,994) | 25,980 |
| Closing balance | $ 782,224 | $ 1,131,162 |

d. Following is a reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income:

| | 2013 % | 2012 % |
|---|---|---|
| Statutory rate | 30 | 30 |
| Add (deduct) the effect of permanent differences - | | |
| Share in income of associated companies | (2) | (4) |
| Non-taxable gain on disposal of shares | (8) | – |
| Effective rate | 20 | 26 |

e. Unused tax loss carryforwards of Grupo Carso, S.A.B. de C.V. and its subsidiaries for which a deferred income tax asset and an advanced income tax payment, respectively, have been recognized, may be recovered provided certain requirements are fulfilled. Their maturities and restated amounts at December 31, 2013 are as follows:

| Year of expiration | Tax loss carryforwards |
|---|---|
| 2019 | $ 3,207 |
| 2020 | 76,398 |
| 2021 | 89,880 |
| 2022 and thereafter | 18,291 |
| | 187,776 |
| Tax loss carryforwards of foreign subsidiary without expiration term | 242,725 |
| Total | $ 430,501 |

f. Tax consolidation

The income tax liability at December 31, 2013 concerning the effects of benefits and tax deconsolidation shall be paid in the following years:

| Year | Amount |
|---|---|
| 2014 | $ 116,190 |
| 2015 | 116,190 |
| 2016 | 92,952 |
| 2017 and thereafter | 139,427 |
| | $ 464,759 |

## 28. Assets held for sale

During 2012, the subsidiary Cobre de Mexico, SA de C.V. decided to discontinue its refining of copper smelting and electrolysis operation.

The following are relevant income statement figures of the discontinued operations.

| | 2012 |
|---|---|
| Net sales | $ 66,298 |
| Costs and expenses | 72,010 |
| Operating expenses | 1,152 |
| Other income (expenses), net | 12,646 |
| Income before taxes | 5,782 |
| Income taxes | – |
| Net income | $ 5,782 |

## 29. Commitments

### I. Retail sector:

a. As of December 31, 2013, contracts have been executed with suppliers for the remodeling and construction of some of its stores. The amount of the commitments contracted in this regard is approximately $1,761,234.

b. Furthermore, as of December 31, 2013, the Entity and its subsidiaries have entered into lease agreements in 302 of its stores (Sears, Saks, Sanborn Hermanos, Sanborn's - Café, Mix-Up, Discolandia, I Shop, Comercializadora Dax, Corpti and Sanborns Panama). The leases are for non-cancelable periods and range between one and twenty years. The rental expense during 2013 and 2012 was $1,165,982 and $1,200,031, respectively; also, the Entity and its subsidiaries, acting as lessees, have contracts whose terms range from one to fifteen years and the amount of rental income in 2013 and 2012 was $254,842 and $242,839, respectively.

- The amount of rentals payable according to its due date amount to:

| Maturity | December 31, 2013 |
|---|---|
| 1 year | $ 526,369 |
| 1 to 5 years | 2,508,517 |
| More than 5 years | 3,722,536 |
| | $ 6,757,422 |

- The amount of rentals receivable according to their due date amount to:

| Maturity | December 31, 2013 |
|---|---|
| 1 year | $ 35,475 |
| 1 to 5 years | 114,187 |
| More than 5 years | 77,032 |
| | $ 226,694 |

c. In December, 2010, Sears Operadora México, S.A. de C.V. (formerly Sears Roebuck de México, S.A. de C.V.) and Sears Roebuck and Co., signed an agreement whereby they have decided to extend under the same terms the Brand Use License Contract and the Merchandise Sale and Advisory Contracts governing the commercial relationship between them, which establishes the payment of 1% of the revenues from merchandise sales, and allows the use of the Sears name both in its corporate name and in its stores, and the exploitation of the brands owned by Sears Roebuck and Co. The agreement will be in effect up to September 30, 2019, but allows for a seven-year extension under the same conditions, unless one of the parties decides not to do so, in which case it must notify the other party two years in advance.

d. Based on an agreement signed on September 12, 2006, the Entity executed a contract for the payment of consulting and brand use license for an initial term of 15 years with a 10 year renewal option, establishing the minimum annual payment of US $500, and allowing the use of the name Saks Fifth Avenue both in its corporate name and in its stores.

### II. Construction and infrastructure and Industrial:

Through its subsidiaries Operadora Cicsa, S.A. de C.V. ("Operadora") and Servicios Integrales GSM, S. de R.L. de C.V. ("GSM"), the Entity is competing in tenders of Pemex Exploración y Producción ("PEP") and the Pemex Petroquímica ("PPQ"), for public works contracts. Derived from this, the reported figures include the effect of the following contracts and formalized agreements, which provide the current advances to completion:

a. During the second quarter of 2013, Operadora signed a contract with Pemex Exploración y Producción for the manufacture of a drilling rig light structure called Xanab-B amounting to US$15 millon, at December 31, 2013, there have been advances of 41% and is expected to conclude in April 2014.

b. In June 2012, Operadora signed contracts with Pemex Exploración y Producción ("PEP"), resulting from the allocation of public works for the manufacture of three offshore production fields in the Campeche EK-A2, KU Ayatsil-A and-B. The amount of these contracts is US$ 205 million, and will run over a period of approximately 17 months. The scope of the contract covers the engineering, procurement, construction, loading and mooring platforms, one octopod type, to December 31, 2013, there have been advances about 98% and is expected to conclude with the construction of the same in the first quarter of 2014.

c. In January 2010, PEP awarded directly to GSM and Operadora, both subsidiaries of CICSA, the drilling and termination work of 100 wells of the Tertiary field in the south region of Mexico. The value of the public works contract amounted to $ 1,028,380, plus U.S.$159,406, concluding in 2012. During February 2010, the execution of drilling 100 oil wells were completed, however, in 2011, an extension was signed the contract for up to 141 wells, same as they were completed in the first quarter of 2013 and currently GSM is in the process to finalize the contract. In addition to this project, PEP assigned GSM an additional contract for the drilling of 29 additional wells for $ 290,000 plus U.S.$60,231, the date of issuance of these financial statements have been completed, but in August 2013, he signed an expansion of 25 % in amounts up to 60 wells, this contract ends on January 31, 2014, in November 2013, an extension was signed up by over 105% and in amounts up to 82 wells in the month of December 2013 we notified the early termination of the agreement dated December 10, 2013. In the same month of December 2013, PEP awarded a contract for more than U.S.$50,992 $42,009 which concludes in March 2014.

d. In 2009, through Operadora, the Entity began the construction of a Jack Up (mobile drilling platform for oil wells at sea), which was completed in the first half of 2011. During the second half of 2011 the Board of Directors of the Entity, approved to carry out the sale of the Jack Up, therefore, it was classified as inventory and the sale process through specialized companies began. During 2012 the Entity continued its marketing efforts, which deepened in the knowledge of this market and identified different options for this equipment, among which are the provision of services and leasing options that the Board of Directors of the Entity agreed to consider. Based on the above it was decided to reclassify the Jack Up under the caption of Property, plant and equipment. During the second quarter of 2013, a lease without a purchase option was signed with Pemex Exploración y Producción $415 million, the same that began in June 2013, Operadora remains responsible for providing maintenance services. (See Note 2).

e. In July 2009, PEP awarded GSM and Operadora the construction contract for the "Integrated work for the drilling of wells in the Gulf Terciary Oil". The value of such contract is approximately $203,528 plus US$119,897, and will be performed in approximately 2 years. In September 2009, work began on this drilling project for 144 oil wells and has finished at the date of issuance of these financial statements. However, during 2012, the Entity signed an extension to the contract up to 247 wells same that were completed during the second quarter of 2013 and are currently in process to finalize the contract. In addition to this project, PEP GSM assigned another contract for the drilling of 12 additional wells for $60 million which expires in February 2014.

f. In the third quarter of 2013 a contract was signed to carry out the alternate scenic road work, which consists of building a tunnel from the Brisamar bypass to the junction with Cayaco – Puerto Márquez, and the road construction connecting the tunnel entrance with the Zona Diamante. The amount of this contract is $1,938,043; in order to perform the contract the specific purpose entity Acatunel, S.A. de C.V. (Acatunel) was created, in which Operadora holds 50%. The contract is expected to be concluded within two years.

g. In February 2012, through Operadora, the Entity won a concession contract for the construction, operation, exploitation, conservation and maintenance of the 111 kilometer, type a-4 Southern Guadalajara highway that extends from the Zapotlanejo junction of the Zapotlanejo – Guadalajara highway to the Arenal junction of the Guadalajara – Tepic highway. Under this concession contract, the Entity will provide construction services. The value of the contract is $5,977 million and fixed price contract is $35 million. At December 31, 2013, there have been advances of approximately 26%.

h. In May 2010, the SCT, a Federal Government agency, signed a concession title with the subsidiary Autovía Mitla Tehuantepec, S.A. de C.V., to construct, exploit, operate, conserve, maintain, modernize and expand the Mitla-Entronque Tehuantepec II federal highway, which is 169 km in length. For the construction of this highway, the special purpose entity Constructora MT de Oaxaca, S.A. de C.V. (MT) was created in December 2010, of which 40% is owned by Operadora. MT signed a contract in September 2011 with the concessionaire for the construction of this highway with value of $9,318,200. At the date of issuance of these financial statements have advances of approximately 18%.

i. In January 2010 CICSA announced that it was awarded a contract for the construction and operation of the Wastewater Treatment Plant at Atotonilco, Tula, Hidalgo, in which CICSA, through Infraestructura y Saneamiento de Atotonilco, S.A. de C.V., a consortium created at the end of 2010, would participate in the development of the structural and architectural engineering and in the civil construction project worth $2,004,000 (including VAT). The Atotonilco Plant will be the largest in Mexico and one of the largest in the world with a capacity of 35 $m^3$ per second (m3/s) for the treatment of wastewater in the Metropolitan Zone of the Mexico City, cleaning 23 m3/s during the dry season and another 12 m3/s more in the rainy season, by means of a physical-chemical process module. At December 31, 2013, there have been advances that reached about 93 % of the project.

j. In December 2009 Operadora announced that it entered into a lump sum contract with the decentralized state agency named Sistema de Autopistas, Aeropuertos, Servicios Conexos y Auxiliares del Estado de México (SAASCAEM) for the modernization of the Tenango-Ixtapan de la Sal Highway, from Km 1+100 to Km 32+630, in the State of Mexico. The construction project consists of expanding the highway from two to four lanes, including earth grading work, drainage, structures, asphalting, construction and upgrades of junctions for a total length of 31.6 km. The contract amount is approximately $492,162 and will be performed over a 20 month period. At the date of the financial statements has an advance of about 88% and presents a suspension derived from a shelter by residents of a section of the project.

k. In October 2009 Operadora announced that it has reached agreement with Impulsora Del Desarrollo y el Empleo en América Latina, S.A.B. de C.V. ("IDEAL") (a related party) to perform the construction and modernization work on the "Proyecto Pacífico Norte", which consists of: (i) The Southern Bypass of Culiacan and the Mazatlan Bypass and its connecting branches, and (ii) The Mazatlan-Culiacan High Specification Highway and the related modernization work. The work to be performed is worth a total of $3,678,200, divided into three parts; the Culiacan Bypass for $1,590,844, in which the work were completed during 2012, the Mazatlan Bypass for $1,587,356, in which the Entity started the construction in certain trams and present an advance of 72% and modernization work for $500,000; the latter will be performed after the first two phases have been concluded.

l. In November 2008, through a consortium formed with other companies, CICSA signed the contract for the construction of the Eastern Emitter Tunnel, which will recover drainage capacity in the Metropolitan Zone of Mexico City and ensure the normal operation of deep drainage maintenance programs, thus eliminating the risk of flooding during the rainy season. The National Water Commission, the Federal District Government and the Government of the state of Mexico, through Trust number 1928, given the need for such construction projects and considering the technical capacity and experience of the Mexican companies which comprise the consortium, made a direct award in accordance with the related Law of Public Works and Services, to assign such project to the company named Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V. (COMISSA), whose shareholders are: CICSA with 40% of the equity, Ingenieros Civiles Asociados, S.A. de C.V. (ICA), Construcciones y Trituraciones, S.A. de C.V. (COTRISA), Constructora Estrella, S.A. de C.V. (CESA) and Lombardo Construcciones, S.A. de C.V. (LOMBARDO). The project began engineering and construction work under a mixed public works scheme on the basis of unit prices, lump sum and fixed term, which must be concluded in September 2012. However, with the authorizations made after the construction work ended, the deadline was extended. The contract stipulates the construction of a tunnel 7 meters (m) in diameter, approximately 62 kilometers (km) long and with a capacity of 150 $m^3$ per second. The original amount of this contract was $9,595,581, which has since been increased to $13,803,516 for additional authorized work. At the date of the financial statements the project is 82% completed, including the aforementioned increases, and the project is expected to conclude in March 2018.

m. In the third quarter of 2008, a consortium made up of Operadora and other companies outside the Group, Constructora El Realito, S.A. de C.V., was awarded the contract to perform the work involving the design, development and engineering and construction of the El Realito dam, which will supply drinking water to the Metropolitan zone of San Luis Potosi, located on the river Santa Maria, in the municipality of San Luis de La Paz, Guanajuato State. The original amount of this contract was $549,748, which has since been increased to $678,000, for additional authorized work, of which Operadora has a 52% share and is expected to be finished within three years. At the date of the financial statements, this project is completed.

n. Since 2012, the subsidiaries Grupo PC and Operadora won a series of contracts for the construction of the project called Plaza Carso II, which consists of various commercial and residential buildings, initially worth $900,000. At December 31, 2013, he is finalizing the structure concerning the basement and it is estimated that the work will be fully completed in 2014.

o. PC Group has signed a series of contracts to implement the project called New Veracruz, consisting of a comprehensive urban development over an area of 487 hectares and will include a shopping mall, hospital, hotel, school and homes. The Mall opened in December 2013, the hospital and the hotel will be completed in 2014 and parallel construction of the university will start and continue with homes.

p. In the first quarter of 2013, ended with the construction and facilities were delivered in the State of Mexico, of the CIMMYT (Centro Internacional de Mejoramiento del Maíz y el Trigo).

q. As of 2011, the Group subsidiaries and PC Attendant contracts have been concluded for the construction of hospitals; Star Medica - Querétaro, Star Medica -Infantil private in Mexico City, Star Medica - Chihuahua, the total amount of the contract will be about $ 733,000. In 2013 and 2012, the works were completed, in the Star Medica - Infantil private in Mexico City and Star Medica - Querétaro, respectively. The Medical Star - Chihuahua, is expected to be completed in 2014.

r. At December 31, 2013 and 2012, the Entity signed contracts and work orders related to Mexico and Latin America, for total amounts of $2,312,000 and $2,813,580 parts; and U.S.$170 and U.S.$150 million, respectively. Contracts include professional services for the construction and modernization of copper cabling networks (pair) and fiber optic outside plant and to build pipelines, installation of fiber optic, public works, and connections. Most of the projects contracted in Mexico have been completed during 2013 and 2012, while projects in Latin America, which have been normally executed; is estimated to be completed during 2014.

s. At December 31, 2013, in the sector Industrial and Construction and Infrastructure has a contractual commitment for capital leases of machinery and equipment and operating leases of properties in the amount of $783,615.

Maturities of contractual commitments denominated in Mexican pesos at December 31, 2013, consist of the following:

| Years | Amount |
|---|---|
| 2014 | $ 214,280 |
| 2015 | 184,533 |
| 2016 | 152,128 |
| 2017 and thereafter | 232,674 |
| | $ 783,615 |

The rents paid were $245,518 and $171,503 for the year ended December 31, 2013 and December 2012, respectively.

## 30. Contingency

a. As of the date of these financial statements, the Entity has judicial procedures in process with the competent authorities for diverse reasons, mainly for foreign trade duties, for the recovery of accounts receivable and of labor matters.

The estimated amount of these judgments to December 31, 2013 amounts to $666,629; for which the Entity has recognized provisions $90,458 which is included in other liabilities in the consolidated statements of financial position. During 2013, the Entity made payments related to these matters of approximately $23,134. While the results of these legal proceedings cannot be predicted with certainty, management does not believe that any such matters will result in a material adverse effect on the Entity's financial position or operating results.

b. A proceeding is underway to investigate absolute monopoly practices in the public railroad freight market, filed by the Federal Anti-Trust Board ("Cofeco") as a result of the sale of the common stock shares of Ferrosur, S.A. de C.V. and the acquisition of the common stock shares of Infraestructura y Transportes México, S.A. de C.V. Pursuant to such proceeding, the Cofeco determined that the absolute monopoly practices established in article 9, section I of the Federal Economic Competition Law had been committed by, among others, Grupo Carso, ordered the cessation of such monopoly practices and levied a fine on, among other companies, Grupo Carso for the amount of $82,200.

However, the resolution of Competition Commission was challenged via indirect shelter, and pursuant to the judgment of the trial, the Competition Commission on October 8, 2013, reversed the decision of the removal of practice and fine was imposed, and commands to close the investigation file of monopolistic practices in the absence elements to impute liability.

The shelter lawsuit filed was considered closed on January 10, 2014 because the relief verdict had already been enforced.

c. The Entity is involved in legal proceedings related to mercantile, tax and labor matters. These matters have arisen in the normal course of business and they are normal for the industry in which the Entity participates. However, the matters are deemed to have a smaller than probable, but greater than remote probability of resulting in a loss to the Entity. Nevertheless, the Entity believes that these matters will not have a material adverse effect on its financial position or operating results.

d. At December 31, 2013 and 2012, the Entity has written guarantees, mainly on behalf of their clients, for $6,479,758 and U.S $62,710 and $5,474,751 and U.S.$5,990, respectively, which were the amounts of liability in force in those periods.

e. Performance warranties. In the normal course of the operations, the Entity is required to guarantee its obligations, mainly derived from construction contracts by means of letters of credit or deposits, regarding the compliance with contracts or the quality of the developed works.

## 31. Segment information

Information by operating segment is presented based on the management focus and general information is also presented by product, geographical area and homogenous groups of customers.

a. Analytical information by operating segment:

| | 2013 | | | | |
|---|---|---|---|---|---|
| Statements of financial position | Industrial | Retail | Infrastructure and construction | Others and eliminations | Total consolidated |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 1,043,946 | $ 7,714,993 | $ 1,698,196 | $ (21,259) | $ 10,435,876 |
| Accounts and notes receivable, net | 5,957,987 | 9,677,368 | 5,861,189 | (2,077,901) | 19,418,643 |
| Total current assets | 12,195,193 | 26,523,993 | 10,811,094 | (1,095,038) | 48,435,242 |
| Property, plant and equipment | 3,829,107 | 9,733,195 | 6,625,614 | 123,696 | 20,311,612 |
| Other assets - Net | 23,861 | 29,548 | 81,885 | 571,120 | 706,414 |
| Total assets | 23,238,839 | 38,763,024 | 19,151,847 | 4,776,527 | 85,930,237 |
| Current liabilities: | | | | | |
| Notes payable to financial institutions and current portion of long-term debt | $ 3,129,801 | $ – | $ – | $ 19,708 | $ 3,149,509 |
| Trade accounts payable | 1,906,783 | 6,321,806 | 310,526 | 546,893 | 9,086,008 |
| Total current liabilities | 6,604,140 | 9,475,968 | 5,447,016 | (969,130) | 20,557,994 |
| Long-term debt | 2,989 | – | 730,000 | 5,000,373 | 5,733,362 |
| Total liabilities | 6,628,068 | 10,751,609 | 7,895,866 | 4,013,716 | 29,289,259 |

| Statements of financial position | Industrial | Retail | Infrastructure and construction | Others and eliminations | Total consolidated |
|---|---|---|---|---|---|
| | 2012 | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 1,657,004 | $ 2,327,855 | $ 471,374 | $ 525,230 | $ 4,981,463 |
| Accounts and notes receivable, net | 5,488,335 | 8,856,549 | 4,849,361 | (2,067,474) | 17,126,771 |
| Total current assets | 11,878,705 | 20,075,050 | 8,991,509 | (351,298) | 40,593,966 |
| Property, plant and equipment | 3,857,892 | 8,808,288 | 6,914,128 | 420,923 | 20,001,231 |
| Other assets - Net | 206,133 | 33,702 | 149,496 | 450,492 | 839,823 |
| Total assets | 22,154,547 | 31,201,517 | 17,558,264 | 5,644,184 | 76,558,512 |
| Current liabilities: | | | | | |
| Notes payable to financial institutions and current portion of long-term debt | $ 2,981,662 | $ 5,273,039 | $ 1,089,980 | $ 24,672 | $ 9,369,353 |
| Trade accounts payable | 2,291,161 | 5,964,007 | 1,022,878 | 37,522 | 9,315,568 |
| Total current liabilities | 6,754,717 | 14,811,534 | 8,170,200 | (2,329,091) | 27,407,360 |
| Long-term debt | 42,314 | – | 1,379 | 5,000,000 | 5,043,693 |
| Total liabilities | 6,901,148 | 15,972,727 | 8,308,505 | 3,495,543 | 34,677,923 |

| Statements of Comprehensive Income | Industrial | Retail | Infrastructure and construction | Others and eliminations | Total consolidated |
|---|---|---|---|---|---|
| | 2013 | | | | |
| Net sales | $ 26,722,998 | $ 40,514,434 | $ 18,818,223 | $ (185,110) | $ 85,870,545 |
| Cost of sales | 23,514,718 | 24,426,130 | 15,306,246 | (282,185) | 62,964,909 |
| Distribution and selling | 471,769 | 8,920,272 | 30,935 | (32,710) | 9,390,266 |
| Administrative | 783,348 | 1,818,710 | 614,219 | 59,628 | 3,275,905 |
| Other (income) expenses – Net | 72,470 | (447,743) | 39,742 | (29,007) | (364,538) |
| Interest (income) expense – Net | 67,038 | (247,792) | 191,616 | 110,613 | 121,475 |
| Exchange gain (loss) – Net | (105,365) | (3,469) | (7,948) | (102,396) | (219,178) |
| Effects of valuation of financial instruments – Net | – | – | (40,791) | 40,085 | (706) |
| Equity in income of associated companies | (359,786) | – | (120,298) | (828,709) | (1,308,793) |
| Income from income taxes | 2,176,856 | 5,257,487 | 2,793,870 | 8,456,265 | 18,684,478 |
| Income taxes | 510,492 | 1,709,964 | 721,715 | 779,537 | 3,721,708 |
| Consolidated net income | 1,666,364 | 3,547,523 | 2,072,155 | 7,676,728 | 14,962,770 |
| EBITDA (1) | 2,130,321 | 5,500,202 | 3,281,544 | 7,688,569 | 18,600,636 |
| Depreciation and amortization | 351,578 | 704,052 | 465,095 | 12,711 | 1,533,436 |

| Statements of Comprehensive Income | Industrial | Retail | Infrastructure and construction | Others and eliminations | Total consolidated |
|---|---|---|---|---|---|
| | 2012 | | | | |
| Net sales | $ 27,415,038 | $ 39,411,287 | $ 16,669,940 | $ (180,383) | $ 83,315,882 |
| Cost of sales | 23,841,197 | 23,818,767 | 13,671,596 | (251,771) | 61,079,789 |
| Distribution and selling | 477,086 | 8,644,391 | 45,159 | (32,945) | 9,133,691 |
| Administrative | 796,081 | 1,735,437 | 682,325 | 10,817 | 3,224,660 |
| Other (income) expenses – Net | 2,543 | (92,289) | 2,540 | 8,562 | (78,644) |
| Interest (income) expense – Net | 40,622 | (1,602) | 83,334 | 398,357 | 520,711 |
| Exchange gain (loss) – Net | (254,056) | (10,220) | (54,936) | 22,484 | (296,728) |
| Effects of valuation of financial instruments – Net | (23,399) | (45,134) | (450,843) | (91,666) | (611,042) |
| Equity in income of associated companies | (289,523) | – | (113,278) | (1,260,057) | (1,662,858) |
| Income from income taxes | 2,737,561 | 4,622,478 | 2,791,041 | 1,001,602 | 11,152,682 |
| Income taxes | 788,280 | 1,324,580 | 744,126 | 64,708 | 2,921,694 |
| Income from discontinued operations | 5,782 | – | – | – | 5,782 |
| Consolidated net income | 1,955,063 | 3,297,898 | 2,046,915 | 936,894 | 8,236,770 |
| EBITDA (1) | 2,570,563 | 5,225,703 | 2,601,213 | 137,323 | 10,534,802 |
| Depreciation and amortization | 359,358 | 660,181 | 345,895 | 66,603 | 1,432,037 |

(1) Reconciliation of EBITDA

| | 2013 | 2012 |
|---|---|---|
| Income before income taxes | $ 18,684,478 | $ 11,152,682 |
| Depreciation | 1,530,204 | 1,345,079 |
| Amortization | 3,232 | 86,958 |
| Interest income | (459,899) | (294,495) |
| Interest expense | 581,374 | 815,206 |
| Exchange gain (loss) | (219,178) | (296,728) |
| Gain/(loss) on property revaluation | (210,076) | – |
| Effects of valuation of financial instruments | (706) | (611,042) |
| Equity in income of associated entities | (1,308,793) | (1,662,858) |
| EBITDA | $ 18,600,636 | $ 10,534,802 |

EBITDA for Grupo Carso grew 76.6% mainly due to the gain on sale of associated companies of $7,588,664 related to the sale of 20% stake in Philip Morris Mexico (PMM), which was completed on September 30, 2013.

Cash flows from operating activities:

| | 2013 | 2012 |
|---|---|---|
| – Industrial | $ 740,642 | $ 1,909,665 |
| – Retail | 2,817,169 | 3,345,197 |
| – Infrastructure and construction | 1,484,941 | 2,198,082 |
| – Others and eliminations | 629,831 | 359,542 |
| Total consolidated | $ 5,672,583 | $ 7,812,486 |

Cash flows from investing activities:

| | 2013 | 2012 |
|---|---|---|
| – Industrial | $ (714,295) | $ (180,289) |
| – Retail | (1,257,143) | (455,369) |
| – Infrastructure and construction | 205,308 | (542,067) |
| – Others and eliminations | 8,038,819 | 241,461 |
| Total consolidated | $ 6,272,689 | $ (936,264) |

Cash flows from financing activities:

| | 2013 | 2012 |
|---|---|---|
| – Industrial | $ (263,449) | $ (1,977,497) |
| – Retail | 3,828,800 | (2,614,003) |
| – Infrastructure and construction | (463,489) | (1,860,954) |
| – Others and eliminations | (9,599,899) | (217,639) |
| Total consolidated | $ (6,498,037) | $ (6,670,093) |

b. General segment information by geographical area:

The Entity operates in different geographical areas and has distribution channels in Mexico, the United States and other countries through industrial plants, commercial offices or representatives.

The distribution of such sales is as follows.

| | 2013 | % | 2012 | % |
|---|---|---|---|---|
| North America | $ 6,115,786 | 7.12 | $ 4,053,003 | 4.86 |
| Central and South America and the Caribbean | 6,387,124 | 7.44 | 6,628,058 | 7.96 |
| Europe | 298,661 | 0.35 | 313,819 | 0.38 |
| Rest of the world | 43,103 | 0.05 | 49,221 | 0.06 |
| Total exports and foreign | 12,844,674 | 14.96 | 11,044,101 | 13.26 |
| Mexico | 73,025,871 | 85.04 | 72,271,781 | 86.74 |
| Net sales | $ 85,870,545 | 100.00 | $ 83,315,882 | 100.00 |

The Entity has a wide variety of customers according to the category of products and services it offers; however, no particular customer represents more than 10% of net sales. The Entity offers its products and services in the following industries: energy, automotive, telecommunications, construction, electronics and general public mainly.

## 32. Subsequent events

On March 6, 2014, the Entity was notified of the ruling issued by the Federal Telecommunications Commission, in which, based on the economic interest group argument, the Entity is considered a leading operator in the area of telecommunications. As of this date the ruling is being analyzed to determine the measures which the Entity will adopt in this regard.

In principle, management does not expect that the measures to which it would be subject will affect the performance of its operations.

## 33. Authorization to issue the financial statements

On March 24, 2014, the issuance of the accompanying consolidated financial statements was authorized by L.C. Arturo Spínola García; consequently, they do not reflect events occurred after that date, and are subject to the approval of the Entity's ordinary shareholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law. The consolidated financial statements for the year ended December 31, 2012, were approved at the ordinary shareholders' meeting that took place on April 25, 2013.

### Investor Relations

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### Share Information

The shares Series A-1 of Grupo Carso S. A. B. de C. V. are listed in the Mexican Stock Exchange under the ticker symbol "GCARSO"

### ADR'S Level 1 Information

Symbol: GPOVY
2:1
Cusip: 400485207

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Bolsa Mexicana
GCARSO

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### Websites

For more information about Grupo Carso and social responsibility activities, visit:

www.carso.com.mx
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