CYDSA made solid progress in improving competitive positions, exploring new business opportunities and strengthening the base for profitable growth.

To our SHAREHOLDERS

TOMAS GONZALEZ SADA
Chairman of the Board and
Chief Executive Officer

It is a pleasure to report that during 2014, CYDSA made significant progress in increasing competitiveness and establishing the base for medium and long term growth. This strategy first developed in 2010, lessened the effects of adverse economic conditions in both domestic and international markets. As a result, 2014 noted higher Sales and a minor improvement in peso Operating Cash Flow (EBITDA[1]), while in US dollar terms EBITDA showed a reduction. These circumstances did not restrain the implementation of initiatives for strengthening CYDSA's Business Portfolio.

1. Operating Cash Flow or EBITDA refers to Profits before Comprehensive Financing Result, Income Taxes, Discontinued Operations, Depreciation and Amortization. EBITDA is equivalent to Operating Profit plus non-cash items.

Four 2014 projects improved the Group's medium and long term growth potential and are summarized below.

- **Expansion of Evaporated Salt Production Capacity.**

  To support the strategy for improving the competitiveness and growth capabilities of the Salt Business Unit, a project, initiated in 2013, enlarged the manufacturing capacity of the evaporated salt plant in Coatzacoalcos, Veracruz.

  The project started the first phase operations in March 2014. Finally, the expansion increased annual capacity from 400,000 to 570,000 tons, with the plant becoming the largest evaporated salt operation in the Americas.

- **Start-up of the Electricity and Steam Cogeneration Plant.**

  For several CYDSA businesses, electricity and natural gas represent basic and high cost elements. As a result of recent changes in Mexican energy regulations and the long term outlook for North American natural gas prices, the Group planned and designed a project to simultaneously generate electricity and steam from natural gas.

  Construction started in November 2012, with the capability of producing 57 megawatt-hours of electricity and 660,000 annual tons of steam. Located in Coatzacoalcos, Veracruz, operations started March 9, 2014, with an investment of US$60 million. The venture covers all energy requirements for CYDSA's plants operating at this site. The Federal Electricity Commission (CFE) allows the transfer of any excess electricity to other Group facilities through its distribution network.

Electricity and Steam Cogeneration Plant

- **Bank Debt Refinancing and Credit Line Increase.**

  On November 28, 2014, a syndicate of banks led by Citigroup Global Markets Inc. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), granted CYDSA, through its Valores Quimicos subsidiary, a five year loan with a US$400 million cap.

  The initial draw covered an equivalent of US$240 million on December 9, 2014, with future disbursements to be determined. The approval of the loan by the Ordinary General Shareholders' Meeting of Cydsa, S.A.B. de C.V. occurred on November 25, 2014. The proceeds liquidated all existing Bank Debt, with the residual funding new growth investment projects.

- **CYDSA-Pemex Contract for Underground Storage of LPG.**

  In 2012, CYDSA initiated the development of a new zone for brine extraction in the state of Veracruz. The operation covers the efficient drilling of new wells, upgraded to provide the required capabilities for underground storage of gas and other hydrocarbons.

  On December 15, 2014, the Group announced a contract with Pemex Gas and Petroquimica Basica, for developing a well in this new extraction area, capable of the underground storage of Liquid Propane Gas (LPG). The project represents a first in Mexico and Latin America to store LPG in a salt cavern, and is strategically located near the Pajaritos ship terminal.

  The Project utilizes a salt cavern development and includes the construction of surface infrastructure capable of managing and transporting LPG, with services beginning in 2016.

The evaporated salt production capacity expansion and the cogeneration project, both starting in 2014, are detailed in the capital investment for Competitiveness and Growth section of this report (page 14). This program includes projects already approved by the Board of Directors, totaling over US$360 million, aimed at increasing capacity, updating technology and improving manufacturing processes.

CYDSA's management recognizes the solid progress in improving competitive positions, exploring new business opportunities and strengthening the base for profitable growth. The total Organization, already immersed in operating, strategic and financial principles, strongly supports these initiatives. The Group now possesses the ability to implement specific Competitive and Growth Projects, reinforcing the Business Portfolio and offering improved prospects for Shareholder Value Creation.

The following chapters describe 2014 achievements and results[2]:

- **Sales and Income.**
- **Operating Cash Flow (EBITDA).**
- **Financing Sources.**
- **Cash Flow and Investment Projects.**
- **Outlook.**

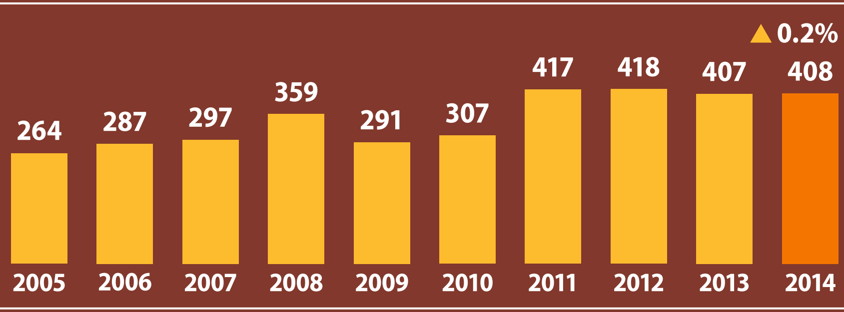
Sales and Income

In accordance with Mexican Stock Exchange regulations, since 2012 all investor financial reporting must adopt International Financial Reporting Standards (IFRS).

Following these principles, domestic Sales of 5,032 million pesos increased 4.7% from 2013's 4,808 million. Lower volumes and prices of chlorine, caustic soda and acrylic yarn, reduced the positive effect of higher salt, chemical specialties and refrigerant gas shipments. In international markets, sales of US$30 million primarily covered refrigerant gases. The total represents 7.3% of sales and grew 3.4% from the US$29 million exported the prior year.

Total 2014 Consolidated Sales of 5,427 million pesos increased 4.7% from 5,183 million in 2013. As noted in the Economic Environment section of this Report (page 22), the 13.31 pesos per dollar average exchange rate in 2014 depreciated 4.2% from the previous year's 12.77 pesos. As a result, **CYDSA's 2014 Consolidated Sales in dollar terms of US$408 million increased 0.2%** from US$407 million in 2013. The following chart depicts CYDSA's past ten years of sales.

TOTAL CONSOLIDATED SALES
Millions of Dollars



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
										▲ 4.7%
Millions of Pesos	3,162	3,317	3,315	3,980	3,918	3,870	5,169	5,498	5,183	5,427

Note: To provide comparability, figures exclude all Divestitures and Discontinued Operations.

2 Unless otherwise stated, figures from 2008 to 2014 are expressed in current pesos, while 2007 and preceding year numbers are expressed in pesos with purchasing power as of December 31, 2007 (constant pesos). Foreign exchange figures are expressed in US dollars.

2014 Operating Income[3] of 741 million pesos, 13.7% of Sales, declined 14.2% from the previous year total of 862 million, 16.6% of Sales. Higher salt volumes and savings on energy cost derived from electricity-steam cogeneration failed to offset the additional depreciation charges related to the Capital Investments for Competitiveness and Growth, the negative effects of chlorine and caustic soda margins and increased fixed cost for expanded production and distribution capacity.

As explained in the Economic Environment section of this Report (page 22), the 2014 year-end exchange rate of 14.74 pesos per US dollar represented a 12.6% depreciation against the 13.09 rate in 2013. Because of CYDSA's foreign currency monetary position, a positive balance of monetary assets less foreign currency liabilities, an exchange rate profit of 196 million pesos resulted. As this gain exceeded net interest expense, a positive Comprehensive Financing Total of 107 million pesos compared with 10 million the previous year.

After considering Other Expenses of 1 million and Income Taxes amounting to 272 million, **2014 Consolidated Net Income reached 575 million pesos** or 10.6% of Sales, compared with 2013's 507 million or 9.8% of Sales.

The Management's Discussion and Analysis of Results of Operations and Financial Condition of this Report (page 62), provides additional details on these items and other relevant financial information.

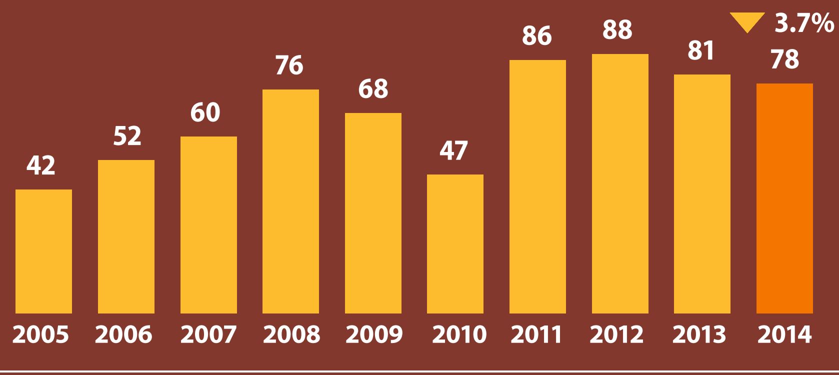
Operating Cash Flow (EBITDA)

CYDSA's 2014 Operating Cash Flow (EBITDA) of 1,035 million pesos increased 0.8% from 1,027 million achieved the previous year. **In dollar terms, the 2014 EBITDA,** as detailed in the chart of the next page, **totaled US$78 million,** 3.7% below 2013's US$81 million. EBITDA margin on Sales of 19.1% in 2014 compared to 19.8% the prior year.

3. Operating Income or EBIT equals Net Sales minus Cost of Sales and Operating Expenses.

OPERATING CASH FLOW (EBITDA)

Millions of Dollars



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
										0.8%
Millions of Pesos	457	561	651	857	902	586	1,054	1,156	1,027	1,035
Operating Cash Flow (EBITDA) / Consolidated Sales	15.9%	18.0%	20.0%	21.5%	23.0%	15.1%	20.4%	21.0%	19.8%	19.1%

Note: To provide comparability, figures exclude all Divestitures and Discontinued Operations.

The slight increase in CYDSA's peso EBITDA during 2014 turned into a decrease in dollar terms due to the 4.2% exchange rate depreciation. This US$3 million decline in 2014 EBITDA, results from the positive impact of reducing energy costs and additional evaporated salt production offset by lower sales prices and demand in some product lines and higher fixed cost emanating from capacity expansions. A detailed analysis follows.

- **Savings in Energy Costs: US$14 million.**

  In several CYDSA Businesses, energy outlays represent a significant proportion of total costs. Consequently, energy cost and consumption become a key factor in determining Group results.

  The Economic Environment section of this Report (page 20) detailed a Mexican natural gas price increase of 15% from US$4.05 per million BTUs in 2013 to the US$4.66 in 2014. The higher gas rates also affected prices charged by the Mexican Electricity Federal Commission. 2014 also saw the expansion of evaporated salt production, another process with high energy requirements.

  As mentioned previously, the Electricity and Steam Cogeneration Business Unit launched operations in March, efficiently supplying a significant amount of CYDSA's energy requirements. Despite increases noted above in energy prices and evaporated salt production growth, the venture provided a positive US$14 million impact on the Group's EBITDA.

- **Increase in Evaporated Salt Sales: US$5 million.**

  In September, 2014, the Salt Business finished the second phase of a project focused on increasing the annual production capacity from 400,000 to 570,000 tons. The expansion allowed the Business to sell 526,000 tons in 2014 up 23% from 428,000 the previous year. The additional sales satisfied higher demand in several markets producing a favorable impact of US$5 million on CYDSA's EBITDA.

Adverse situations in other areas, however, more than offset the US$19 million positive effort in reducing fixed costs and expanding evaporated salt production.

- **Decrease in Caustic Soda International Pricing: US$11 million.**

  In recent years, lower prices characterized most international commodity markets. Following this trend, caustic soda quotations for producers located in the Gulf of Mexico, diminished 16% in 2014. Since prices in Mexico follow this pattern, profit margins of Chlorine-Caustic Soda Business Unit product lines decreased significantly, particularly in the non-specialized market segment, causing an US$11 million decline in CYDSA's EBITDA.

- **Increases in Fixed Costs due to Enlarged Capacity: US$6 million.**

  The Salt Business Unit completed a 43% expansion in production capacity in 2014. In order to assure a continuous supply of product and maintain quality levels while installing new equipment and adjusting processes, significant costs occurred. The Business also extensively increased activities for directly supplying retailers in the Mexico City Metropolitan Area, through new distribution channels.

  The implementation of these initiatives, oriented to enhance quality and customer service, required increased personnel in both manufacturing and distribution areas, causing increases in both recurring and non-recurring fixed cost. These factors adversely impacted CYDSA's EBITDA by US$6 million.

- **Lower Gasified Chlorine Demand: US$5 million.**

  Vinyl chloride monomer (VCM) suppliers constitutes a major market for the Chlorine-Caustic Soda Business. During 2014, temporary reductions in demand suspended chlorine orders for periods of time. The situation forced the Group's Business to reduce operating rates and shipments of this and other products, negatively affecting CYDSA's EBITDA by US$5 million.

In summary, the US$19 million provided by improvements in energy costs and increased production of evaporated salt, almost overcame the US$22 million in unfavorable conditions. As a result, **CYDSA's 2014 EBITDA of US$78 million, decreased US$3 million from the US$81 million generated the previous year.**

Financing Sources

As noted previously, the November 25, 2014 Ordinary General Shareholders Meeting approved a new Bank Loan of up to US$400 million contracted through its Valores Quimicos, S.A. de C.V. subsidiary.

This transaction, formalized on November 28, 2014, included 13 domestic and international institutions, led by Citigroup Global Markets Inc. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland). The initial loan encompassed 80% dollar and 20% peso denominated funds. The initial disbursement on December 9, 2014, included US$191million and 672 million pesos, the equivalent of US$240 million. The proceeds liquidated all existing bank debt and will also finance Competitiveness and Growth Projects, already approved by the Board of Directors and at different stages of implementation.

As shown in the next graph, the loan increased CYDSA's Bank Debt on December 31, 2014 to US$237 million, up US$59 from the previous year. The chart also notes a Bank Debt Net of Cash[4] of US$46 million at December 2014, compared with a negative US$120 million at the end of the previous year.

4. Bank Debt Net of Cash equals Bank Debt minus Cash and Cash Equivalents.

BANK AND NOTES DEBT [5]

Millions of Dollars at December 31st

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bank Debt Net of Cash	175	147	48	74	13	(135)	(161)	(163)	(120)	46

The Group and its Valores Quimicos subsidiary[6] complied with all covenants in the new loan. The Bank Debt to EBITDA ratio of 3.33 times, falls below the 3.75 maximum specified in the loan agreements and the EBITDA to Interest ratio of 7.74 compares to the specified minimum of 3.0.

Cash Flow and Investment Projects

The table of the following page details the composition of **2014 Net Cash Flow**[7]. The US$78 million of Operating Cash Flow (EBITDA) represents the initial item in the Net Cash Flow from Operations computation.

The uses of cash include US$10 million for Normal Taxes on Operating Units. US$33 million covers Capital Expenditures for Maintenance & Replacement to maintain current production processes in optimal condition. Following these uses, the Net Cash Flow from Operations showed a positive balance of US$35 million.

5. CYDSA's Debt restructure included the exchange, on January 19, 2005, of US$76.4 million in Bank Debt of the Group's textile companies for a 16.45% share in the subsidiary Valores Quimicos, S.A. de C.V. The Creditor Banks also received CYDSA's commitment to purchase these shares on or before January 11, 2011. The Balance Sheet shows the reclassification of this item from Bank Debt to Other Long Term Liabilities. As a result, for comparative purposes Bank and Notes Debt should include the corresponding US$76.4 million at December 2004 and 2005 and US$77.5 million at December 2006. Additionally, the restructure included US$159.0 million in Medium Term Notes exchanged for CYDSA shares on January 19, 2005. In compliance with Mexican Financial Reporting Standards the Debt reported at December 2004 excluded the exchanged Notes. Considering this item, Bank and Notes Debt for December 31, 2004 would have been US$398.2 million.

6. Valores Quimicos, S.A. de C.V. represents the contractual entity for CYDSA's December 9, 2014 loan. Consequently, the covenants are calculated based on this subsidiary's financial results, essentially covering the Salt, Chlorine-Caustic Soda and the Electricity and Steam Cogeneration Business Unit.

7. Cash Flow figures are expressed in current pesos. Comparisons are expressed in US dollars as most of the Bank Debt is dollar denominated.

Other items include US$14 million in Tax payments for the 2010 and 2014 Fiscal Consolidation Reforms; US$15 million in Dividend Payments; and US$11 million covering the repurchase of 6,445,098 Cydsa shares on the Mexican Stock Exchange, providing alternatives for CYDSA's shareholders. Finally, a positive US$59 million related to increased Bank Debt as noted in the previous Financing Sources section. Following these transactions, Cash Flow before Investment Projects totaled US$44 million.

Investment Projects

In 2014, Competitiveness and Growth Projects required US$151 million of Capital Expenditures to expand capabilities and improve the Group's competitive position. The programs represent CYDSA's largest investment outlays in many years, and primarily cover the following four projects:

- **Increase in Evaporated Salt Production Capacity:** In a two-phased program completed in March and September 2014, the evaporated salt plant in Coatzacoalcos, Veracruz, redesigned and renovated the manufacturing processes, increasing annual production capacity from 400,000 to 570,000 tons.

  CYDSA's 2014 evaporated salt production totaled 500,004 tons, growing 26% from 397,062 tons the prior year. After production stabilized, productivity enhancements during implementation indicate an annual operating rate of around 600,000 tons, well above the designed capacity.

- **New Chlorine, Caustic Soda and Chemical Specialties Plant:** 2014 saw a 71% advance in the design and construction of a "state of the art" chlorine, caustic soda and chemical specialties plant in Garcia, Nuevo Leon. With annual production capacities of 60,000 tons of chlorine and 68,000 tons of caustic soda, startup is planned for the third quarter of 2015.

- **Plants I and II for Cogenerating Electricity and Steam:** The startup of the first cogeneration plant occurred in March, 2014, with the capability of converting natural gas into 57 megawatt-hours of electricity and 660,000 annual tons of steam. Activities started on October 27, 2014 for a second cogeneration plant, in the same location, with identical technical characteristics and capacity as the initial unit.

The completion of the second plant, scheduled for the third quarter of 2015, will supply electric power for CYDSA's new chlorine and caustic soda plant in Garcia, Nuevo Leon. Any excess electricity can be traded through the Federal Electricity Commission (CFE) distribution network.

- **Brine Extraction Wells and Caverns for Underground Storage of Hydrocarbons:** The last project covers the development of a new zone of brine extraction started in Veracruz during 2012. In 2014, the second and third wells were completed, on February and December, respectively. Both provide the capability for underground storage of gas and other hydrocarbons.

Following the US$151 million allocation for Competitiveness and Growth Investments, **2014 Net Cash Flow showed a negative US$107 million, with a year-end Cash balance of US$191 million.**

NET CASH FLOW 2014
Millions of Dollars

Net Cash Flow:		
Operating Cash Flow (EBITDA)		**78**
Normal Taxes on Operating Units	(10)	
Capital Expenditures for Maintenance & Replacement	(33)	
Net Cash Flow from Operations		**35**
Tax payments from the 2010 and 2014 Fiscal Consolidation Reforms	(14)	
Dividend Payments for CYDSA Shareholders	(15)	
Outlays for Repurchasing Own Shares	(11)	
Increase in Net Bank Debt	59	
Cash Flow before Investment Projects		**44**
Capital Expenditures for Competitiveness and Growth	(151)	
Net Cash Flow		**(107)**
Cash Balance as of December 31, 2014		***191***

Contents of the 2014 Annual Report

The **sections devoted to the Divisions** include 2014 **accomplishments for each of CYDSA's Business Units** and information relative to their products and markets (page 24). Another chapter covers activities and programs related with the Group's **Social and Environmental Responsibility** (page 46).

The **Economic Environment** section details significant events of the year and their impact on CYDSA's markets (page 18). **Management's Discussion and Analysis of CYDSA's 2014 Results of Operations and Financial Condition** (page 62) precedes the **Audited Financial Statements and Comments** (page 69).

Outlook

CYDSA's Shareholders: Efforts in 2014 focused on the timely implementation of several major projects, first identified in 2011. The Evaporated Salt production capacity expansion and the new Electricity-Steam Cogeneration plant both initiated operations during the year. The successful completion of these two projects represents a significant step in CYDSA's long term development. Practically all remaining projects, approved by the Board of Directors, stand to be completed and accrue benefits during 2015.

These projects, derived from the strategies implemented to enhance competitiveness and sustain growth, strengthen CYDSA´s Business Portfolio. The Group now possesses expanded capabilities to more effectively face adverse market conditions than in previous years.

Priorities will focus on creating innovative products and services, satisfying customer needs as well as initiatives supporting systematic cost improvement efforts. Emphasis continues on implementing creative solutions for e-business markets, while utilizing logistics as a competitive advantage. A new 2014 approved project will establish a center to support the direct retail distribution in the Mexico City Metropolitan Area.

In all Business Units, meeting or exceeding safety, quality and environmental standards continues as a fundamental principle. Recent examples include the Chairman's Safety Excellence Award granted for the third consecutive year by the Chlorine Institute to the five production plants producing chlorine, caustic soda and chemical specialties. Another subsidiary, Sales del Istmo, renewed the FSSC-22000 certification, focused on safety standards established for food manufacturers utilizing salt in their processes. This Business Unit also received recognition for complying with the Achilles and Sedex standards for world class suppliers operating under responsible and ethical business practices. To better define CYDSA's social responsibilities, the 2014 Social & Environmental Responsibility Report, published on the Group's web page, includes updates and information outlined in the Global Reporting Initiative's (GRI) most advanced rules and standards.

Progress in 2014 included new areas with important potential for renewing and revitalizing CYDSA's Business Portfolio. The Electricity and Steam Cogeneration Business Unit, after starting operations and launching the construction of a second plant, applied to be certified as an "Efficient Cogeneration Unit", benefiting from environmental and tax regulations. The Hydrocarbons Underground Storage Business Unit is now under creation, since CYDSA signed the contract with Pemex and is in the process of receiving a permit from the Energy Regulatory Commission, to develop the first Mexican project for LP Gas underground storage. In the Real Estate Development area, a comprehensive study identified viable alternatives for optimizing one of the Group's main land holdings.

Advances in these new areas, combined with foreseeable changes in the Mexican business environment, created awareness for additional opportunities in similar and contiguous activities. Any potential project requires an in-depth assessment in order to assure timely decision making to optimize the renewed Business Portfolio. The successful participation of the Group in such an environment demands proper resource allocation in all operational and administrative functions, while nurturing change in traditional practices, reinforcing current skills and developing newly needed capabilities.

During 2014, all of our employees represented a key contribution to CYDSA's operating and strategic achievements. We are certain that in 2015, the accumulated experience and professionalism of the Group's personnel, with the support of customers, suppliers and financial institutions, remain the essentials to build this new phase for profitable growth. Moreover, the investment projects for Competitiveness and Growth, focused on both current Businesses and new opportunities, assure CYDSA's achievement of its objective to attain sustainable Value Creation for Customers, Employees, Shareholders and the Community.

Sincerely,

Tomas Gonzalez Sada
Chairman of the Board
and Chief Executive Officer