GRUPO CARSO

ANNUAL REPORT 2014

GRUPO

RETAIL AND CONSUMPTION DIVISION

P. 12

INDUSTRIAL AND MANUFACTURE DIVISION

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INFRASTRUCTURE AND CONSTRUCTION DIVISION

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Our cover: Nuevo Veracruz Shopping Center

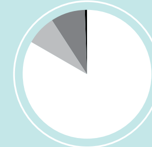
CARSO

Grupo Carso is one of the largest and most diversified conglomerates in Latin America. It is made up of four strategic sectors - Commercial, Industrial, Infrastructure and Construction, and most recently Energy, as of 2014.

The Group has a strong presence in the Mexican economy, in which it is one of the market leaders due to an exceptional portfolio of stores, products and services.

Since its founding over 30 years ago, Grupo Carso has been characterized by its dynamism, innovation in processes and technologies, and a sustainable management of resources. All this is reflected in operational synergies, profitability and a continuous generation of cash flow, which translates into a proven track record of value generation for shareholders.

DIVISIONS, PRODUCTS AND SERVICES



83.5% Mexico

7.5% Central and South America

8.6% North America

0.4% Rest of the world

SALES BY GEOGRAPHIC DIVISION

COMMERCIAL AND RETAIL

GRUPO SANBORNS • This sector operates some of the most successful retail outlets in Mexico, with widely recognized brands. Through 430 units and more than one million thirty thousand square meters of retail area, it serves a great number of middle class and upper class consumers.

50.0%

CONTRIBUTION TO SALES

48.7%

CONTRIBUTION TO OPERATING INCOME

INDUSTRIAL AND MANUFACTURING

GRUPO CONDUMEX • Grupo Condumex has a portfolio of products and services focused on meeting the needs of the telecommunications, construction, electricity, energy, automotive and mining industries.

31.5%

CONTRIBUTION TO SALES

27.2%

CONTRIBUTION TO OPERATING INCOME

INFRASTRUCTURE AND CONSTRUCTION

CARSO INFRAESTRUCTURA Y CONSTRUCCIÓN • This sector serves the chemical and oil, pipeline installation, infrastructure, construction and housing industries.

18.9%

CONTRIBUTION TO SALES

23.8%

CONTRIBUTION TO OPERATING INCOME

RETAIL OUTLETS

- Department stores and boutiques
- Retail – Restaurant
- Electronic and entertainment

SEARS
SANBORNS
iSHOP
MIXUP
SAKS FIFTH AVENUE

SERVICES AND PRODUCTS

- Power cables, construction and telecom, electronics, automotive cables and optical fiber
- Automotive harnesses and shock absorbers
- Precision steel piping
- Transformers and reactors
- Alternative energy

CONDUMEX
IEM
GABRIEL
PRECITUBO
SITCOM
MICROM
SINERGIA
EQUITER
LOGTEC

SERVICES AND PRODUCTS

- Oil platforms
- Drilling of oil, gas, water, and geothermal wells
- Construction of infrastructure, such as shopping centers, industrial plants, offices, and housing
- Roads, dams, and water treatment plants

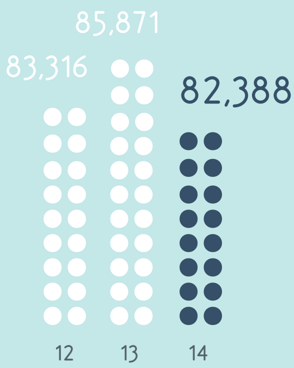
CICSA
SWECOMEX
BRONCO DRILLING
CILSA
GSM
PC CONSTRUCTORES
URVITEC

KEY FINANCIAL INFORMATION

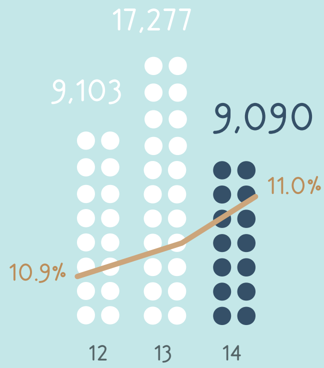
(Thousand pesos at December 31 of each year, except EPS)	2012	2013	2014	Var % 2014 - 2013
Sales	83,315,882	85,870,545	**82,387,858**	-4.1%
Gross Profit	22,236,093	22,905,636	**23,206,133**	1.3%
Operating Income	9,102,765	17,277,276	**9,089,522**	-47.4%
EBITDA	10,537,283	18,699,382	**10,606,017**	-43.3%
Controlling Participation in Net Income	7,640,589	13,929,481	**5,684,990**	-59.2%
Earnings per Share (EPS)*	3.34	6.08	**2.48**	-59.2%
Margins				
Gross	26.7%	26.7%	**28.2%**	1.5
Operating	10.9%	20.1%	**11.0%**	-9.1
EBITDA	12.6%	21.8%	**12.9%**	-8.9
Net	9.2%	16.2%	**6.9%**	-9.3
Revenues				
Retail	39,411,287	40,514,434	**41,202,547**	1.7%
Industrial	27,415,038	26,722,998	**25,956,926**	-2.9%
Infrastructure and Construction	16,669,940	18,818,223	**15,552,633**	-17.4%
EBITDA**				
Retail	5,225,703	5,500,202	**5,027,548**	-8.6%
Industrial	2,559,740	2,154,407	**2,821,982**	31.0%
Infrastructure and Construction	2,669,664	3,356,985	**2,715,840**	-19.1%
Margin EBITDA				
Retail	13.3%	13.6%	**12.2%**	-1.4
Industrial	9.3%	8.1%	**10.9%**	2.8
Infrastructure and Construction	16.0%	17.8%	**17.5%**	-0.4
Total Assets	79,768,696	90,180,792	**91,710,398**	1.7%
Total Liabilities	37,888,107	33,539,814	**30,525,037**	-9.0%
Stockholders' Equity	41,880,589	56,640,978	**61,185,361**	8.0%
Outstanding Shares ('000)	2,289,802	2,289,802	**2,289,802**	0.0%

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

** EBITDA: Comprehensive income plus depreciation and amortization, income taxes, interest expense, foreign exchange loss, loss on valuation of derivative financial instruments and the effect of conversion in companies abroad, less interest income, foreign exchange gain and gain on valuation of derivative financial instruments. Does not include Other Income from appraisal value of investment properties.

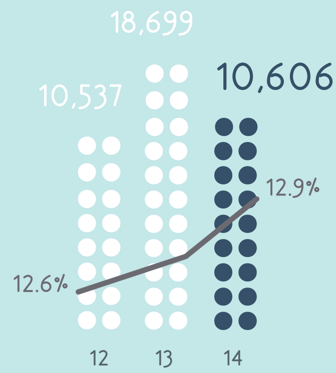


SALES
(million pesos)



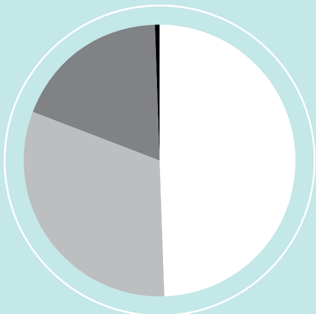
OPERATING
INCOME*
(million pesos)

Operating margin

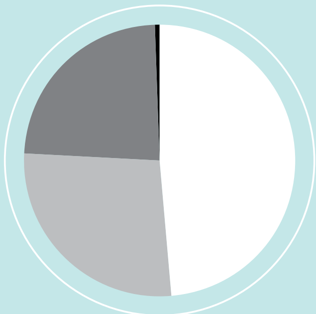


EBITDA*
(million pesos)

EBITDA margin



SALES BREAKDOWN
BY SUBSIDIARY
(million pesos)



OPERATING INCOME
BREAKDOWN BY SUBSIDIARY*
(million pesos)

* Note: To calculate the margins in 2014 a total of $210 million pesos were added to the consolidated operating income and EBITDA due to the adjustment on the sale of Philip Morris Mexico (PMM) and $226 were subtracted per the valuation of investment properties. To calculate the margins in 2013 a total of $7,589 million pesos were subtracted to the consolidated operating income and EBITDA due to the sale of PMM as well as $210 on the valuation of investment properties.

MESSAGE TO SHAREHOLDERS

Economic Outlook

The world economy in 2014 continued showing moderate growth. Global markets featured high volatility due to various economic and political factors, such as falling prices of raw materials and oil, the revaluation of the dollar, as well as international geopolitical tensions.

In 2014, various regional dynamics affected growth rates. As the United States showed signs of recovery, the Euro zone recorded signs of low performance; Japan reduced its expansion; and China continued to moderate its growth rate. Meanwhile, the slow evolution of developed economies impacted the emerging economies and, to a certain extent, the prices of raw materials. Moreover, falling oil prices benefited the advanced and energy-importing economies, negatively affecting the major exporting countries and contributing to the current weak demand through lower interest rates.

This global macroeconomic environment, coupled with expectations on monetary positions of world economies, mainly the United States, will produce adjustments to the investment portfolios, leading to the strengthening of the dollar against most currencies. As a consequence, this situation expanded the international financial volatility.

Economic activity in Mexico in 2014 showed moderate recovery against 2013, mainly due to an increase in external demand and, to a lesser extent, domestic demand. This scenario resulted in an annual growth of 2.1% in GDP, a rate that is still considered low.

The global macroeconomic environment has led to an adjustment of investment portfolios, which has strengthened the dollar against most of the world currencies.

At the close of 2014, prices of Brent and Mexican crude oil decreased 48% and 51%, respectively, in comparison with the closing prices of 2013. This adjustment will mainly affect public investment beginning in 2016, thus encouraging more private investment to take place. For 2015, the federal government has announced the introduction of preventive fiscal adjustments, with a zero-based budget to be implemented in 2016, which will allow a better qualitative improvement.

By taking advantage of the U.S. growth, low interest rates and favorable exchange rates, the Mexican market may further strengthen its exports and investments to accelerate economic activity, thus creating more and better jobs and promoting a dynamic domestic consumption. Also, the abundant availability of low-cost, long-term financial resources might be used to encourage private investment participation in the generation of productive development projects.

Grupo Carso

In this global macroeconomic, low-growth environment, Grupo Carso recorded mixed results in its main business areas in 2014. This was a very important year from a strategic point of view for Grupo Carso, due to various events.

In April, we announced the appointment of a new Chief Executive Officer of Grupo Carso, S.A.B. de C.V., Mr. Antonio Gomez Garcia, who will continue to seek operating synergies and boost the activities of Carso Infraestructura y Construcción and Condumex, as well as maintain horizontal structures for agile decision making.

As of September 1, 2014 the share series A1 GCARSO became part of the Prices and Quotations Index of the Mexican Stock Exchange.

In order to participate in business opportunities in energy, we have grouped certain assets of Carso Energy, S.A. de C.V., a subsidiary which currently has an oil & gas division and other division with energy-related businesses. Carso Energy has initial assets of more than Ps.4,000 million and experienced human resources, through which we can take advantage of development opportunities in these important sectors.

Carso Energy, together with Energy Transfer Partners, LP and Mastec, Inc., heads the interest group which was awarded the construction and operation of the Texas-based pipeline Waha-Presidio and Waha-San Elizario, in the United States. We will continue to participate actively in the submission of bids in the energy sector.

The changes that occurred in the oil industry produced a significant decrease in the performance of the drilling service division of Carso Infraestructura y Construcción; however, the activity of our infrastructure, construction and installation of pipelines divisions was positive.

$4,000

Carso Energy's assets now amount to more than Ps.4,000 million and it has the benefit of experienced human resources.

Another event that marked the year was the 60th anniversary of Grupo Condumex, which celebrated six decades of leadership and commitment to technological excellence in the different industrial sectors it serves, such as construction, energy, lighting, the automotive industry, and telecommunications. As part of this celebration, we launched Condumex ZER0H, the first high security, halogen-free cable in the world, a product developed by the Carso Center for Research and Development.

In the industrial area, although we were affected by a lower number of energy projects, we reorganized our businesses to increase productivity and maintain profit margins. Despite the decrease in revenues, profitability grew as the result of better, more efficient distribution channels. Moreover, we showed a significant strength in the telecommunications and automotive sectors and are very proud to mention that Arela, a subsidiary of Grupo Condumex specializing in the manufacture and marketing of automotive electrical harnesses, was awarded the "GM Supplier Quality Excellence Award" this year by General Motors, a recognition given to suppliers that demonstrate the highest level of quality and performance.

With regard to the commercial division, private consumption remained weak since the beginning of the year and we registered a growth of 1.7% in the total sales of Grupo Sanborns. We continued with the expansion plan in 2014 and opened 20 new stores – 3 Sears, 5 Sanborns and 12 iShops. At the end of the year, we were operating 430 units with over one million thirty thousand square meters of retail area, and two shopping centers. Moreover, we accelerated the remodeling works at 17 Sears and Sanborns stores, of which 11 were completed while the rest will be finished during the first quarter of this year.

The combination of the above-mentioned results in the three sectors led to a decrease of 4.1% in net sales of Grupo Carso to reach Ps.82,388 million. Operating income and EBITDA decreased 47% and 43%, respectively. These effects are explained by the recording of extraordinary income in the amount of Ps.7,589 million in 2013 related to the sale of our 20% interest in Philip Morris Mexico. Not considering the above, operating income and EBITDA would have been 6.1% and 4.5%, respectively. Operating margin was 11% and the EBITDA margin was 13%. Net income totaled Ps.5,685 million, while earnings per share were Ps.2.48.

The financial position of Grupo Carso remains strong. Total assets reached Ps.91,710 million, a 1.7% increase in the year, while liabilities decreased 9% to reach Ps.30,525 million. The consolidated shareholders' equity was Ps.61,185 million, an 8% increase compared to the previous year. Debt decreased 13% to reach Ps.7,720 million and net debt was negative in the amount of Ps.6,370 million.

During May and October, 2014, Grupo Carso paid an ordinary cash dividend of Ps.0.80, which derived from the balance of the net tax profit account.

As for capital expenditures, resources amounted to Ps.3,115 million of which Ps.2,546 million corresponded to investments made for the opening of new stores and improvements carried out in Sears, Sanborns and iShop, which were works and projects considered in the expansion plan of Grupo Sanborns.

60years

60th Anniversary of Condumex: Leadership and commitment to technological excellence in different industrial sectors.

We believe that the financial structure of the Company is adequate for the various investment projects contemplated by our subsidiaries. We continue the remodeling and opening of Grupo Sanborns' stores and continue consolidating retail concepts and new categories of products for consumers. In Carso Infraestructura y Construcción and Condumex, we continue working on synergies and best practices, such as investments undertaken in information technologies for the benefit of specific processes. Grupo Carso's corporate and financial structure permits leveraging better growth opportunities and the continuous addition of value for our shareholders.

With regard to sustainability and social welfare, we are taking advantage of the Carlos Slim Foundation, an organization that aims to foster the integral development of human resources through programs that strengthen the skills and abilities of people of all ages in Mexico and Latin America. In the pursuit of that goal, we strive to help people succeed in their own economic and social development and achieve opportunities for a better quality of life.

Towards this purpose, the Carlos Slim Foundation participates jointly with private initiative, the three levels of government –federal, state and municipal– and society to meet educational, health, justice, human development, sports, environmental, cultural, humanitarian aid, and economic development goals. By accomplishing the foregoing, we benefit the largest possible number of people, as well as the most vulnerable groups.

Grupo Carso's financial position remains strong with total assets of Ps.91,710 million and liabilities decreasing 9% to Ps.30,525 million.

We conducted a corporate campaign to disseminate the mission and our social responsibility policy. Similarly, our Code of Ethics was reviewed and updated in order to align it with the principles of the Global Pact.

Our social welfare program, which benefits a great number of employees from all sectors of the Group, was expanded for a better coverage. By means of actions carried out in favor of environmental protection, energy, water and paper consumption was reduced through savings and recycling programs. Grupo Sanborns continued donating food and hiring people with disabilities. On its own, Grupo Condumex reached energy savings through the replacement of engines, compressors and lighting, and continues to introduce innovative products like ZER0H, a safe and substances-free, high security cable in balance with nature, as previously mentioned. Finally, Carso Infraestructura y Construcción implemented protection plans and the rescue of flora and fauna as well as the reforestation and restoration of affected areas.

As for sustainability, we expanded our Social Welfare program to benefit a larger number of employees in all sectors of the Group.

On behalf of the Board, I thank shareholders, customers and suppliers, as well as our workers and collaborators, and I invite all of you to continue helping Grupo Carso achieve its goals, improving performance and contributing to the development of our country.

Sincerely,

Carlos Slim Domit
Chairman of the Board

MONTERREY NUEVO SUR SANBORNS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Report of the Chief Executive Officer to the Board of Directors about the results of the fiscal year 2014.

During 2014, Grupo Carso recorded total sales of Ps.82,388 million, a 4.1% decrease compared to the previous year. This was due to fewer public tenders by Carso Infraestructura y Construcción (CICSA), such as in contracts for land drilling and the construction of oil platforms division, which represented 18.9% of the company's total revenues. Additionally, a lower demand for integrated projects and transformers was observed in Grupo Condumex, which contributed 31.5% of total revenues. These results were offset by higher sales of the commercial division, a sector that participated with 50.0% of total revenues.

Operating income decreased 47.4%, dropping from Ps.17,277 million in 2013 to Ps.9,090 million in 2014. This was mainly due to the profit of Ps.7,589 million obtained in 2013 from the sale of our interest in Philip Morris Mexico.

Without considering the above-mentioned extraordinary effect, operating income for 2014 amounted to Ps.9,298 million and operating margin was 11.0%, which compared with a figure of Ps.9,688 million and a margin of 11.3% in 2013. The 6.4% decrease in operating income was due to greater expenses in the expansion plan of our commercial sector, as well as lower operating leverage in the infrastructure and construction business, since the industrial division improved its profitability.

During 2014, Grupo Carso recorded accumulated sales of Ps.82,388 million.

EBITDA decreased 43.3%, to Ps.10,606 million, compared to the Ps.18,699 million figure observed in 2013. Without considering the effect of the sale of our interest in Philip Morris Mexico, EBITDA would have decreased 2.7%.

As for comprehensive cost of financing, Ps.1,056 million was recorded. This amount was mainly due to foreign exchange losses and losses on interest rate derivatives during the year, which compared unfavorably with the Ps.98 million figure registered in 2013.

Net controlling interest income decreased 59.2% to settle at Ps.5,685 million in 2014, which is primarily due to the effect of the sale of our interest in Philip Morris Mexico and, to a lesser extent, to a higher comprehensive cost of financing as previously mentioned.

Total debt on December 31, 2014 decreased 13.1% to Ps.7,720 million. The Group has maintained an appropriate debt structure in relation to its business plan and growth expectations, with short-term debt accounting for 35% of total debt. If compared to net debt, it was negative by Ps.6,370 million, against a negative net debt of Ps.1,671 million as of December 31, 2013. The Group's financial position remains healthy with a net debt to Last 12 month EBITDA ratio of (0.6) times and an interest coverage of 24.1 times in terms of EBITDA to interest expense.

The Company has two programs for securitized notes: i) a short-term program for Ps.5,000 million approved in July 2013, for which no notes have been issued; and, ii) a dual, short- and long-term program of Ps.5,000 million (or its equivalent in U.S. dollars) authorized in February 2012 and which has been fully drawn down.

SEARS
SANBORNS
iSHOP
MIXUP
SAKS FIFTH
AVENUE

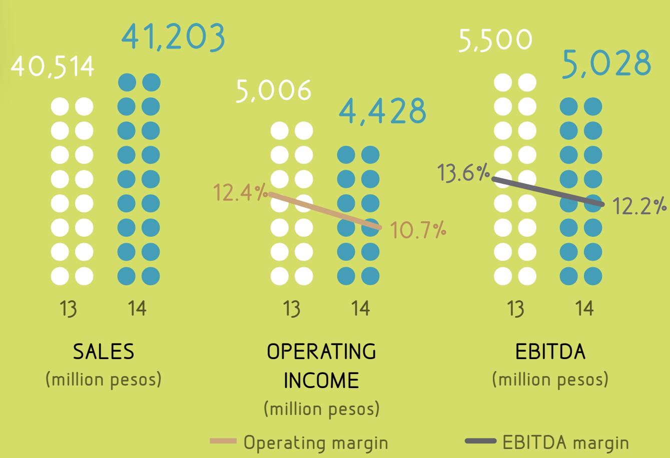
+3

During 2014,
3 Sears' stores
opened in Mazatlán,
Los Mochis and
Celaya Galerías.

ALTABRISA VILLAHERMOSA SEARS

NUEVO VERACRUZ SEARS

COMMERCIAL AND RETAIL



COMMERCIAL AND RETAIL

Grupo Sanborns

During 2014, sales of the commercial and retail division totaled Ps.41,203 million, an increase of Ps.688 million or 1.7% if compared with the previous year.

The performance of retail stores saw increases in the sales of Sears and iShop/MixUp stores of 2.6% and 7.1%, respectively. Sales at other retail stores, such as Dax, Saks Fifth Avenue, Sanborns Café and shopping centers, rose 3.1%, while Sanborns' decreased by 2.0%.

Revenues from credit increased 4.4% to Ps.2,813 million, against the figure of Ps.2,695 million reported the previous year. Non-performing loans of more than 90-days stood at 3.4% at year-end.

Grupo Sanborns' operating income decreased 11.5% to reach Ps.4,428 million. This adjustment is mainly due to the mix of sales in addition to higher operating expenses derived from the expansion plan, remodeling works at stores, higher depreciation expenses, along with increases in reserves for doubtful accounts. EBITDA, on the other hand, dropped from Ps.5,500 million to Ps.5,028 million.

Net controlling interest in Grupo Sanborns was Ps.2,922 million, which compares with Ps.3,233 million recorded in 2013, representing a decrease of 9.6%.

Capital expenditures totaled Ps.2,546 million, an increase of 52.0% in comparison with the figure observed in the same period of the previous year. The amount reflects the expansion plan that incorporates the opening of 20 stores of the three major store chains. The remodeling plan was accelerated to conclude in 2014 as scheduled, with the remodeling of 7 Sears and 4 Sanborns stores.

Considering all retail stores, Grupo Sanborns ended the year operating 430 units and an area of 1,032,319 m², an increase of 2.7% in retail space, and 61,060 seats in restaurants.

SANTA FE SEARS

$2,546

Capex amounted to Ps.2,546 million in Grupo Sanborns, including the opening of 20 stores of the 3 main retail formats.

PLAZA CARSO iSHOP

$41,203

52.5% Sears

30.1% Sanborns

11.7% iShop / Mixup

5.8% Other

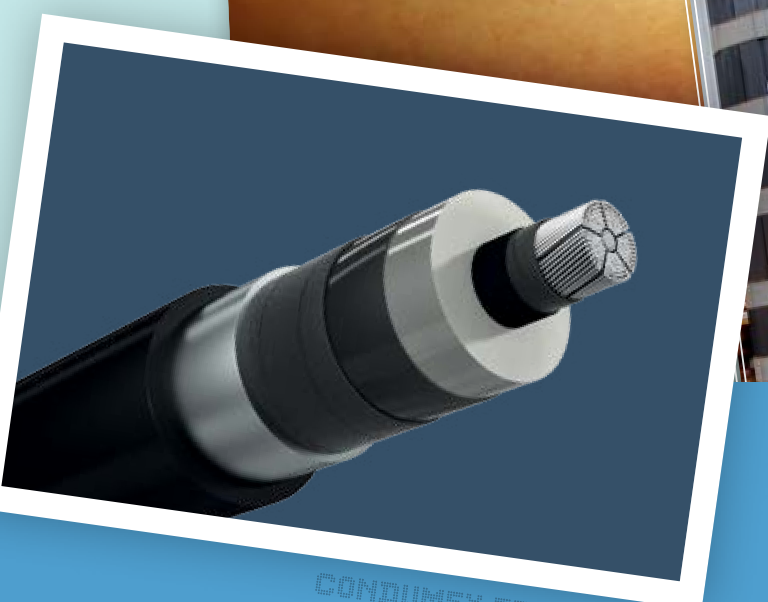
REVENUE BREAKDOWN BY FORMAT
(million pesos)

Revenues from credit increased 4.4% to reach Ps.2,813 million, compared to the amount of Ps.2,695 million recorded in the previous year.

POLANCO SAKS FIFTH AVENUE

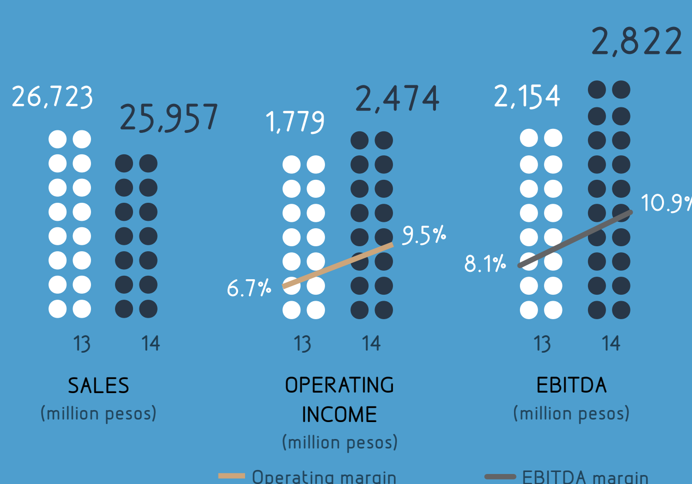
SAMARA SANTA FE SANBORNS

ASSEMBLY OF HARNESS AT THE ARELA PLANT



CONDUMEX ZEROH CABLE

INDUSTRIAL AND MANUFACTURING



9.3%

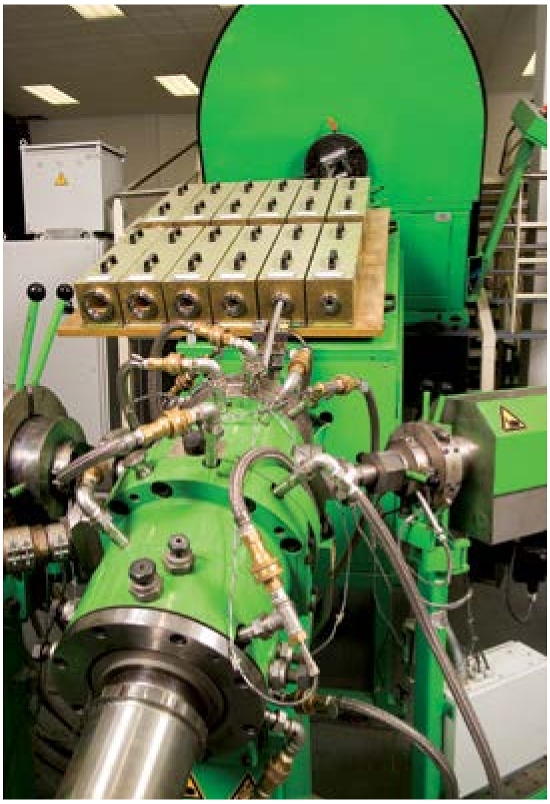
In the Automotive sector, sales grew 9.3% driven by demand for harnesses and cables, primarily in the United States and Brazil.

SHEATHING PROCESS OF FIBER OPTIC CABLE AT CONDUTEL

Operating income and EBITDA totaled Ps.2,474 million and Ps.2,822 million, respectively, increasing 39.1% and 31.0% in the year.

ARCOMEX PLANT OF CONDUMEX

INDUSTRIAL AND MANUFACTURING



TRIPLE EXTRUSION MACHINE

Grupo Condumex

Grupo Condumex's sales stood at Ps.25,957 million in 2014, a reduction of 2.9% compared to the Ps.26,723 million figure recorded in the prior year.

This effect is explained by i)a decline in the demand for turnkey projects, as well as a lesser number of tenders for transformers and power cables in Construction and Energy, a sector that contributes 51% of sales; ii) a 9.0% decrease in the price of copper worldwide, which had a negative impact on Industrial Metals; and iii) a reduction in electrical installation services activity.

Sales in the automotive sector increased 9.3% as a result of the domestic and international demand for harnesses and cables, primarily in the United States and Brazil.

Operating income stood at Ps.2,474 million, while EBITDA amounted to Ps.2,822 million. These figures represented increases of 39.1% and 31.0%, respectively, compared with the figures observed in the previous year. The strong performance was attributed to the mix of sales, as well as on the savings plan for costs and expenses carried out at the beginning of the year.

Net controlling interest in Grupo Condumex increased 11.4% to Ps.1,647 million, in comparison with the Ps.1,479 million figure recorded in 2013, which is a result of the previously-mentioned effects.

Capital investments undertaken by Grupo Condumex in the year totaled Ps.321 million, which were used in the maintenance of industrial assets, as well as for investment programs.

$1,647

Net controlling interest income in Grupo Condumex expanded by 11.7% to Ps.1,647 million, against Ps.1,479 million recorded in 2013.

COPPER CABLE WRAPPING PROCESS AT IEM

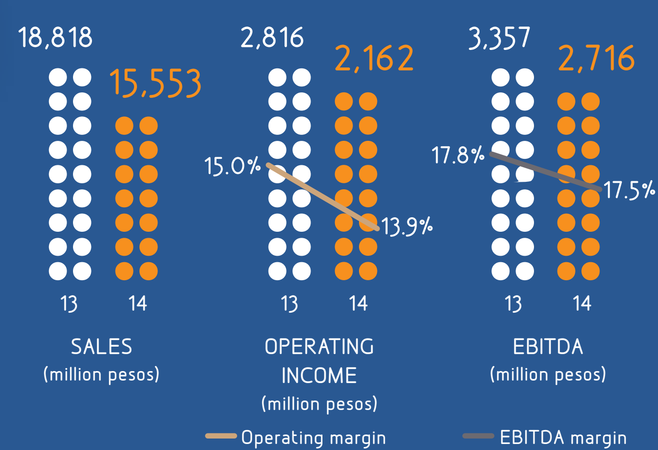
CICSA
SWECOMEX
BRONCO DRILLING
CILSA
GSM
PC
CONSTRU
URVITE

Expecting to participate in the businesses generated by the energy reform measures, we incorporated certain assets into Carso Energy, S.A. de C.V.

HOUSING OFFSHORE PLATFORM

MORELOS FEDERAL SOCIAL REHABILITATION CENTER

INFRASTRUCTURE AND CONSTRUCTION



Carso Infraestructura y Construcción

Carso Infraestructura y Construcción's sales decreased 17.4% in the year to Ps.15,553 million, compared to the Ps.18,818 million figure reported in 2013. This effect is mainly explained by the 64.5% drop in sales in the chemical and oil industries recorded by the Manufacturing and Services sector, where a lesser activity involving land drilling and platform construction contracts took place during the year.

The other sectors within the division, such as civil construction, pipeline installation, infrastructure and housing, grew 53.8%, 8.5%, 7.2% and 39.3%, respectively. In civil construction, it is important to note that growth came from revenues obtained from the shopping malls Plaza Carso and New Veracruz, as well as from the expansion of Grupo Sanborns.

The Infrastructure business observed progress of work in the Eastern Discharge Tunnel, Atotonilco's Wastewater Treatment Plant, the Acapulco tunnel, three highway bypasses, and the Caminero second-floor viaduct. In regard to the installation of pipelines, installation works of facilities for telecommunications companies in Mexico and Latin American countries continued.

Operating income and EBITDA decreased 23.2% and 19.1%, respectively, during the year, while margins stood at 13.9% and 17.5%. These effects derived from the mixture of projects executed, as well as the drop observed in sales to the chemical and oil industries in the Manufacturing and Services sector as previously mentioned.

Net controlling interest income was Ps.3.327 million, compared to the Ps.2,716 million figure recorded in 2014.

The backlog of Carso Infraestructura y Construcción totaled Ps.18,319 million on December 31, 2014, which represented a 45.2% increase over the figure reported in the same period of the previous year. The amount does not include resources corresponding to projects developed jointly with other companies, which stood at Ps.2,043 million in 2014 and takes into account the Atotonilco wastewater treatment plant and the Mitla-Tehuantepec highway.

Finally, capital expenditures undertaken by Carso Infraestructura y Construcción were Ps.245 million in 2014. These resources were used for major maintenance of machinery and heavy construction equipment, as well as for equipment related to drilling activities, among other investments.

Sincerely,

Antonio Gómez García
Chief Executive Officer

CULIACÁN HIGHWAY

$18,319

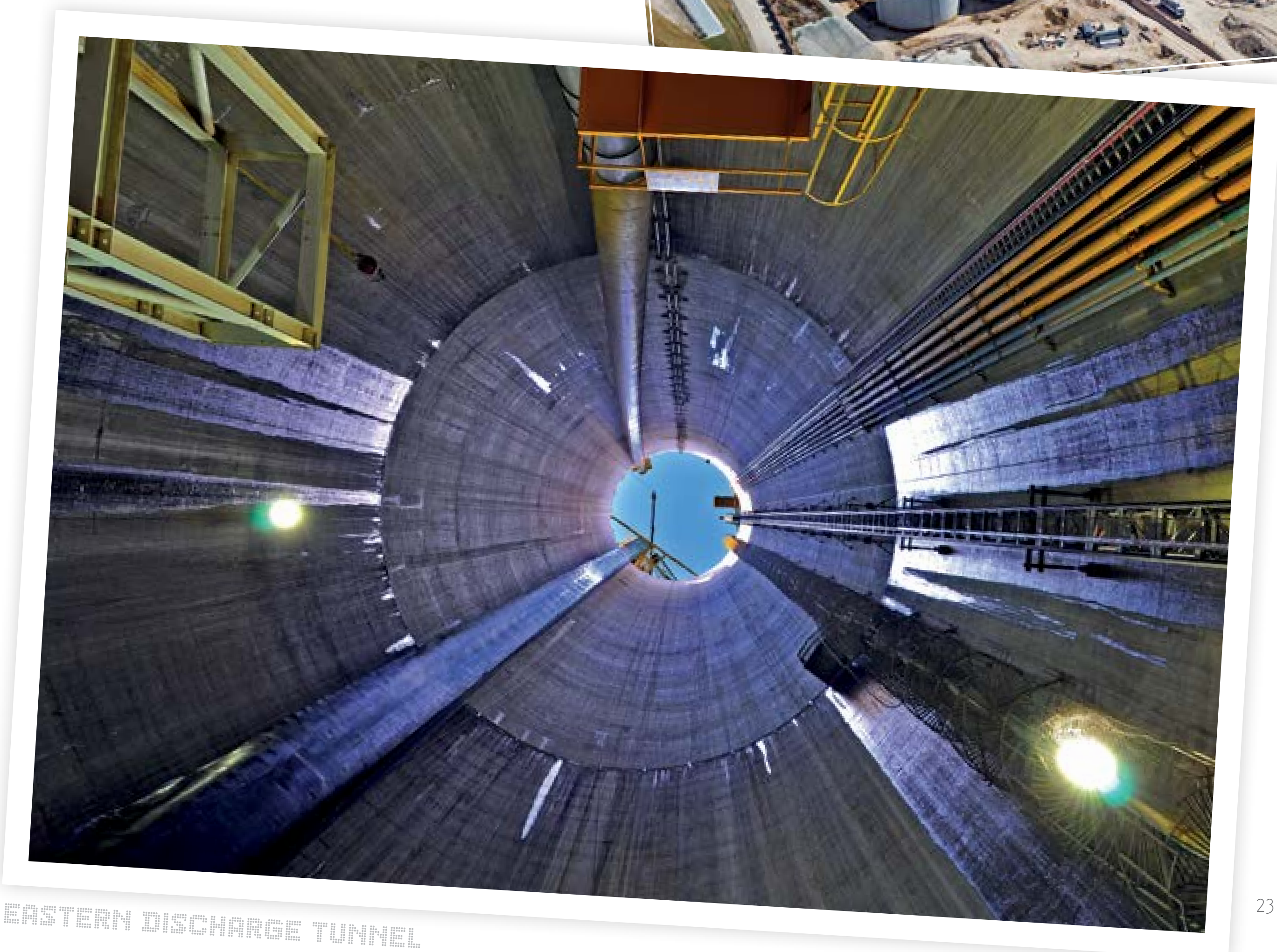
Carso Infraestructura y Construcción's backlog was Ps.18,319 million, an increase of 45.2% over the previous year.

ANNUAL BACKLOG*
(million pesos)

* Amount of outstanding works for construction excluding projects in association.

Capital expenditures at Carso Infraestructura y Construccion totaled Ps.245 million in 2014.

ATOTONILCO WASTE WATER TREATMENT PLANT



EASTERN DISCHARGE TUNNEL

SOCIAL RESPONSIBILITY

Social Responsibility

We consider social responsibility to be a commitment to the satisfaction of our customers and shareholders, along with an interest in our employees and the community in general. We observe an adherence to strict ethical standards, a long-term vision, and compliance with the laws wherever we operate, while seeking to make economic development and environmental protection a fundamental part of our competitiveness.

Mission of Social Responsibility

To promote entrepreneurial creativity applied to business and to the solution of our country's problems from our fields of action, based on human development, staff training, optimism, teamwork and tireless improvement of our processes, under a philosophy of austerity in spending, reinvestment of profits, modernization and growth, generating benefits for our customers, employees and all other participants.

Social Performance

We work through the Carlos Slim Foundation, which aims to foster the integral development of human capital through programs that strengthen the skills and abilities of people of all ages in Mexico and Latin America, so that they can become actively involved in the development of economic and social affairs, benefit from more and better opportunities and obtain a better quality of life.

We consider social responsibility to be a commitment to the satisfaction of our customers and shareholders, along with an interest in our employees and the community in general.

RESCUE AND RELOCATION OF FLORA AND FAUNA AT CICSA'S INFRASTRUCTURE PROJECTS

EXCELLENCE AND CUSTOMER SERVICE CERTIFICATIONS GRANTED TO SANBORNS PERSONNEL

Condumex and Carso Infraestructura y Construcción maintain cooperative relationships with technological institutes, universities and authorities for the development of technological innovation projects for the economic, social and environmental development of our country. They also maintain an association with programs such as the New Professional Training Program (PRODES), for the recruitment and training of new professionals.

In Condumex, six work centers are involved in social programs through the Corporate Volunteer for items such as health care, education, poverty, improving infrastructure in poor areas, child abuse and natural disasters.

In addition, investments in education, health, and infrastructure and community development through the following initiatives were held:

- The Carso Center for Historical Studies of Mexico (CEHM)
- The Carso Training Centers
- The Carso Center for Research and Development (CIDEC)
- Collaborative activities conducted together with Telmex and the Carlos Slim Foundation.
- Donations in kind and advisory hours for the benefit of students in Condumex
- Annual participation in preventive programs for control of diseases developed with the Carlos Slim Institute of Health
- Rescue program of buildings conducted by Sanborns
- Program for hiring people with disabilities at Sanborns and Sears stores, developed jointly with the Mexican Confederation of Organizations of Persons with Disabilities (CONFE), the Center for Multiple Attention (CAM), the Young Men's Christian Association (YMCA), and the National System for Integral Family Development (DIF)

PANAMERICAN UNIVERSITY ROBOTICS TEAM VISITS CIDEC

PRESENTATION OF THE DEVELOPING PROFESSIONALS PROGRAM AT CICSA

We maintain cooperative relationships with technological institutes and universities for the development of joint projects and training of new professionals.

Environmental Performance

Our planet

- Condumex kept the Biodiesel for Reuse of Vegetable Oil and Its Transformation into Fuel and the Awareness Environmental programs, aimed at generating consciousness among internal and external parties on savings on water and energy consumption and recycling
- In Grupo Condumex, Carso Infraestructura y Construcción and Grupo Sanborns, an energy savings plan was accomplished by replacing lighting with LED lights in the operating areas
- In order to obtain savings on energy and fuel, 5 operating units in Condumex and 3 units in Carso Infraestructura y Construcción implemented solar heaters and lights

Additionally, we present the fifth annual Carso Environment Report for 2014, which includes:

- An update of the Environmental Policy
- The implementation of projects that were proposed in the year 2013
- The presentation of environmental indicators by sector and/or company

5 operating units in Condumex and 3 units in Carso Infraestructura y Construcción implemented solar heaters and lights.

Work Performance, Health and Safety

In 2014, Grupo Carso employed more than 72,000 full-time and part-time workers in Mexico, Latin America and some European countries. As part of the activities carried out to communicate the values and principles of the Group, our Code of Ethics was updated to bring it into line with international initiatives, such as the Global Pact and the Declaration of the International Labor Organization.

REFORESTATION ACTIVITIES CICSA

The Social Welfare Program implemented in Grupo Sanborns, Condumex and Carso Infraestructura y Construcción benefited 5,017 employees and their families, through the realization of 92 human development activities in the fields of health, education, culture and recreation.

Other support programs that have also had a positive effect on employees and their immediate families in the three divisions of Grupo Carso are:

- Educational and scholarship programs
- Granting of digital scholarships
- Programs for self-development through the Association for the Growth of Mexico (ASUME)
- Flexible arrangement plans for workers
- Professionals under Training program in Carso Infraestructura y Construcción and Condumex

Grupo Condumex participated in the Self-Management Program for Safety and Health at Work, focused on reducing the negative impact on safety, which is an initiative coordinated by the Mexican authorities. Our operations at the Cables sector based in San Luis Potosí began to gain recognition as a Safe Company, Level II.

In Carso Infraestructura y Construcción, the focus was on developing and maintaining standards through certified processes for the Occupational Health and Safety Assessment Series (OHSAS) 18001: 2007 in the Pipeline and Infrastructure sectors, as well as other accreditations, such as the HSE RigPass Program for drilling, API Spec Q1 and ASME Boiler & Pressure Vessel Code in Equipment and Structures sectors for the chemical and oil industry.

The employees of all subsidiaries benefit from a safe workplace, as well as suitable tools and equipment to perform their duties, including the necessary training, through:

- Training programs and courses
- Preventive health programs imparted together with the Social Security Institute (IMSS) and the Ministry of Health (SSA)
- 2 Centers and 68 training rooms for Sears' employees

Grupo Sanborns has ongoing training programs for customer service and care, leadership, teamwork, and operations management. Specifically, programs oriented towards product familiarity are developed with the support of suppliers and considering a win-win approach. During 2014, more than 39,000 training events for more than 85,000 participants from Grupo Sanborns were carried out. Also, Grupo Condumex and Carso Infraestructura y Construcción have continuous training plans in place, in order to maintain optimal service and operations.

For further information about sustainability activities, visit www.carso.com.mx

5,017

The Welfare Program benefited 5,017 employees of the three sectors of the Group, including their relatives.

BOARD OF DIRECTORS

Board Members	Position*	Years as Board Member**	Type of Member***
Carlos Slim Domit	COB – Grupo Carso COB – Grupo Sanborns COB – América Móvil COB – Teléfonos de México	Twenty-four	Patrimonial Related
Antonio Cosío Ariño	CEO – Cía. Industrial de Tepeji del Río	Twenty-four	Independent
Arturo Elías Ayub	Director of Strategic Alliances, Communication and Institutional Relations – Teléfonos de México CEO – Fundación Telmex	Seventeen	Related
José Humberto Gutiérrez Olvera Zubizarreta	COB – Cámara Minera de México	Twenty-four	Related
Daniel Hajj Aboumrad	CEO – América Móvil	Twenty	Related
David Ibarra Muñoz	CEO – Despacho David Ibarra Muñoz	Thirteen	Independent
Rafael Moisés Kalach Mizrahi	COB and CEO – Grupo Kaltex	Twenty-one	Independent
José Kuri Harfush	COB – Janel	Twenty-five	Independent
Juan Antonio Pérez Simón	COB – Sanborn Hermanos Vice Chairman – Teléfonos de México	Twenty-five	Independent
Patrick Slim Domit	Vice Chairman – Grupo Carso Vice Chairman – América Móvil CEO – Grupo Sanborns Commercial Director of Mass Market – Teléfonos de México COB – Grupo Telvista COB – Sears Operadora México	Nineteen	Patrimonial Related
Marco Antonio Slim Domit	COB – Grupo Financiero Inbursa COB – Inversora Bursátil COB – Seguros Inbursa COB – Impulsora del Desarrollo y el Empleo en América Latina	Twenty-four	Patrimonial Related
Fernando Solana Morales	CEO – Solana y Asociados	Ten	Independent

Alternate Board Members	Position*	Years as Board Member**	Type of Member***
Julio Gutiérrez Trujillo	Business Consultant	Ten	Independent
Antonio Cosío Pando	General Manager – Cía. Industrial de Tepeji del Río	Thirteen	Independent
Alfonso Salem Slim	Vice Chairman – Impulsora del Desarrollo y el Empleo en América Latina COB – Inmuebles Carso	Fourteen	Patrimonial Related
Antonio Gómez García	CEO – Grupo Carso CEO - Carso Infraestructura y Construcción COB and CEO – Grupo Condumex	Eleven	Related
Fernando G. Chico Pardo	CEO – Promecap	Twenty-five	Independent
Ignacio Cobo González	COB – Grupo Calinda	Thirteen	Independent
Alejandro Aboumrad Gabriel	COB – Grupo Proa	Twenty-four	Independent

Treasurer		
Arturo Spínola García	CEO and Administration Director – Carso Infraestructura y Construcción and Grupo Condumex	One

Secretary		
Alejandro Archundia Becerra	General Manager Corporate Legal – Grupo Condumex	Two

* 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

Independent directors in accordance with the definition of the Mexican Securities Market Law.

CORPORATE PRACTICES AND AUDIT COMMITTEE
GRUPO CARSO, S.A.B. DE C.V.

José Kuri Harfush
Chairman
Antonio Cosío Ariño
Rafael Moisés Kalach Mizrahi

To the Board of Directors:

I, the undersigned, in my capacity as Chairman of the Corporate Practices and Audit Committee of Grupo Carso, S.A.B. de C.V. (the "Committee"), hereby submit the following annual activity report for the fiscal year 2014.

Functions of Corporate Practices, Evaluation and Compensation

The Chief Executive Officer of Grupo Carso, S.A.B. de C.V. (the "Company") and the relevant executives of the entities the Company controls, complied satisfactorily with their objectives and responsibilities.

The following succeeding transactions with related parties were authorized by and submitted for consideration of the Committee, including the following significant transactions, each of which represents more than 1% of the Company's consolidated assets:

Teléfonos de Mexico, S.A. de C.V., for the sale of telephone copper wire and optic fiber, "Call Center" services, telephone installation and sale of items for telephony; installation services of outside plant fiber optic and network design, including sale of telephone copper wire and optic fiber; catering services; and commissions from the sale of scrap, rescues and fleet replacement vehicles; Concesionaria Guadalajara-Tepic, S.A. de C.V., construction of road bypasses, revamp of roads and optic fiber linkage; Delphi Packard Electric Systems, from the sale of [harnesses] and cables, and automotive engineering services; Empresa Brasileira de Telecomunicações, S.A., for the concept of facilities and construction of various works, and sale of telephone copper wire and optic fiber; Radiomóvil Dipsa, S.A. de C.V., for purchases of mobile handsets, mobile service plans and memory cards, and other items; and Minera María, S.A. de C.V., for purchases of electrolytic cathode.

All transactions with related parties were conducted at market values and reviewed by Galaz, Yamazaki, Ruiz Urquiza, S.C., which elaborated a summary thereof recorded in a note included in the audited financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries as of December 31, 2014.

The Chief Executive Officer of Grupo Carso, S.A.B. de C.V. receives no remuneration for the performance of his activities as such. The Company has no employees and therefore, in regard to the total compensation received by the directors of the companies controlled by us, we ensure that the policies that were approved in this respect by the Board of Directors have been complied with.

The Board of Directors of the Company did not grant any waiver to any relevant director, officer or person in command to take advantage of business opportunities for themselves or for third parties, corresponding to the Company or entities it controls or in which it has significant influence. Nor did the Committee grant any waiver for the transactions indicated under subsection c) of section III of Article 28 of the Securities Market Act.

Audit Functions

The system of internal control and internal audit of Grupo Carso, S.A.B. de C.V. and the entities it controls is satisfactory and meets the guidelines approved by the Board of Directors, according to the information provided to the Committee by the Management of the Company and the independent auditor's report.

We had no knowledge of any noncompliance with any guidelines or policies in regard to the operation or accounting rules of the Company or in regard to the entities it controls, and consequently, no preventive or corrective action was implemented.

The performance of the accounting firms Galaz, Yamazaki, Ruiz Urquiza, S.C. and Camacho, Camacho y Asociados, S.C., entities that conducted the audit of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries as of December 31, 2014 and of its subsidiaries, and the performance of the independent auditor in charge of the audit were satisfactory and the objectives

set at the time of contracting the said entities were achieved. Also, according to the information provided by the said firms to the Management of the Company, their fees for the independent audit represented a percentage of less than 10% of their total revenue.

Moreover, it was agreed that Galaz, Yamazaki, Ruiz Urquiza, S.C. would provide the following services in addition to the audit works, to Condumex, S.A. de C.V.: legal and fiscal analysis of the effects of the change in tax laws on the valuation of inventories, from LIFO to the average and FIFO methods, including the change from direct cost to absorption cost.

As a result of the review of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries up to December 31, 2014, there were no adjustments to the audited figures and no exceptions that needed to be revealed.

In accordance with information we received from the Company's Board of Directors and during the meetings in which we participated, which were attended by independent and internal auditors and carried out without the presence of officers of the Company, as far as we know there were no relevant comments from shareholders, directors, relevant officers and employees and, in general, from any third party, regarding accounting, internal controls or other issues related to internal or external audits, or complaints made by those persons on irregularities in the administration of the Company.

During the reporting period, we verified that resolutions adopted by the Shareholders' Meeting and the Board of Directors of the Company were complied with. Also, according to the information provided by Company's Board of Directors, we verified the existence of controls designed to determine compliance with the provisions applicable in terms of financial markets and that the legal department reviewed such compliance at least once a year. There were no comments in regard to any adverse change in the Company's legal status.

Regarding the financial information that the Company prepared and submitted to the Mexican Stock Exchange and the National Securities and Exchange Commission, we declare that this information was prepared under the same principles, criteria and practices with which the annual information is prepared.

Finance and Planning functions

During the fiscal year 2014, the Company and some of the entities it controls made significant investments. In this regard, we make sure that any financing is undertaken in a manner consistent with the strategic medium- and long-term plan of the Company. In addition, we ensured that the strategic position of the Company is in alignment with the plan. We also reviewed and evaluated the budget for the fiscal year 2014 together with the financial projections that were considered for its construction, including major investments and financing transactions of the Company, which we consider feasible and consistent with the Company's investment and financing policies and strategic vision.

In preparing this report, the Corporate Practices and Audit Committee relied on information that was provided by the Chief Executive Officer of the Company, the relevant officers of the entities it controls and the independent auditor.

José Kuri Harfush
Chairman

INDEPENDENT AUDITORS' REPORT

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Ruiz Urquiza, S.C.
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06500 México, D.F.
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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, 2014 and 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in stockholders' equity and cash flows for the years then ended, 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.

Auditors' Responsibility

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 auditors' 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 auditors consider 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, 2014 and 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Other Matter

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 27, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2014 and 2013
(In thousands of Mexican pesos)

	Note	2014	2013
Assets			
Current assets:			
Cash and cash equivalents	6	**$ 7,777,439**	$ 6,898,520
Investments in securities (held for trading)	7	**6,313,231**	3,654,983
Accounts and notes receivable, net	8	**18,434,088**	21,419,487
Due from related parties	23	**2,672,542**	3,813,538
Inventories, net	9	**13,684,065**	14,326,479
Prepaid expenses		**942,431**	966,063
Derivative financial instruments	13	–	6,213
Total current assets		**49,823,796**	51,085,283
Non-current assets:			
Long-term accounts receivable		**48,062**	59,562
Real estate inventories		**877,318**	831,035
Property, machinery and equipment, net	14	**21,849,281**	20,311,612
Investment properties	15	**2,475,631**	2,249,466
Investment in associates and joint ventures	16	**12,464,262**	12,004,831
Employee retirement benefits	21	**1,059,890**	948,625
Derivative financial instruments	13	**214,006**	249,372
Intangible assets, net	17	**270,928**	302,223
Deferred income taxes	27	**1,754,350**	1,432,369
Other assets – net	18	**872,874**	706,414
Total non-current assets		**41,886,602**	39,095,509
Total assets		**$ 91,710,398**	$ 90,180,792
Liabilities			
Current liabilities:			
Notes payable to financial institutions and other	19	**$ 2,717,358**	$ 3,145,499
Current portion of long-term debt	19	**2,942**	4,010
Trade accounts payable		**8,535,817**	9,086,008
Due to related parties	23	**1,211,685**	2,014,008
Other accounts payable and accrued liabilities		**4,001,657**	3,647,201
Provisions	20	**4,240,288**	2,977,613
Direct employee benefits		**799,683**	775,376
Derivative financial instruments	13	**28,729**	17,848
Advances from customers		**973,268**	1,540,472
Total current liabilities		**22,511,427**	23,208,035
Non-current liabilities:			
Long-term debt	19	**5,000,026**	5,733,362
Deferred income taxes	27	**1,345,523**	1,747,014
Provisions	16c	**–**	1,297,021
Other long-term liabilities		**838,657**	468,409
Employee retirement benefits	21	**186,963**	262,723
Derivative financial instruments	13	**642,441**	823,250
Total non-current liabilities		**8,013,610**	10,331,779
Total liabilities		**30,525,037**	33,539,814
Stockholders' equity			
Capital stock	22	**2,536,774**	2,536,774
Net stock issuance premium		**879,092**	879,092
Retained earnings		**48,808,374**	45,264,844
Other comprehensive income items		**660,384**	227,774
Controlling interest		**52,884,624**	48,908,484
Non-controlling interest		**8,300,737**	7,732,494
Total consolidated stockholders' equity	22	**61,185,361**	56,640,978
Total liabilities and stockholders' equity		**$ 91,710,398**	$ 90,180,792

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As of December 31, 2014 and 2013
(In thousands of Mexican pesos, except for basic earnings per common share data)

	Note	2014	2013
Net sales	24	$ **82,387,858**	$ 85,870,545
Cost of sales	25	**59,181,725**	62,964,909
Gross profit		**23,206,133**	22,905,636
Sales and development expenses	25	**10,534,161**	10,050,242
Administrative expenses	25	**3,663,867**	3,305,976
Statutory employee profit sharing		**289,519**	225,344
Other income, net	26	**(580,322)**	(364,538)
Interest expense		**440,199**	581,374
Interest income		**(465,787)**	(459,899)
Exchange gain		**(1,491,621)**	(2,870,750)
Exchange loss		**1,901,218**	2,651,572
Effects of valuation of derivative financial instruments		**671,804**	(706)
Loss (gain) on disposal of shares of associates	16c	**209,386**	(7,588,664)
Equity in income of associates	16	**(1,414,603)**	(1,308,793)
Income before income taxes		**9,448,312**	18,684,478
Income taxes	27	**2,673,669**	3,721,708
Consolidated net income for the year		$ **6,774,643**	$ 14,962,770
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustment for foreign operations		$ **453,498**	$ 172,203
Valuation of derivative financial instruments		**(22,862)**	(27,456)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain		**32,451**	71,440
Share of other comprehensive income of associates		**70**	456
Total other comprehensive income		**463,157**	216,643
Consolidated comprehensive income of the year		$ **7,237,800**	$ 15,179,413
Consolidated net income attributable to:			
Controlling interest		$ **5,684,990**	$ 13,929,481
Non-controlling interest		**1,089,653**	1,033,289
		$ **6,774,643**	$ 14,962,770
Basic earnings per common share attributable to controlling interest:			
Continuing operations		$ **2.483**	$ 6.083
Weighted average number of shares ('000)		**2,289,802**	2,289,802
Consolidated comprehensive income attributable to:			
Controlling interest		$ **6,117,600**	$ 14,147,326
Non-controlling interest		**1,120,200**	1,032,087
		$ **7,237,800**	$ 15,179,413

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2014 and 2013
(In thousands of Mexican pesos)

	Capital stock	Net stock issuance premium	Retained earnings	Cumulative translation adjustment
Consolidated balances as of January 1, 2013	$ 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 (Nota 2f)	–	–	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
Cash dividends declared	–	–	(1,831,841)	–
Dividends paid to non-controlling interest	–	–	–	–
Decrease in non-controlling interest due to stock issuance of subsidiary	–	–	(164,573)	–
Loss on sale-purchase of shares in associated (Note 22b)	–	–	(145,046)	–
Balances before comprehensive income	2,536,774	879,092	43,123,384	411,427
Consolidated comprehensive income of the year	–	–	5,684,990	434,592
Consolidated balances as of December 31, 2014	**$ 2,536,774**	**$ 879,092**	**$ 48,808,374**	**$ 846,019**

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
$ (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
–	–	–	(1,831,841)	–	(1,831,841)
–	–	–	–	(419,981)	(419,981)
–	–	–	(164,573)	(131,976)	(296,549)
–	–	–	(145,046)	–	(145,046)
(55,332)	(162,316)	33,995	46,767,024	7,180,537	53,947,561
(22,766)	20,714	70	6,117,600	1,120,200	7,237,800
$ (78,098)	**$ (141,602)**	**$ 34,065**	**$ 52,884,624**	**$ 8,300,737**	**$ 61,185,361**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013
(In thousands of Mexican pesos)

		2014		2013
Cash flows from operating activities:				
Consolidated net income	**$**	**6,774,643**	$	14,962,770
Adjustments not requiring (providing) cash:				
Income tax recognized in earnings		**2,673,669**		3,721,708
Depreciation and amortization		**1,742,190**		1,632,182
Gain on sale of property, machinery and equipment and others assets		**(31,304)**		(1,597)
Derecognition of property, machinery and equipment and Intangible assets		**44,307**		27,783
Gain on investment property revaluation		**(225,695)**		(210,076)
Equity in income of associated companies		**(1,414,603)**		(1,308,793)
Derivative financial instruments		**42,742**		(27,034)
Interest income		**(465,787)**		(459,899)
Interest expense		**440,199**		581,374
Loss (gain) on disposal of shares of associates		**209,386**		(7,588,664)
Exchange gain from financing		**(3,179)**		(32,595)
Other items		**131,640**		168,655
		9,918,208		11,465,814
Items related to operating activities:				
(Increase) decrease in:				
Accounts receivable		**1,788,410**		(2,241,581)
Other accounts receivable		**811,498**		(107,798)
Due from related parties		**1,140,996**		(889,187)
Inventories		**642,414**		498,514
Prepaid expenses		**23,632**		315,048
Long-term accounts receivable		**11,500**		23,610
Real estate inventories		**(46,283)**		(315,112)
Other assets		**37,568**		101,561
Increase (decrease) in:				
Trade accounts payable		**(550,191)**		(229,560)
Due to related parties		**(802,323)**		388,888
Other liabilities		**360,963**		(767,559)
Provisions		**(243,732)**		2,088,567
Direct employee benefits		**24,307**		27,905
Advances from customers		**(567,204)**		(238,930)
Other long-term liabilities		**370,248**		464,695
Employee retirement benefits		**(135,764)**		18,365
Deferred revenue - Net		**–**		(872)
Income taxes paid		**(3,016,004)**		(5,097,420)
Derivative financial instruments		**(191,655)**		(104,545)
Net cash flows provided by operating activities		**9,576,588**		5,400,403
Cash flows from investing activities:				
Purchase of investments in securities held for trading		**(3,446,267)**		(4,564,157)
Sale of investments in securities held for trading		**788,019**		1,013,038
Purchase of property, machinery and equipment		**(3,114,661)**		(2,361,218)
Proceeds from sale of property, machinery and equipment		**175,964**		68,171
Intangible assets		**(251,156)**		(232,805)
Interest received		**465,270**		459,899
Dividends received		**678,486**		761,335
Purchase of investment property		**(470)**		–
Derivative financial instruments		**162**		12,537
Other		**43,622**		277,422
Sale of shares in associates		**–**		7,858,665
Acquisition of shares in subsidiaries and associates		**–**		(293,922)
Net cash flows (used in) provided by investing activities		**(4,661,031)**		2,998,965
Cash flows from financing activities:				
Borrowings		**5,652,066**		8,556,225
Payment of borrowings and long-term debt		**(6,811,432)**		(14,053,805)
Interest paid		**(441,835)**		(581,374)
Dividends paid		**(2,251,822)**		(11,513,922)
Capital stock repurchase		**(296,549)**		–
Derivative financial instruments		**(2,364)**		2,573
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)
Net cash flows used in financing activities		**(4,151,936)**		(6,489,489)
Effects of exchange rate changes on cash and cash equivalents		**115,298**		7,178
Net decrease in cash and cash equivalents		**878,919**		1,917,057
Cash and cash equivalents at beginning of the year		**6,898,520**		4,981,463
Cash and cash equivalents at end of the year	**$**	**7,777,439**	$	6,898,520

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013
(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 entities 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

a. In 2014, the Entity indirectly made contributions to capital in its subsidiary Tabasco Oil Company LLC ("TOC") for US$43,000 equal to $569,786; thereby increasing its equity investment to 93.72% of the voting stock of TOC at year end.

b. 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.

c. 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.

d. 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 for a period of three years, culminating in 2015.

e. 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.

f. 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 are 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 for which the Entity recorded $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 consolidated statement of changes in stockholders' equity.

3. Basis of presentation

a. Application of new and revised International Financing Reporting Standards ("IFRS") and interpretations that are mandatorily effective for the current year

   In the current year, the Entity has applied a number of amendments to IFRS and new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2014.

   ### Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

   The Entity has applied the amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*, for the first time in the current year. 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 amendments have been applied retrospectively.

   ### Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

   The Entity has applied the amendments to IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets*, for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

   The application of these amendments has had no material impact on the disclosures in the Entity's consolidated financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

Is not policy of the Entity receiving contributions of your employees and therefore the amendments to IAS 19 did not have a significant impact on the Entity's consolidated financial statements.

Annual Improvements to IFRS 2010-2012 Cycle

The Annual Improvements to IFRS 2010-2012 Cycle include a number of amendments to various IFRS, which are summarized below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ' similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The application of these amendments did not have a significant impact on the Entity's consolidated financial statements.

Annual Improvements to IFRS 2011-2013 Cycle

The Annual Improvements to IFRS 2011-2013 Cycle include a number of amendments to various IFRS, which are summarized below.

The amendments to IFRS 1 clarify the meaning of "effective IFRS" with which first adoptants are allowed to apply a new IFRS even if it is not compulsory, if such IFRS allows its anticipated application.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) The property meets the definition of investment property in terms of IAS 40; and

(b) The transaction meets the definition of a business combination under IFRS 3.

The application of these amendments did not have a significant impact on the Entity's consolidated financial statements.

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

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

IFRS 9	*Financial Instruments* [3]
IFRS 14	*Regulatory Deferral Accounts* [1]
IFRS 15	*Revenue from Contracts with Customers* [2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations* [1]
Amendments to IAS 16 e IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization* [1]

[1] Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

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

  All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

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

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

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

The Entity's management anticipates that the application of IFRS 9 in the future may have a material 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 the Entity undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

The Entity's management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Entity's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Entity performs a detailed review.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations.* Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after January 1, 2016.

The Entity's management does not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Entity's consolidated financial statements.

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

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

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

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

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Entity uses the straight-line method for depreciation and amortization for its property, machinery and equipment, and intangible assets respectively. The Entity's management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Entity's consolidated financial statements.

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 Grupo Carso and its subsidiaries controlled by it. Control is achieved when 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 it's voting rights in an investee are sufficient to give it power, including:

- The size of Grupo Carso holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by Grupo Carso, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that Grupo Carso has, or does not 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 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 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, 2014 and 2013 are shown below:

Subsidiary	Country of incorporation and operations	Activity	Ownership % December 31, **2014**	Ownership % December 31, 2013
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 those related to infrastructure works, such as: highway construction and maintenance, water system works, water treatment plants and dams; duct installations for the telecommunications and gas sectors, including fiber-optic networks and gas pipelines, among others; oil well drilling and services related to this industry; the design and construction of oil platforms and oil industry equipment; the construction of industrial, commercial and residential real property.	99.93	99.93
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; manufacture and sale of transformers and lighting solutions.	99.58	99.58
Grupo Sanborns, S.A.B. de C.V. and subsidiaries ("Sanborns")	Mexico, El Salvador and Panama	Operation of department stores, gift shops, record stores, restaurants, cafeterias and management of shopping malls through the following commercial brands, principally: Sanborns, Sears, Saks Fifth Avenue, Mix-up and iShop.	83.39	82.77
Carso Energy, S.A. de C.V. and subsidiary	Mexico and Colombia	Holding of shares of entities 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 acquire and the equity interests issued by the Entity in exchange for control of the acquire. 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 acquire or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquire 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 acquire, and the fair value of the acquirer's previously held equity interest in the acquire (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 acquire and the fair value of the acquirer's previously held interest in the acquire (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 acquirer'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 acquire 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 acquire 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 and Mixup).

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

   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.

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	Brazilian Real	Brazilian Real
Carso Construcción de Costa Rica, S.A.	Colon	US Dollar
Cicsa Colombia, S.A.	Colombian Peso	Colombian Peso
Carso Construcción de Dominicana, S. de R.L. (antes Cicsa Dominicana, S.A.)	Dominican Peso	Dominican Peso
Cicsa Ingeniería y Construcción Chile 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.	Mexican Peso	US Dollar
Servicios Integrales GSM, S. de R.L. de C.V.	Mexican Peso	US Dollar
Bronco Drilling MX, S.A. de C.V.	Mexican Peso	US Dollar
Arcomex, S.A. de C.V.	Mexican Peso	US Dollar
Arneses Eléctricos Automotrices, S.A. de C.V.	Mexican 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.	Mexican Peso	US Dollar
Cupro do Brasil, Limitada	Brazilian Real	Brazilian 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.	Córdoba	Córdoba
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.	Brazilian Real	Brazilian 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 - 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 tax (“ISR”) is recognized in the results of the year in which is incurred. Until December 31, 2013, current income tax was calculated as the higher of the ISR and the Business Flat Tax (“IETU”).

Until 2013 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.

Beginning in 2014 Grupo Carso has the authorization of the Secretary of Finance and Public Credit in Mexico to prepare its income tax on a fiscal integration basis (Please see note 27).

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 goodwill or the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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. The Administration expects to recover the total fair value 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 sales - 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:

- 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.

- Real estate inventories - Inventory of properties substantially completed are valued at the lower of cost or net realizable value. The lands 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.

q. Property, machinery and equipment - As of January 1, 2011, property, machinery 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 to 10	5 and 10
Machinery and equipment	4.1 to 5	
Vehicles	25	5, 10 and 25
Furniture and equipment	5 to 12.8	
Computers	16.7 to 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.

r. Investment property - 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.

s. **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.

t. **Intangible assets acquired in business combination -** Are 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.

u. **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.

v. **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.

w. **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 that exceed 90 days ago payments, 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.

x. **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 consolidated 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.

  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.

- 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.

y. 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.

z. 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 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 2014 and 2013, 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; cost, 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 2014 and 2013. 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 12 and 13 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:

		2014		2013
Cash	$	1,417,288	$	1,172,728
Cash equivalents:				
Banking paper		2,427,871		2,477,541
Government paper		1,730,041		2,837,547
Trading paper		19,934		–
Certificates of deposit		–		6,360
Demand deposits in US$		111,494		349,393
Demand deposits		2,068,022		52,320
Other		2,789		2,631
	$	7,777,439	$	6,898,520

7. Investments in securities held for trading

		2014		2013
Investment in euro	$	–	$	117,627
Banking paper		2,629,908		3,300,300
Trading paper		3,028,900		74
Demand deposits in US$		524,050		236,982
Government paper		28,035		–
Bank deposit certificates		102,338		–
	$	6,313,231	$	3,654,983

8. Accounts and notes receivable

		2014		2013
Clients	$	13,790,173	$	13,496,853
Allowance for doubtful accounts		(496,407)		(486,945)
		13,293,766		13,009,908
Work completed pending certification		2,441,724		4,513,993
Sundry debtors		385,326		165,193
Recoverable value added tax		1,007,436		1,551,700
Recoverable income tax		620,187		853,186
Recoverable IMPAC		87,583		253,598
Recoverable IETU		1,180		153,672
Other recoverable taxes		189,579		180,664
Other		407,307		737,573
	$	18,434,088	$	21,419,487

a. Clients

The Entity offers sales promotions through which it grants credit to its customers for different periods which, on average, are 201 and 203 days at December 31, 2014 and 2013, 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 $1,273,053 and $1,117,653 at December 31, 2014 and 2013, 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:

		2014		2013
1 to 30 days	$	1,922,980	$	1,841,226
31 to 60 days		484,166		902,693
61 to 90 days		285,032		407,007
Past due more than 90 days		516,168		1,218,439
Total	$	3,208,346	$	4,369,365

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

		2014		2013
Receivables for sales of construction services	$	(85,283)	$	(85,624)
Receivables for sales of property and retail services		(340,881)		(328,687)
Customers by selling property and industrial services		(70,243)		(72,634)
	$	(496,407)	$	(486,945)

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

		2014		2013
Beginning balance	$	(486,945)	$	(483,960)
Period accrual		(400,457)		(313,747)
Write offs and cancelations		390,995		310,762
Ending balance	$	(496,407)	$	(486,945)

e. Work completed pending certification

		2014		2013
Costs incurred on uncompleted contracts	$	13,268,897	$	15,650,595
Estimated earnings		2,283,736		3,167,627
Revenue recognized		15,552,633		18,818,222
Less: Certifications to date		(12,473,642)		(13,539,435)
Less: Advances received		(635,205)		(762,732)
Less: Work completed pending certification long-term		(2,062)		(2,062)
Work completed pending certification	$	2,441,724	$	4,513,993

9. Inventories

		2014		2013
Raw materials and auxiliary materials	$	2,749,299	$	2,873,307
Production-in-process		275,571		545,935
Finished goods		1,030,292		989,082
Merchandise in stores		8,952,341		8,970,969
Land and housing construction in progress		229,149		204,291
Allowance for obsolete inventories		(583,878)		(518,589)
		12,652,774		13,064,995
Merchandise in-transit		629,433		836,172
Replacement parts and other inventories		401,858		425,312
	$	13,684,065	$	14,326,479

At December 31, 2014 and 2013, inventories written off directly to results in cost of sales amount to $1,725 and $32,643, 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

		2014		2013
Beginning balance	$	(518,589)	$	(515,419)
Period accrual		(187,574)		(179,121)
Write offs and cancelations		122,285		175,951
Ending balance	$	(583,878)	$	(518,589)

10. Backlog

A reconciliation of backlog at December 31, 2014 and 2013 as follows:

		Total
Balance at January 1, 2013	$	22,228,082
New contracts and changes 2013		9,209,939
Less: Income 2013		(18,821,102)
Balance at December 31, 2013		12,616,919
New contracts and changes 2014		21,198,275
Less: Income 2014		(15,496,080)
Balance at December 31, 2014	$	18,319,114

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, 2014 and 2013, are detailed below:

		2014		2013
Financial assets				
Cash and cash equivalents	$	7,777,439	$	6,898,520
At amortized cost:				
• Held-to-maturity financial assets		6,313,231		3,654,983
• Accounts receivable in the short and long-terms, Net		18,482,150		21,479,049
• Due from related parties		2,672,542		3,813,538
Measured at fair value:				
• Derivative financial instruments		214,006		255,585
Financial liabilities				
At amortized cost:				
• Loans with financial institutions and long-term debt	$	7,720,326	$	8,882,871
• Payables to suppliers		8,535,817		9,086,008
• Due to related parties		1,211,685		2,014,008
• Other payables, accrued liabilities, long-term provisions and the fair value adjustment as part of the gain on the sale of stock PMM		5,670,962		4,944,222
Measured at fair value:				
• Derivative financial instruments		671,170		841,098

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:

		2014		2013
Loans with financial institutions and other	$	7,720,326	$	8,882,871
Cash and cash equivalents		(7,777,439)		(6,898,520)
Investments in securities held to maturity		(6,313,231)		(3,654,983)
Cash surplus with financial institutions	$	(6,370,344)	$	(1,670,632)
EBITDA		10,606,017		18,699,382
Net debt ratio		(0.60) times		(0.09) times
EBITDA	$	10,606,017	$	18,699,382
Interest expense on debt		440,199		581,374
Interest coverage ratio		24.09 times		32.16 times

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 2014 and 2013 would have increased or decreased by approximately $107,101 and $135,367, respectively. At December 31, 2014 and 2013, 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	
	2014	2013	2014	2013
U.S. dollars (US)	416,226	409,437	414,307	551,387
Euro (EU)	4,466	9,945	9,163	9,499
Brazilian real (RA)	84,289	47,242	167,705	107,935
Colombian peso	22,120,084	27,461,721	30,529,342	35,665,325
Peruvian new sol	43,120	40,971	63,007	69,188

The following table indicates the Entity's sensitivity to a 10% increase or decrease of the Mexican peso versus the US dollar and other foreign currency. 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):

	Capital (1)		Liabilities		Assets	
	2014	2013	2014	2013	2014	2013
U.S. dollars	–	–	(41,623)	(40,944)	41,431	55,139
Euro	(1,898)	342	(447)	(995)	916	950
Brazilian real	–	–	(8,429)	(4,724)	16,771	10,794
Colombian peso	–	–	(2,212,008)	(2,746,172)	3,052,934	3,566,533
Peruvian new sol	–	–	(4,312)	(4,097)	6,301	6,919

(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 2014	Average exchange 2013	Notional 2014	Notional 2013	Fair value 2014	Fair value 2013
Euro purchase						
Less than one month	17.6588	16.9644	$ 869	$ 232	$ (1,506)	$ (32)
More than 12 months	17.6588	16.9644	$ 14,768	$ 5,340	$ (25,606)	$ 4,922

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 1,804,000 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, 2014	Weighted average effective interest rate	3 months	6 months	1 year	Between 1 and 3 years	Total
Loans with financial institutions and others	MN 4.36% US 0.69% EU 0.76% RA 5.50%	$ 2,718,354	$ 1,776	$ 170	$ 5,000,026	$ 7,720,326
Payables to suppliers		8,346,821	140,162	48,834	–	8,535,817
Due to related parties		1,211,685	–	–	–	1,211,685
Other accounts payable and accrued liabilities		–	–	4,001,657	–	4,001,657
Fair value adjustment as part of the gain on the sale of stock PMM		–	–	1,669,305	–	1,669,305
Derivative financial instruments		11,644	3,485	13,600	642,441	671,170
Total		$ 12,288,504	$ 145,423	$ 5,733,566	$ 5,642,467	$ 23,809,960

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	36,209	–	–	9,086,008
Due to related parties		2,014,008	–	–	–	–	2,014,008
Other accounts payable and accrued liabilities		–	–	3,647,201	–	–	3,647,201
Derivative financial instruments		15,680	705	1,463	823,250	–	841,098
Long provisions		–	–	–	1,297,021	–	1,297,021
Total		$ 14,042,670	$ 145,822	$ 3,726,082	$ 2,853,633	$ 5,000,000	$ 25,768,207

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 $182,243 and $187,327, 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 **31/12/14**	31/12/13	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Foreig currency forward contracts (see Note 13)	Liabilities - $27,112	Assets - $4,889	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)	Liabilities - $5,561	Assets - $2,978; (designated for hedging)	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 Notes 16c and 20)	Liabilities - $1,669,305	Liabilities - $1,297,021	Level 3	The value of the transaction will be computed by considering the PMM's average EBITDA of three fiscal years of PMM including the year of sale.	EBITDA average from 2012 to: 2014 $378,475	EBITDA average from 2012 to 2014: $385,842

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, **2014**		December 31, 2013	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:				
Cash and cash equivalents	$ 7,777,439	$ 7,777,439	$ 6,898,520	$ 6,898,520
Instruments available-for-sale:				
Fixed-term securities	6,313,231	6,313,231	3,654,983	3,654,983
Derivative financial instruments (i)	214,006	214,006	255,585	255,585
Loans and receivables:				
Accounts receivable in the short and long-terms	18,482,150	19,011,098	21,479,049	22,157,275
Due to related parties	2,672,542	2,672,542	3,813,538	3,813,538
Accounts and notes payable:				
Notes payable to financial institutions including current portion of long-term debt and others	(2,720,326)	(2,720,326)	(3,882,871)	(3,879,508)
Debt securities	(5,000,000)	(4,993,588)	(5,000,000)	(4,999,951)
Trade accounts payable	(8,535,817)	(8,535,817)	(9,086,008)	(9,086,008)
Due to related parties	(1,211,685)	(1,211,685)	(2,014,008)	(2,014,008)
Other accounts payable, accrued liabilities and long-term provisions and the fair value adjustment as part of the gain on the sale of stock PMM	(5,670,962)	(5,670,962)	(4,944,222)	(4,944,222)
Derivative financial instruments [i]	(671,170)	(671,170)	(841,098)	(841,098)
Total	$ 11,649,408	$ 12,184,768	$ 10,333,468	$ 11,015,106

The fair values shown at December 31, 2014 and 2013, 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, 2014 and 2013 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, **2014**			
Instrument	Designated as	Amount ('000)	Unit	Maturity	Asset (liability)	Net income of the year	Income of prior year	Gain (loss) on settlement
Dollar forwards	Purchase	1,147,000	Dollars	During 2014	$ –	$ –	$ –	$ (89,338)
Dollar forwards	Sale	477,000	Dollars	March 2015	(5,108)	5,108	–	–
Dollar forwards	Sale	1,297,000	Dollars	During 2014	–	–	–	469,042
TIIE swaps to fixed rate	Purchase	8,600,000	Mexican Pesos	May 2017 to May 2027	(632,647)	(190,603)	823,250	374,832
TIIE swaps to fixed rate	Purchase	1,750,000	Mexican Pesos	During 2014	–	–	–	169,745
TIIE swaps to fixed rate	Sale	1,700,000	Mexican Pesos	June 2017 and may 2018	213,437	34,120	(247,557)	(95,462)
Embedded	N/A	549	Dollars	2015	(173)	(3,579)	3,751	–
Total at December 31, 2014					$ (424,491)	$ (154,954)	$ 579,444	$ 828,819
Total at December 31, 2013					$ (593,380)	$ (95,489)	$ 688,869	$ 76,392

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

Instrument	Notional Amount ('000)	Notional Unit	Maturity	Valuation as of December 31, 2014 Asset (liability)	Valuation as of December 31, 2014 Comprehensive income	Gain (loss) on settlement
Euro forwards purchase	15,637	Euro	January 2014 to December 2016	$ (27,112)	$ 18,978	$ –
Euro forwards purchase	3,592	Euro	During 2014	–	–	(2,364)
Total at December 31, 2014				$ (27,112)	$ 18,978	$ (2,364)
Total at December 31, 2013				$ 4,889	$ (3,422)	$ 2,573

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

Instrument	Notional Amount ('000)	Notional Unit	Maturity	Valuation as of December 31, 2014 Asset (liability)	Valuation as of December 31, 2014 Comprehensive income	Gain (loss) on settlement Cost of sales
Copper Swaps	1,206	Tons	January to December 2015	(5,200)	$ 3,559	$ –
Copper Swaps	1,915	Tons	During 2014	–	–	1,200
Aluminum Swaps	150	Tons	January to April 2015	(361)	253	–
Aluminum Swaps	1,025	Tons	During 2014	–	–	(1,038)
Total at December 31, 2014				$ (5,561)	$ 3,812	$ 162
Total at December 31, 2013				$ 2,978	$ (2,085)	$ 12,537

14. Property, machinery and equipment

The reconciliation between the carrying amount at the beginning and end of the year 2014 and 2013 is as follows:

	Balances as of January 1, 2014	Additions	Retirements / disposals	Transfers	Translation effect	Balances as of December 31, 2014
Investment:						
Land	$ 2,582,394	$ 559,677	$ –	$ 10,703	$ 3,343	$ 3,156,117
Buildings and leasehold improvements	11,622,819	953,554	(136,908)	48,788	55,776	12,544,029
Machinery and equipment	17,840,266	184,287	(269,211)	810,639	127,241	18,693,222
Furniture and equipment	3,574,111	501,265	(76,688)	3,017	(5,887)	3,995,818
Computers	1,653,316	80,516	(40,824)	9,158	1,303	1,703,469
Vehicles	1,055,475	57,654	(145,273)	99,950	(29,197)	1,038,609
Construction in progress	1,247,958	777,708	(64,352)	(951,308)	306,046	1,316,052
Total investment	39,576,339	3,114,661	(733,256)	30,947	458,625	42,447,316
Accumulated depreciation:						
Buildings and leasehold improvements	(5,627,605)	(440,546)	91,834	1,711	(28,187)	(6,002,793)
Machinery and equipment	(9,249,583)	(746,028)	219,450	(156,166)	(143,204)	(10,075,531)
Furniture and equipment	(2,258,178)	(227,686)	60,852	4,545	(8,489)	(2,428,956)
Computers	(1,375,228)	(115,147)	42,471	83,506	(10,548)	(1,374,946)
Vehicles	(630,207)	(111,074)	109,672	53,696	(2,110)	(580,023)
Total accumulated depreciation	(19,140,801)	(1,640,481)	524,279	(12,708)	(192,538)	(20,462,249)
Impairment:						
Buildings and leasehold improvements	(3,099)	–	–	3,099	–	–
Machinery and equipment	(120,827)	–	–	181	(15,140)	(135,786)
Accumulated impairment losses	(123,926)	–	–	3,280	(15,140)	(135,786)
Net investment	$ 20,311,612	$ 1,474,180	$ (208,977)	$ 21,519	$ 250,947	$ 21,849,281

	Balances as of January 1, 2013	Additions	Retirements / disposals	Transfers	Translation effect	Balances as of December 31, 2013
Investment:						
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

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.

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.

	2014	2013
Investment properties	$ 2,475,631	$ 2,249,466

The changes in investment properties are as follows:

	2014	2013
Balance at beginning of period	$ 2,249,466	$ 1,534,811
Additions	470	195,751
Transferred from property, machinery and equipment	–	308,828
Gain/(loss) on property revaluation	225,695	210,076
Balance at end of period	$ 2,475,631	$ 2,249,466

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	6.15%	8.86%

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 $222,978 to $220,448 for the years ended December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, the occupancy rate of shopping centers is of 94% and 98%, respectively.

Direct operating expenses including maintenance costs incurred in relation to the investment property are recognized in income and constitute approximately 33% and 37% of rental income for years ended December 31, 2014 and 2013, respectively.

There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Entity investment properties and information about the fair value hierarchy as of December 31, 2014 and 2013 are as follows:

	2014		2013	
	Level 3	Fair value	Level 3	Fair value
Shops located in Mexico City	$ 1,908,604	$ 1,908,604	$ 1,687,705	$ 1,687,705
Land located in Baja California	258,199	258,199	252,933	252,933
Warehouse located in Mexico City	308,828	350,351	308,828	308,828
Total	$ 2,475,631	$ 2,517,154	$ 2,249,466	$ 2,249,466

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant:

	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Shops located in Mexico City	Income approach	Capitalization rate, taking into account the capitalization of rental income potential, nature of the property, and prevailing market condition of 6.15% - 8.86% and 6.57% - 8.86% in 2014 and 2013, respectively.	A slight increase in the capitalization rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, at an average of $311.97 and $282 per square metre (“sqm”) per month in 2014 and 2013, respectively.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

16. Investment in associates and joint ventures

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

Associated	Ownership percentage 2014	2013	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.
Cuprum, S.A.P.I. de C.V. ("Cuprum")	10.00	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:

2014	Stockholders' equity	Net income	Ownership percentage	Investment in shares	Equity in income
Elementia [1]	$ 11,190,753	$ 476,481	46.00	$ 5,780,290	$ 333,373
ITM [2]	29,959,077	5,005,541	16.75	5,018,145	838,427
Grupo Telvista, S.A. de C.V. (Grupo Telvista)	2,457,668	87,527	10.00	245,767	8,753
Infraestructura y Saneamiento Atotonilco, S.A. de C.V.	597,635	80,440	42.50	253,995	34,187
Constructora MT de Oaxaca, S.A. de C.V.	412,824	228,605	40.00	165,130	91,372
Cuprum	2,394,653	(71,603)	10.00	315,583	23,645
Others associated entities	–	–	–	682,755	83,180
Total investment in shares of associated entities				12,461,665	1,412,937
Others investments				2,597	1,666
Total investment in shares of associated entities and joint ventures				$ 12,464,262	$ 1,414,603

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	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 1 January at 30 September 2013.

(4) As the investment in the shares of Cuprum took place on December 17, 2013, it did not generate equity in the result of the year.

c. As mentioned in Note 2d, on September 30, 2013, Grupo Carso sold the shares of PMM to PMI. The sale price amounted US$703 million, and is subject to a potential adjustment process that reflects the performance of PMM for a period of three years, ending in 2015. The fair value of the potential adjustment as of December 31, 2014 and 2013, represents an adverse effect for Grupo Carso for $372,284 and $ 1,297,021, respectively, which was recorded in provisions in 2014, and non-current provisions in 2013 in the consolidated statement of financial position. On September 30, 2013 PMM declared and paid a dividend to Grupo Carso for $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 Grupo Telvista, the Entity has significant influence because our related party America Movil has the rest of the shareholding equivalent to 90%.

Regarding Cuprum, the Entity has significant influence for having a representative on the Board of Directors, even if their participation is 10%.

17. Intangible assets

	Amortization period	Balances as of January 1, 2014	Additions	Reclassification	Balances as of December 31, **2014**
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		(98,830)	(29,562)	–	(128,392)
Trademark use		(2,727)	(224)	(1,509)	(4,460)
Total amortization		(101,557)	(29,786)	(1,509)	(132,852)
Net cost		$ 302,223	$ (29,786)	$ (1,509)	$ 270,928

	Amortization period	Balances as of January 1, 2013	Additions	Reclassification	Balances 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		(72,517)	(26,313)	–	(98,830)
Trademark use		(2,227)	(224)	(276)	(2,727)
Total amortization		(74,744)	(26,537)	(276)	(101,557)
Net cost		$ 329,036	$ (26,537)	$ (276)	$ 302,223

18. Others assets

Other assets were as follows:

	Amortization period	**2014**	2013
Exploration expenses		$ 756,385	$ 480,504
Insurance and surety	(a)	267,972	237,591
Guarantee deposits		55,425	131,106
Installation costs		38,427	10,886
Prepaid expenses		12,113	12,113
Others		64,252	71,416
		1,194,574	943,616
Accumulated amortization		(321,700)	(237,202)
		$ 872,874	$ 706,414

(a) The Insurance and surety CICSA have a life according to the contracted projects which on average have a maturity between 2 and 3 years.

	Exploration expenses	Insurance and surety	Guarantee deposits	Installation costs	Prepaid expenses	Others	Total
Investment:							
Balance as of January 1, 2013	$ 247,699	$ 236,241	$ 130,926	$ 23,233	$ 192,905	$ 68,442	$ 899,446
Acquisitions	238,888	–	788	–	–	4,323	243,999
Translation effect	(6,083)	–	–	–	–	–	(6,083)
Applications / Recoveries	–	1,350	(608)	(12,347)	(180,792)	(1,349)	(193,746)
Balance as of December 31, 2013	480,504	237,591	131,106	10,886	12,113	71,416	943,616
Acquisitions	251,156	–	–	27,541	–	9,618	288,315
Translation effect	24,725	–	–	–	–	–	24,725
Applications / Recoveries	–	30,381	(75,681)	–	–	(16,782)	(62,082)
Balance as of December 31, 2014	$ 756,385	$ 267,972	$ 55,425	$ 38,427	$ 12,113	$ 64,252	$ 1,194,574

	Exploration expenses		Insurance and surety		Installation costs		Prepaid expenses		Others		Total
Accumulated amortization:											
Balance as of January 1, 2013	$	–	$	(129,154)	$	(13,111)	$	–	$	(30,845)	$	(173,110)
Derecognition		–		–		13,111		–		7,072		20,183
Amortization		–		(73,706)		(5,984)		(2,850)		(1,735)		(84,275)
Balance as of December 31, 2013		–		(202,860)		(5,984)		(2,850)		(25,508)		(237,202)
Amortization		(13,645)		(57,367)		(9,725)		(2,850)		(911)		(84,498)
Balance as of December 31, 2014	$	(13,645)	$	(260,227)	$	(15,709)	$	(5,700)	$	(26,419)	$	(321,700)

The amortization recorded to income was $84,498 and $84,275 in 2014 and 2013, respectively, of which $71,924 and $75,441 is recognized as part of cost of sales for 2014 and 2013, respectively.

19. Current debt and long-term debt

Debt is as follows:

		2014		2013
Current debt				
Commercial loans in US$141,000, with maturities in January 2015 with an interest rate of 0.5%	$	2,075,238	$	–
Commercial loans in US$39,000, with maturities in January 2015 with an interest rate of 0.6%		574,002		–
Commercial loans in Mexican pesos with maturities in January 2014 with an average interest rate of 4.28%		–		1,684,000
Commercial loans in US, with maturities in January 2014 with an average interest rate of 1.14%		–		1,405,723
Commercial loans in euro with maturities in November 2014 with an interest rate of 0.72%		–		36,068
Other loans		68,118		19,708
		2,717,358		3,145,499
Add - current portion		2,942		4,010
Current debt	$	2,720,300	$	3,149,509
Long-term debt:				
Direct loan in different currencies, mainly Brazilian real, with quarterly and semiannual maturities at variable rates, and final maturity in 2015	$	2,968	$	736,999
Debt securities issued in Mexican pesos with monthly maturities from March 2012 with an interest rate of TIIE + 0.53 and final maturity in 2017		5,000,000		5,000,000
Other loans		–		373
		5,002,968		5,737,372
Less - current portion		(2,942)		(4,010)
Long-term debt	$	5,000,026	$	5,733,362

Maturities of long-term debt as December 31, 2014 are as follows:

Payable for-		
2016	$	26
2017		5,000,000
	$	5,000,026

Long-term debt accrues interest at variable rates. Interest rates for loans in Mexican pesos during 2014 stood at a weighted average of 4.36%; the average financing rate in Euros for 2014 and 2013 was 0.76% and 0.72%, 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".

20. Provisions

The provisions presented below represent charges incurred during 2014 and 2013, 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.

	2014					
	Opening balance	Additions	Provision applied	From long-term	Derecognition	Closing balance
Contractor costs	$ 2,301,547	$ 9,470,961	$ (9,747,591)	$ –	$ (64,556)	$ 1,960,361
Construction costs and other extraordinary items	242,001	123,712	(128,283)	–	(16,763)	220,667
Environmental costs and plant closure	133,000	7,737	(11,297)	–	–	129,440
Employment relationships	45,552	298,426	(285,777)	–	–	58,201
Fair value adjustment as part of the gain on the sale of stock PMM	–	372,284	–	1,297,021	–	1,669,305
Others	255,513	214,106	(267,305)	–	–	202,314
	$ 2,977,613	$ 10,487,226	$ (10,440,253)	$ 1,297,021	$ (81,319)	$ 4,240,288

	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

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.

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

The plans in A-Country typically expose the Entity to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk — The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to government bonds 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, 2014 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:

	2014 %	2013 %
Discount rate	6.98	7.25
Expected rate of salary increase	5.05	5.16
Expected return on plan assets	6.98	7.33
Average longevity at retirement age for current pensioners (years)		
Males	65	65
Females	65	65

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

		2014		2013
Defined benefit obligation	$	(2,929,408)	$	(2,745,981)
Plan assets at fair value		3,802,335		3,431,883
Present value of unfunded defined benefit obligation	$	872,927	$	685,902
The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:				
Defined retirement employee benefits liabilities	$	(186,963)	$	(262,723)
Defined retirement employee benefits assets		1,059,890		948,625
	$	872,927	$	685,902
Contributions to plan assets	$	141,659	$	125,398

The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss. An amount of $ 355,195 and $ 229,511 in 2014 and 2013, respectively, has been included in profit or loss as cost of sales and the remainder has been included in Administration expenses and Sales and distribution expenses

The remeasurement of the net defined benefit liability is included in other comprehensive income.

Net period cost comprises the following:

		2014		2013
Service costs	$	161,429	$	171,667
Interest cost		193,766		57,844
Expected yield on plan assets		(245,438)		16,583
Past service cost		(71,310)		8,304
Effect of reduction or early liquidation (other than a restructuring or discontinued operation)		16,769		(34,743)
Net period cost	$	55,216	$	219,655

Components of defined benefit costs recognized in other comprehensive income

		2014		2013
Actuarial gain – net	$	46,359	$	102,057

Given that there is no legal right to offset employee retirement benefits between different entity subsidiaries, these amounts are not offset and are presented as long-term assets or liabilities in the accompanying consolidated statements of financial position.

Changes in the present value of the defined benefit obligation:

		2014		2013
Changes in the present value of the defined benefit obligation at January 1	$	(2,745,981)	$	(2,849,415)
Service costs		(161,429)		(171,667)
Past service cost		71,310		–
Interest cost		(193,766)		(190,657)
Actuarial (losses) and gain – net		(46,359)		324,452
Benefits paid		104,865		141,306
Effect of reduction or early liquidation (other than a restructuring or discontinued operation)		41,952		–
Present value of the defined benefit obligation	$	(2,929,408)	$	(2,745,981)

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

		2014		2013
Opening fair value of plan assets	$	3,431,883	$	3,482,987
Expected yield on plan assets		245,438		234,009
Reclassifications		52,893		–
Actuarial losses – net		125,174		(208,673)
Contributions to plan		141,659		125,398
Benefits paid		(87,673)		(139,339)
Assets distributed on settlements		(54,482)		–
Others		(52,557)		(62,499)
Closing fair value of plan assets	$	3,802,335	$	3,431,883

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 $465,229 (increase of $598,975).

If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by $592,211 (decrease by $506,583).

If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $927,916 (decrease by $886,018).

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 consolidated, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

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

Main strategic choices that are formulated in the actuarial and technical policy document of the Fund are:

Asset mix based on 50% equity instruments 45% debt instruments and 5% investment property.

The average duration of the benefit obligation as of December 31, 2014 is 12.88 years (2013: 14.79 years).

The Entity expects to make a contribution of $ 164,104 to the defined benefit plans during the next financial year.

The main categories of plan assets, and the expected return rate in each category at the end of the reporting period, are:

			Fair value of plan assets			
	2014 %	2013 %		2014		2013
Equity instruments	50	46	$	1,919,005	$	1,565,274
Debt instruments	45	39		1,678,332		1,351,644
Property	5	15		204,998		514,965
Weighted average expected return				94,455		125,713

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.

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

		2014		2013
Short-term benefits	$	142,248	$	143,364
Defined benefit plans		4,356		5,489
Other long-term benefits		107,353		113,362

22. Stockholders' equity

a. The historical amount of issued and paid-in common stock of Grupo Carso as of December 31, 2014, and 2013 is as follows:

	Number of shares		Amount	
	2014	2013	**2014**	2013
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.

Pursuant to a general ordinary stockholders' meeting on April 28, 2014, the payment of a dividend was approved by the shareholders for the amount of $0.80 per share, payable in two exhibitions of $0.40 per share each, on May 14 and October 15, 2014 against vouchers Nos. 30 and 31, respectively, of the securities that are in effect at the time the payments. The total payment was $1,831,841.

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.

b. In 2014, Elementia associated entity, acquired 47% of the common stock of ELC Tenedora Cementos, S.A.P.I. de C.V. (ELC), held by Financière Lafarge, S.A.S., so as to directly and indirectly hold 100% of equity in ELC. As this transaction was between stockholders, Elementia recognized a premium of $99,170 in its retained earnings. Likewise, Elementia sold the equivalent of 10% of its shares in Cuprum (associated entity) to Tenedora de Empresas de Materiales de Construcción, S.A. de C.V. (subsidiary) for the amount of US$ 22,500 (equivalent to $292,000), thereby generating a loss of $218,000 which Elementia recorded in stockholders' equity because this transaction was between stockholders. These transactions decreased the Entity's retained earnings by $145,046 through the recognition of the equity method.

c. 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, 2014 and 2013, the legal reserve, was $381,635.

d. 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.

e. 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:

	2014	2013
Receivable -		
Empresa Brasileira do Telecomunicacoes, S.A	$ 441,575	$ 89,796
Teléfonos de México, S.A.B. de C.V.	415,666	173,764
Delphi Packard Electric Systems, Inc.	403,983	365,212
América Móvil Perú, S.A.C.	176,282	93,053
Concesionaria autopista Guadalajara-Tepic, S.A. de C.V.	162,060	289,575
Inmobiliaria Aluminio, S.A. de C.V.	120,244	60,293
Minera Real de Ángeles, S.A. de C.V.	84,596	1,175,641
Radiomóvil Dipsa, S0A. de C.V.	71,151	149,059
Constructora de Inmuebles PLCO, S.A. de C.V.	70,111	2,357
Telmex Colombia, S.A.	69,792	67,110
Minera Tayahua, S.A. de C.V.	58,189	167,565
Net Servicios de Comunicacao, S.A.	56,758	82,935
Net Brasil Servicios de Televisao por Assinatura, S.A.	48,146	–
Hubard y Bourlon, S.A. de C.V.	35,212	8,339
Puerto Rico Telephone Company, Inc.	33,941	6,258
Claro CR Telecomunicaciones. S.A.	31,982	4,040
Infraestructura y Saneamiento de Atotonilco, S.A. de C.V.	27,582	–
Compañía Dominicana de Teléfonos, S. A.	24,295	22,512
Claro, S. A.	22,301	–

		2014		2013
Consorcio Ecuatoriano de Telecomunicaciones, S. A.		19,533		4,752
Fundación Carlos Slim, A. C.		19,226		155
Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V.		18,247		76,032
Constructora MT Oaxaca. S.A. de C.V.		17,866		42
Fundación Teléfonos de México, A.C.		17,536		9,307
Compañía de Teléfonos y Bienes Raíces, S.A. de C.V.		16,804		31,311
Alquiladora de Casas, S.A. de C.V.		16,043		19,952
Servicios de Comunicaciones de Honduras, S.A. de C.V.		14,202		8,059
Minera San Francisco del Oro, S.A. de C.V.		12,625		456,915
Hipocampo, S.A. de C.V.		11,496		1,119
Renta de Equipo, S.A. de C.V.		11,362		15,250
Empresa Nicaragüense de Telecomunicaciones, S.A.		10,045		3,329
Concesionaria de Carreteras y Libramientos del Pacífico Norte, S.A. de C.V.		9,257		73,069
Minera Espejeras, S.A. de C.V.		722		44,310
Ecuador Telecom L.L.C.		5,447		37,217
Consorcio Red Uno, S.A. de C.V.		4,132		29,949
Selmec Equipos Industriales, S.A. de C.V.		5,358		23,993
Comunicación Celular, S.A. de C.V.		2,821		22,146
Servicios Corporativos Frisco, S.A. de C.V.		2,766		20,057
Telecomunicaciones de Guatemala, S.A.		6,309		15,318
Asociación Pediátrica, S.A. de C.V.		–		14,907
AMX Argentina, S.A.		–		14,464
Minera María, S.A. de C.V.		1,605		14,142
Nacional de Cobre, S.A. de C.V.		6,716		12,997
Ocampo Mining, S.A. de C.V.		518		11,843
Other		88,040		95,394
	$	2,672,542	$	3,813,538
Payable -				
Teléfonos de México, S.A.B. de C.V.	$	258,805	$	9,310
Autopista Arco Norte. S.A, de C.V.		132,808		4,602
Centro Histórico de la Ciudad de México, S.A. de C.V.		121,507		132,378
Radiomóvil Dipsa, S.A. de C.V.		114,477		94,641
Empresa Brasileira de Telecomunicacoes. S.A.		111,367		–
Sears Brands Management		79,220		73,440
Delphi Packard Electric Systems, Inc.		73,905		29,618
Infraestructura y Saneamiento de Atotonilco, S.A. de C.V.		47,789		21,763
Inmobiliaria Aluminio, S.A. de C.V.		35,225		48,363
Puerto Rico Telephone Company, Inc.		29,355		–
Concesionaria de Carreteras y Libramientos del Pacífico Norte, S.A. de C.V.		26,118		120,414
Constructora MT Oaxaca, S.A. de C.V.		23,726		63,770
Comunicación Celular, S.A. de C.V.		23,546		46,475
América Móvil Perú, S.A.C.		15,495		486
Net Brasil Servicios de Televisao por Assinatura, S.A.		13,845		–
Uninet, S.A. de C.V.		2,695		398,319
Minera María, S.A. de C.V.		–		391,745
Concesionaria autopista Guadalajara-Tepic, S.A. de C.V.		4,878		162,216
Constructora de Inmuebles PLCO, S.A. de C.V.		5,870		98,261
Minera Real de Ángeles, S.A. de C.V.		–		73,671
Dorian's Tijuana, S.A. de C.V.		5,020		45,487
Minera Tayahua, S.A. de C.V.		8,196		34,817
Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V.		2,719		30,688
Inmobiliaria para el Desarrollo de Proyectos, S.A. de C.V.		219		15,312
América Móvil, S.A.B. de C.V.		4,578		13,056
Selmec Equipos Industriales, S.A. de C.V.		7,962		12,342
Fundación del Centro Histórico de la Ciudad de México, S.A. de C.V.		–		12,000
Proyectos Educativos Inmobiliarios, S.A. de C.V.		–		10,299
Other		62,360		70,535
	$	1,211,685	$	2,014,008

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:

	2014	2013
Sales	$ 18,922,668	$ 19,440,107
Interest income	59,779	251,856
Purchases	(2,655,915)	(3,923,688)
Prepaid insurance	(294,210)	(181,386)
Lease expenses	(615,688)	(675,408)
Services rendered	(1,245,557)	(246,022)
Other expenses, net	(609,483)	(648,066)
Purchases of fixed assets	(59,364)	(47,510)

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

	2014	2013
Sales	$ 831,378	$ 1,480,132
Services acquired	63,968	94,584
Rentals collected	–	9,287
Purchases	(40,981)	(174,287)
Expense from the lease of real property	(81)	–
Interest expense	–	(807)
Other income, net	(57,203)	(74,080)
Purchases of fixed assets	(5,775)	(8,697)

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

24. Income

	2014	2013
Sales		
Services	$ 1,352,724	$ 1,814,242
Sale of goods	61,167,497	60,384,984
Interests	2,813,026	2,697,681
Rentals	998,859	593,615
Construction	15,954,539	20,290,793
Others	101,213	89,230
Total	$ 82,387,858	$ 85,870,545

25. Cost and expenses by nature

	2014			
Concept	Cost of sales	Sales and development	Administrative	Total
Wages and salaries	$ 3,417,760	$ 3,408,517	$ 1,632,628	$ 8,458,905
Employee benefits	300,202	1,518,173	295,368	2,113,743
Raw materials	18,503,326	–	–	18,503,326
Manufacturing expenses	3,588,470	–	–	3,588,470
Finished products	32,247,945	–	–	32,247,945
Depreciation and amortization	946,819	769,996	25,375	1,742,190
Advertising	–	397,864	–	397,864
Insurance	64,050	81,438	66,523	212,011
Freight	–	290,190	–	290,190
Fees	1,411	28,139	174,232	203,782
Maintenance	13,479	411,520	65,781	490,780
Plant costs	–	17,657	312,009	329,666
Security services	14,891	75,450	44,445	134,786
Lease	–	1,138,612	88,560	1,227,172
Telephone	–	63,199	67,310	130,509
Electricity	4,835	636,020	7,140	647,995
Credit card fees	–	179,171	–	179,171
Other	78,537	1,518,215	884,496	2,481,248
Total	$ 59,181,725	$ 10,534,161	$ 3,663,867	$ 73,379,753

	2013			
Concept	Cost of sales	Sales and development	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	4,650,195	–	–	4,650,195
Finished products	32,987,626	–	–	32,987,626
Depreciation and amortization	941,911	660,200	30,071	1,632,182
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	1,534,941	895,373	2,495,838
Total	$ 62,964,909	$ 10,050,242	$ 3,305,976	$ 76,321,127

26. Other income

	2014	2013
Sales of materials and waste	$ (25,234)	$ (52,951)
Gain on sale of property, machinery and equipment and others assets	(31,304)	(1,597)
Gain on investment property revaluation	(225,695)	(210,076)
Settlement of liabilities and provisions	(313,287)	(292,711)
Impairment	–	174,644
Other expenses, net	15,198	18,153
	$ (580,322)	$ (364,538)

27. Income taxes

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU, therefore, the income tax payable was the higher between ISR and IETU through 2013.

ISR -The rate was 30% in 2014, 2013 and 2012 and as a result of the new 2014 ISR law ("2014 Tax Law"), the rate will continue at 30% thereafter. The Entity incurred ISR on a consolidated basis until 2013 with its Mexican subsidiaries. As a result of the 2014 Tax Law, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax benefit calculated as of that date over a 10 year period beginning in 2014, as illustrated below.

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

The Entity and its subsidiaries opted to join the new scheme, so determined income tax for 2014 together.

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 rate was 17.5%.

As of 2008, the Asset Tax Law (LIMPAC) was eliminated, but under certain the amount of this tax paid in the 10 years immediately prior to that in which ISR is first paid may be recovered in accordance with applicable tax provisions. Furthermore, unlike ISR, until 2013, IETU was incurred on an individual basis by the holding company and its subsidiaries.

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

	2014	2013
ISR:		
Current	$ 3,466,055	$ 4,045,888
Deferred	(792,386)	(324,180)
	$ 2,673,669	$ 3,721,708

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

	2014	2013
ISR deferred (asset) liability:		
Property, machinery and equipment	$ 1,813,516	$ 1,816,811
Inventories	(265,077)	(57,502)
Accounts receivable from installment sales	–	546,039
Advances from customers	(305,217)	(440,750)
Natural gas and metals swaps and forwards	(142,177)	(171,616)
Revenues and costs by percentage-of-completion method	150,881	352,819
Allowances for assets and reserves for liabilities	(768,605)	(900,933)
Other, net	(218,035)	(231,988)
Deferred ISR on temporary differences	265,286	912,880
Effect of tax loss carry-forwards	(694,431)	(618,209)
Deferred ISR payment (long-term CUFINRE)	20,318	19,974
	(408,827)	314,645
Total deferred tax asset	1,754,350	1,432,369
Total deferred income taxes liability	$ 1,345,523	$ 1,747,014

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

	2014	2013
Opening balance	$ 314,645	$ 663,583
ISR payable for combined inventory	–	(195,123)
Income tax applied to results	(792,386)	(129,057)
Recognized in other comprehensive income	68,914	19,236
Effect of consolidation and other items	–	(43,994)
Closing balance	$ (408,827)	$ 314,645

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

	2014 %	2013 %
Statutory rate	30	30
Add (deduct) the effect of permanent differences -		
Nondeductible expenses	2	–
Share in income of associated companies	(4)	(2)
Non-taxable gain on disposal of shares	–	(8)
Effective rate	28	20

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, 2014 are as follows:

Year of expiration		Tax loss carryforwards
2017	$	338
2018		103,711
2019		44,498
2020 and thereafter		1,897,923
		2,046,470
Tax loss carryforwards of foreign subsidiary without expiration term		242,618
Total	$	2,289,088

f. Tax consolidation

The income tax liability at December 31, 2014 concerning the effects of benefits and tax deconsolidation shall be paid in the following years:

Year		
2015	$	9,837
2016		11,525
2017		34,077
2018		57,552
2019 and thereafter		347,458
	$	460,449

g. Tax integration

The $132,261 ISR liability derived from the tax integration regime will be paid within four years.

h. The Entity recorded payable long-term ISR $254,053 derived from the Decree which establishes that the ISR installment sales can be settled over three years by paying 33.3% of the outstanding amount each year. The tax advantage of deferring ISR on installment sales was eliminated.

28. Commitments

I. Retail sector:

a. As of December 31, 2014, 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 $2,071,540.

b. Furthermore, as of December 31, 2014, the Entity and its subsidiaries have entered into lease agreements in 320 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 2014 and 2013 was $1,231,219 and $1,165,982, 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 2014 and 2013 was $254,402 and $254,842, respectively.

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

Maturity		December 31, **2014**
1 year	$	519,489
1 to 5 years		2,557,320
More than 5 years		3,587,085
	$	6,663,894

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

Maturity		December 31, **2014**
1 year	$	36,587
1 to 5 years		135,440
More than 5 years		147,405
	$	319,432

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. In November 2014, PEP was awarded a contract to GSM for comprehensive fluid control work, the separation of solids and waste management for use at oil wells in the southern region. The contract amount was US$ 54.9 million; operations will begin during January 2015.

b. In October 2014, GSM executed a contract with the Federal Electricity Commission (CFE) to drill five geothermal wells and repair two others at the "Los Azufres" field in Michoacan State. The contract value is $278.5 million; operations began during the first week of December 2014. At December 31, 2014, repairs were completed at the two geothermal wells and drilling of the first well began.

c. In May 2014, PEP was awarded an oil well directional drilling contract to GSM for the amount of US$88.7 million, for work to be performed over 882 days. Work began in June 2014; at December 31, 2014, a 64% work completion was reported.

d. In May and June 2014, Bronco Drilling Mx, S.A. de C.V. executed contracts with Perfolat de México, S.A. de C.V. for the rental of three units of oil well drilling equipment in the Southern Region for a four-year period. At December 31, 2014, 24 wells had been drilled.

e. In February 2014, GSM executed a contract with Petroalfa Servicios Integrados de Energía, S.A.P.I. de C.V. for the amount of US$21.9 million. The contract is expected to conclude in 2016; at December 31, 2014, a 15% work completion was reported.

f. 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, 2014, there have been advances of 95% and is expected to conclude in February 2015.

g. 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, 2014, there have been advances about 100%. At the date of issuance of the consolidated financial statements, three platforms have been launched and the contract documentation close is being performing.

h. 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.

i. In December 2013, PEP was awarded a contract for the amount of $231,764, plus US$39,209 for the drilling of 15 wells. At December 31, 2014, construction and the placement of wellheads are underway; a 95% work completion has been reported for this project. At the date of issuance of these consolidated financial statements, the Entity has concluded the project and is engaged in the settlement process with the customer.

j. In October 2014, Operadora executed a contract to build an Elevated Viaduct, a section at the start of the Mexico City. México – Cuernavaca highway, which will reach the Tlalpan tollbooth (interconnection with the "El Caminero" elevated ring road section) in Mexico City The contract amount is $659,772; at December 31, 2014, work had already begun on this project.

k. In July 2014, Operadora executed a contract for construction work on the Tepic Loop, with an extension of 30 Km., Type A2-, starting at the San Cayetano junction of the Guadalajara-Tepic highway and ending at the Trapichillo junction of the Tepic-San Blas highway. The contract amount is $1,629,491; a work completion of approximately 18% was reported at December 31, 2014.

l. In May 2014, Operadora executed a contract to increase several Type A2 Highway Sections (Atlacomulco Piedras Negras and Piedras Negras-Entronque Autopista México Querétaro) to four lanes. The contract amount is $1,360,000; an 18% work completion was reported at December 31, 2014.

m. 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, to December 31, 2014 there have been advances of 50%.

n. 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, 2014, there have been advances of approximately 51%.

o. 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 December 31, 2014, there have been advances of approximately 41%.

p. 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 98 % of the project and is expected to conclude in the first half of 2015.

q. 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.

r. 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 $3,975,714, divided into three parts; the Culiacan Bypass for $1,590,844, in which the work were completed during 2012, the Mazatlan Bypass for $1,884,870, in which the Entity started the construction in certain trams and present an advance of 86% and modernization work for $500,000; the latter will be performed after the first two phases have been concluded.

s. 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 $13,947,805 for additional authorized work. At the date of the financial statements the project is 87% completed, including the aforementioned increases, and the project is expected to conclude in March 2018.

t. In May 2014, the construction of the Cuatro Caminos Modal Transfer Station began. The total contract amount is estimated at $1,093,000; a work completion of approximately 3% was reported at December 31, 2014.

u. In January 2014, Operadora began the work needed to conclude a Federal Social Reinsertion Center in Morelos state, which had been initiated by another construction company. The respective contracts will have a value of $1,780,000 and will conclude during the second half of 2015. At December 31, 2014, a work completion of approximately 77% was reported.

v. In January 2014, Operadora started work on a shopping mall in Tlalnepantla. The total contract amount is estimated at $1,300,000, with work conclusion expected during the second quarter of 2015. At December 31, 2014, a work completion of approximately 38% was reported.

w. In 2013, the subsidiary Operadora began excavations for the Plaza Carso III project, which will be composed by commercial and residential buildings. The total contract amount is estimated at $1,520,000; a work completion of approximately 2% was reported at December 31, 2014.

x. 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 $760,000. At December 31, 2014, he is finalizing the structure concerning the basement and it is estimated that the work will be fully completed in the second quarter of 2015. At December 31, 2014, there have been advances of 73%.

y. Grupo PC 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 ended in 2014 and parallel construction of the university will start and continue with homes.

z. As of 2011, Grupo PC and Operadora 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 the second quarter of 2015, at December 31, 2014, there have been advances in the hospital de Chihuahua of 73%, hospital de Veracruz of 79% and the hotel de Veracruz of 97%.

aa. At December 31, 2014 and 2013, the Entity signed contracts and work orders related to Mexico and Latin America, for total amounts of $2,578,571 and $2,312,000 parts; and US$227.5 and US$170 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 is estimated to be completed during 2015.

bb. At December 31, 2014, 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 $888,707.

Maturities of contractual commitments denominated in Mexican pesos at December 31, 2014, consist of the following:

Years		Amount
2015	$	534,991
2016		170,228
2017		178,566
2018		184,805
2019 and thereafter		185,580
	$	1,254,170

The rents paid were $207,129 and $245,518 for the year ended December 31, 2014 and 2013, respectively.

29. Contingencies

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 at December 31, 2014 amounts to $593,916; for which the Entity has recognized provisions $85,744 which is included in other liabilities in the consolidated statements of financial position. During 2014, the Entity made payments related to these matters of approximately $37,576. 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. 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.

c. Certain subsidiaries are currently engaged in legal proceedings with the competent authorities, primarily for taxes and to recover long-term accounts receivable. The Entity's officers and attorneys consider that most of these proceedings will receive favorable verdicts. However, unfavorable verdicts will not substantially affect the Entity's financial position or results of operations.

d. At December 31, 2014 and 2013, the Entity has written guarantees, mainly on behalf of their clients, for $6,655,515 and U.S $44,093 and $6,479,758 and U.S$62,710, 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.

30. 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:

	2014				
Statements of financial position	Retail	Industrial	Infrastructure and construction	Holding, others and eliminations	Total consolidated
Current assets:					
Cash and cash equivalents	$ 3,572,499	$ 893,629	$ 1,606,482	$ 1,704,829	$ 7,777,439
Accounts and notes receivable, net	10,593,654	3,879,427	3,825,534	135,473	18,434,088
Total current assets	25,760,634	13,516,800	8,627,030	1,919,332	49,823,796
Property, machinery and equipment	11,358,677	3,760,816	6,603,274	126,514	21,849,281
Other assets - Net	32,609	31,715	60,848	747,702	872,874
Total assets	40,246,354	24,640,404	17,434,722	9,388,918	91,710,398
Current liabilities:					
Notes payable to financial institutions and current portion of long-term debt	$ –	$ 2,672,089	$ 48,211	$ –	$ 2,720,300
Trade accounts payable	6,158,554	1,577,596	840,318	(40,651)	8,535,817
Total current liabilities	10,005,655	5,913,298	4,885,959	1,706,515	22,511,427
Long-term debt	–	26	500,000	4,500,000	5,000,026
Total liabilities	11,303,472	6,087,394	5,847,070	7,287,101	30,525,037

	2013				
Statements of financial position	Retail	Industrial	Infrastructure and construction	Holding, others and eliminations	Total consolidated
Current assets:					
Cash and cash equivalents	$ 4,594,296	$ 971,843	$ 1,698,196	$ (365,815)	$ 6,898,520
Accounts and notes receivable, net	10,131,258	4,624,636	6,350,337	313,256	21,419,487
Total current assets	26,977,883	12,813,656	11,280,316	13,428	51,085,283
Property, machinery and equipment	9,733,195	3,829,107	6,625,614	123,696	20,311,612
Other assets – Net	29,548	24,741	81,885	570,240	706,414
Total assets	39,481,809	24,292,634	19,726,821	6,679,528	90,180,792
Current liabilities:					
Notes payable to financial institutions and current portion of long-term debt	$ –	$ 3,153,217	$ –	$ (3,708)	$ 3,149,509
Trade accounts payable	6,321,806	1,924,947	310,526	528,729	9,086,008
Total current liabilities	9,929,858	7,283,308	5,916,238	78,631	23,208,035
Long-term debt	–	2,989	730,000	5,000,373	5,733,362
Total liabilities	11,470,394	7,595,108	8,470,840	6,003,472	33,539,814

Statements of profit or loss and other comprehensive income	2014 Retail	Industrial	Infrastructure and construction	Holding, others and eliminations	Total consolidated
Net sales	$ 41,202,547	$ 25,956,926	$ 15,552,633	$ (324,248)	$ 82,387,858
Cost of sales	24,939,584	22,160,974	12,434,065	(352,898)	59,181,725
Sales and development	10,024,216	510,120	38,854	(39,029)	10,534,161
Administrative	2,009,125	776,052	875,817	2,873	3,663,867
Other (income) expenses – Net	(318,258)	(83,807)	(8,186)	(170,071)	(580,322)
Interest (income) expense – Net	(241,658)	11,242	46,462	158,366	(25,588)
Exchange gain (loss) – Net	33,398	99,734	131,357	145,108	409,597
Effects of valuation of financial instruments – Net	–	(5,642)	152,920	524,526	671,804
Equity in income of associated companies	–	(342,205)	(127,225)	(945,173)	(1,414,603)
Income before income taxes	4,636,734	2,710,621	1,958,472	142,485	9,448,312
Income taxes	1,432,036	774,647	641,774	(174,788)	2,673,669
Consolidated net income	3,204,698	1,935,974	1,316,698	317,273	6,774,643
EBITDA [(1)]	5,027,548	2,821,982	2,715,840	40,647	10,606,017
Depreciation and amortization	819,973	353,028	553,854	15,335	1,742,190

Statements of profit or loss and other comprehensive income	2013 Retail	Industrial	Infrastructure and construction	Holding, others and eliminations	Total consolidated
Net sales	$ 40,514,434	$ 26,722,998	$ 18,818,223	$ (185,110)	$ 85,870,545
Cost of sales	24,426,130	23,514,718	15,306,246	(282,185)	62,964,909
Sales and development	9,567,563	471,769	30,935	(20,025)	10,050,242
Administrative	1,848,781	783,348	614,219	59,628	3,305,976
Other (income) expenses – Net	(447,743)	72,470	39,742	(29,007)	(364,538)
Interest (income) expense – Net	(247,792)	67,038	191,616	110,613	121,475
Exchange gain (loss) – Net	(3,469)	(105,365)	(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 before income taxes	5,257,487	2,176,856	2,793,870	8,456,265	18,684,478
Income taxes	1,709,964	510,492	721,715	779,537	3,721,708
Consolidated net income	3,547,523	1,666,364	2,072,155	7,676,728	14,962,770
EBITDA [(1)]	5,500,202	2,154,407	3,356,985	7,687,788	18,699,382
Depreciation and amortization	704,052	376,078	540,536	11,516	1,632,182

(1) Reconciliation of EBITDA

	December 31, **2014**	December 31, 2013
Income before income taxes	$ 9,448,312	$ 18,684,478
Depreciation and amortization	1,742,190	1,632,182
Interest income	(465,787)	(459,899)
Interest expense	440,199	581,374
Exchange gain (loss)	409,597	(219,178)
Gain/(loss) on property revaluation	(225,695)	(210,076)
Effects of valuation of financial instruments	671,804	(706)
Equity in income of associated entities	(1,414,603)	(1,308,793)
EBITDA	$ 10,606,017	$ 18,699,382

EBITDA for Grupo Carso at December 31, 2014 decreased 43.3%, 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 (see Note 16c).

Cash flows from operating activities:

	2014	2013
– Retail	$ 3,008,974	$ 2,843,860
– Industrial	4,023,649	261,703
– Infrastructure and construction	3,378,966	1,867,522
– Others and eliminations	(835,001)	427,318
Total consolidated	$ 9,576,588	$ 5,400,403

Cash flows from investing activities:

	2014	2013
– Retail	$ (1,583,688)	$ (4,404,530)
– Industrial	(3,059,794)	(1,016,285)
– Infrastructure and construction	71,956	(177,273)
– Others and eliminations	(89,505)	8,597,053
Total consolidated	$ (4,661,031)	$ 2,998,965

Cash flows from financing activities:

	2014	2013
– Retail	$ (2,479,649)	$ 3,828,799
– Industrial	(761,466)	(278,852)
– Infrastructure and construction	(3,589,157)	(463,489)
– Others and eliminations	2,678,336	(9,575,947)
Total consolidated	$ (4,151,936)	$ (6,489,489)

a. 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.

	2014	%	2013	%
North America	$ 7,046,168	8.54	$ 6,115,786	7.12
Central and South America and the Caribbean	6,210,692	7.53	6,387,124	7.44
Europe	295,896	0.35	298,661	0.35
Rest of the world	48,993	0.06	43,103	0.05
Total exports and foreign	13,601,749	16.48	12,844,674	14.96
Mexico	68,786,109	83.52	73,025,871	85.04
Net sales	$ 82,387,858	100.00	$ 85,870,545	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.

31. Subsequent events

a. On January 8, 2015, the CFE selected the bid presented by the Consortium led by the Entity's subsidiary Carso Energy, S.A. de C.V., which is interpreted by Energy Transfer Partners, L.P. and Mastec, Inc. as the winning bid to build and operate the Waha-Presidio Gas Pipeline in Texas, United States of America.

   The Consortium presented a bid of US$767 million as the current net value, which represents the lowest current net value presented by the bidders. Accordingly, the CFE concluded that this bid offers the best value with respect to price, quality and performance included in the bidding conditions. The execution of a transportation services agreement execution with the CFE is still pending.

b. On January 28, 2015, the CFE selected the bid presented by the Consortium composed by the Entity's subsidiary Carso Energy, S.A. de C.V., Energy Transfer Partners, L.P. and Mastec, Inc., in which the former has a majority interest, as the winning bid to build and operate the Waha-San Elizario Gas Pipeline in Texas, United States of America.

   The Consortium presented a bid of US$596 million as the current net value, which represents the lowest current net value presented by the bidders. Accordingly, CFE concluded that this bid offers the best value with respect to price, quality and performance included in the bidding conditions. The execution of a transportation services agreement execution with the CFE is still pending.

c. On January 21, 2015, the Entity contributed the amount of US$2,500, equivalent to $36,887, to TOC, thereby obtaining 93.95% equity. Consequently, the noncontrolling interest of Geoprocesados, S.A. de C.V. was diluted by 1.09% at that date.

d. Based on current of falling oil prices, TOC decided to suspend operations as of February 2015. The Entity estimates that prices will recover at the end of 2015 and expects to reactivate its operations at that time; this investment has not been impaired.

e. On February 27, 2015, Carso Oil & Gas merged with Carso Infraestructura Construcción y Perforación, S.A. de C.V. and Condumex Perforación, S.A. de C.V., with Carso Oil & Gas remaining as the absorbing company.

32. Authorization to issue the financial statements

On March 27, 2015, the issuance of the accompanying consolidated financial statements as of December 31, 2014 was authorized by L.C. Arturo Spínola García; consequently, these 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, 2013, were approved at the ordinary shareholders' meeting that took place on April 28, 2014.

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

Depositary Bank:

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