Alpek, S. A. B. de C. V. and subsidiaries

Consolidated Financial Statements

At December 31, 2013 and 2012

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Report of the Independent Auditors

Monterrey, N. L., January 29, 2014

To the Shareholders' Meeting of Alpek, S. A. B. de C. V.

We have audited the accompanying consolidated financial statements of Alpek, S. A. B. de C. V and subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2013 and 2012, and the consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS, see Note 3), 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alpek, S. A. B. de C.V. and subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for the years ended December 31, 2013 and 2012, in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers, S. C.

Héctor Rábago Saldivar
Audit Partner

Alpek, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Financial Position
At December 31, 2013 and 2012

(In thousands of Mexican pesos)

	Note	At December 31, 2013	At December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents	6	Ps 4,737,088	Ps 6,654,561
Restricted cash and cash equivalents	7	2,840	2,992
Trade and other receivables, net	8	12,834,935	13,368,995
Inventories	10	11,777,714	11,582,045
Derivative financial instruments	16	86,492	107,297
Prepayments		232,720	243,991
Total current assets		29,671,789	31,959,881
Non-current assets:			
Property, plant and equipment, net	11	24,705,889	26,695,410
Goodwill and intangible assets, net	12	2,906,470	2,243,495
Deferred tax	21	216,597	504,613
Other non-current assets	13	627,085	292,774
Total non-current assets		28,456,041	29,736,292
Total assets		Ps 58,127,830	Ps 61,696,173
Liabilities and Stockholders' equity			
Liabilities			
Current liabilities:			
Current debt	19	Ps 753,083	Ps 500,641
Suppliers and other accounts payable	17	9,243,781	9,696,234
Derivative financial instruments	16	7,315	287,510
Income tax payable		152,951	101,807
Provisions	18	832,632	-
Other current liabilities	22	1,315,344	1,462,261
Total current liabilities		12,305,106	12,048,453
Non-current liabilities:			
Non-current debt	19	13,756,342	13,939,767
Derivative financial instruments	16	25,836	208,218
Deferred tax	21	4,344,268	4,718,445
Provisions	18	51,682	-
Employees' benefits	20	556,932	1,130,128
Total non-current liabilities		18,735,060	19,996,558
Total liabilities		31,040,166	32,045,011
Stockholders' equity:			
Controlling interest:			
Capital stock	23	6,051,880	6,051,880
Share premium	23	9,071,074	9,071,074
Retained earnings	23	8,292,566	11,006,758
Other reserves	23	602,358	50,264
Total controlling interest		24,017,878	26,179,976
Non-controlling interest	14	3,069,786	3,471,186
Total stockholders' equity		27,087,664	29,651,162
Total liabilities and stockholders' equity		Ps 58,127,830	Ps 61,696,173

The accompanying notes are an integral part of these consolidated financial statements.

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

Alpek, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Income
For the years ended December 31, 2013 and 2012

(In thousands of Mexican pesos)

	Note	2013	2012
Revenue		Ps 90,061,169	Ps 96,163,456
Cost of sales	25	(82,436,458)	(86,766,710)
Gross profit		7,624,711	9,396,746
Selling expenses	25	(1,077,708)	(1,072,461)
Administrative expenses	25	(1,092,131)	(1,158,708)
Other (expenses) income, net	26	(107,856)	310,836
Operating profit before non-recurring items		5,347,016	7,476,413
Non-recurring items	2 c)	(2,421,373)	-
Operating profit		2,925,643	7,476,413
Financial income (including foreign exchange gain)	27	136,803	424,849
Financial cost (including foreign exchange loss)	27	(1,308,737)	(1,756,112)
Financial cost, net		(1,171,934)	(1,331,263)
Share of losses of associates		(30,249)	(39,055)
Profit before income tax		1,723,460	6,106,095
Income tax	29	(817,330)	(1,723,293)
Net consolidated profit		Ps 906,130	Ps 4,382,802
Profit attributable to:			
Controlling interest		Ps 261,785	Ps 3,662,549
Non-controlling interest		644,345	720,253
		Ps 906,130	Ps 4,382,802
Basic and diluted earnings per share (in pesos)		Ps 0.12	Ps 1.83
Weighted average of outstanding shares (in thousands)		2,118,164	1,996,475

The accompanying notes are an integral part of these consolidated financial statements.

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

Alpek, S. A. B. de C. V. and subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2013 and 2012

(In thousands of Mexican pesos)

	Note	2013	2012
Net consolidated profit		Ps 906,130	Ps 4,382,802
Other items of comprehensive income of the year, net of taxes:			
Items that will not be reclassified to profit or loss			
Remeasurement of obligations for employee benefits	20, 29	377,934	(62,153)
Items that may be reclassified to profit or loss:			
Effect of derivative financial instruments designated as cash flow hedges	16, 29	196,931	64,971
Effect of translation of foreign entities	23, 29	27,918	(1,406,694)
Total other comprehensive income for the year		602,783	(1,403,876)
Total comprehensive income for the year		Ps 1,508,913	Ps 2,978,926
Attributable to:			
Controlling interest		Ps 813,879	Ps 2,504,925
Non-controlling interest		695,034	474,001
Total comprehensive income for the year		Ps 1,508,913	Ps 2,978,926

The accompanying notes are an integral part of these consolidated financial statements.

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

Alpek, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2013 and 2012

(In thousands of Mexican pesos)

	Note	Capital stock	Share premium	Retained earnings	Other reserves	Total attributable to controlling interest	Non-controlling interest	Total stockholders' equity
Balances at January 1, 2012		Ps 4,968,187	Ps -	Ps 9,139,157	Ps 1,147,204	Ps 15,254,548	Ps 3,544,576	Ps 18,799,124
Net profit				3,662,549		3,662,549	720,253	4,382,802
Other comprehensive income for the year				(60,684)	(1,096,940)	(1,157,624)	(246,252)	(1,403,876)
Total comprehensive income for the year				3,601,865	(1,096,940)	2,504,925	474,001	2,978,926
Others				16,167		16,167	-	16,167
Dividends declared	23			(1,692,253)		(1,692,253)	(605,569)	(2,297,822)
Increase in capital stock	2 b)	1,083,693	9,071,074			10,154,767	-	10,154,767
Movements in non-controlling interest				(58,178)		(58,178)	58,178	-
Balances at December 31, 2012		6,051,880	9,071,074	11,006,758	50,264	26,179,976	3,471,186	29,651,162
Net profit				261,785	-	261,785	644,345	906,130
Total other comprehensive income for the year					552,094	552,094	50,689	602,783
Total comprehensive income for the year				261,785	552,094	813,879	695,034	1,508,913
Dividends declared	23			(2,959,455)		(2,959,455)	(1,093,233)	(4,052,688)
Effects from adoption of new accounting policies				(16,522)		(16,522)	(3,201)	(19,723)
Balances at December 31, 2013		Ps 6,051,880	Ps 9,071,074	Ps 8,292,566	Ps 602,358	Ps 24,017,878	Ps 3,069,786	Ps 27,087,664

The accompanying notes are an integral part of these consolidated financial statements.

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

Alpek, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(In thousands of Mexican pesos)

	Note	2013	2012
Cash flows from operating activities			
Profit before income tax		Ps 1,723,460	Ps 6,106,095
Depreciation and amortization	11, 12	2,024,584	2,129,374
Impairment of property, plant and equipment	2c)	2,394,025	4,798
(Gain) loss on sale of property, plant and equipment		(2,505)	375
Share of losses of associates	13	30,249	39,055
Finance cost, net		953,330	1,273,831
Loss (gain) on changes in the fair value of derivative financial instruments		25,119	(221,202)
Employees' profit sharing and provisions		19,152	26,979
Subtotal		7,167,414	9,359,305
Decrease (increase) in trade receivables		678,107	(108,926)
Increase in accounts receivable from related parties		(101,764)	(440,565)
Increase in other accounts receivable		(181,312)	(720,176)
(Increase) decrease in inventories		(478,671)	117,939
Decrease in accounts payable		(584,257)	(1,236,125)
Increase in accounts payable to related parties		173,536	454,186
Income tax paid		(1,093,442)	(1,709,084)
Employees' profit sharing paid		(32,717)	(103,136)
Net liability for retirement obligation		(5,063)	(130,014)
Net cash flows generated from operating activities		5,541,831	5,483,404
Cash from investing activities			
Interest received		98,156	137,152
Acquisition of property, plant and equipment		(1,482,807)	(1,508,221)
Acquisition of intangible assets		(792,671)	(13,321)
Acquisition of shares on available for sale investments		(69,270)	(54,055)
Derivative financial instruments		(128,399)	(319,363)
Dividends received		1,745	-
Others		(9,703)	(47,419)
Net cash flows used in investing activities		(2,382,949)	(1,805,227)
Cash from financing activities			
Proceeds from debt		7,143,535	9,888,096
Payments of debt		(7,083,615)	(13,918,319)
Interest paid		(1,058,968)	(1,452,276)
Dividends paid		(4,046,253)	(2,297,822)
Increase in capital stock	23	-	10,154,767
Payment on loans to ultimate parent company	9	-	(2,654,568)
Net cash flows used in financing activities		(5,045,301)	(280,122)
(Decrease) increase in cash and cash equivalents		(1,886,419)	3,398,055
Foreign exchange on cash and cash equivalents		(31,054)	(327,781)
Cash and cash equivalents at beginning of year		6,654,561	3,584,287
Cash and cash equivalents at end of year		Ps 4,737,088	Ps 6,654,561

The accompanying notes are an integral part of these consolidated financial statements.

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

(In thousands of Mexican pesos, except where otherwise indicated)

Note 1 – General information

Alpek, S.A.B. de C.V. "Alpek" or the "Company" operates through two major business segments: polyester chain products and plastic products. The polyester chain business segment, comprising the production of purified terephthalic acid (PTA), polyethylene terephthalate (PET) and polyester fibers, serves the food and beverage packaging, textile and industrial filament markets. The plastics and chemicals business segment, comprising the production of polypropylene (PP), expandable polystyrene (EPS), caprolactam (CPL), fertilizers and other chemicals, serves a wide range of markets, including the consumer goods, food and beverage packaging, automotive, construction, agriculture, oil industry, pharmaceutical markets and other markets.

Alpek is the most important petrochemical company in Mexico and second largest in Latin America, is the leading producer of PTA and polyester fibers in America and second most important producer of PET. Besides, it also operates the largest EPS plant in the continent, one of the largest Polypropylene plants in North America and is the only producer of Caprolactam in Mexico.

Alpek's shares are traded on the Mexican Stock Exchange, S. A. B. de C. V., and Alfa, S. A. B. de C. V. is its main holding company.

Alpek is located in Avenida Gómez Morín Sur No. 1111, Col. Carrizalejo, San Pedro Garza García, Nuevo León, México and operates plants located in Mexico, the United States and Argentina.

The following notes to the financial statements when referring to pesos or "Ps", it means thousands of Mexican pesos. When referring to "US$" or dollars, it means thousands of dollars from the United States. When referring to "€" it means thousands of euros.

Note 2 – Significant events

2013

a) IntegRex® technology license and signature of a supply agreement with M&G

During April 2013, Alpek through its subsidiary Grupo Petrotemex, S. A. de C. V. held a licensing agreement for IntegRex® PTA technology and another PTA-PET supply agreement with Grupo M&G ("M&G"). These agreements will allow M&G to use the IntegRex® PTA technology in the PTA-PET integrated plant to be constructed in Corpus Christi, Texas in the United States (the Plant). On the other hand, Alpek will pay US$350 million to M&G during the construction of the Plant and will obtain supply rights of the Plant to 400 thousand tons of PET (manufactured with 336 thousand tons of PTA) a year. In accordance with the supply agreement, Alpek would supply raw materials for the manufacturing of its PTA-PET volume. It is estimated that the M&G plant in Corpus Christi will start operations in 2016.

b) Intangibles from licenses with Basell

The subsidiary Indelpro held a contract in 2004, with Basell Poliolefine Italia SrL (company of the Basell Group) in relation to engineering licenses, use of patents and technical information for the production of polypropylene, to start the construction of its second production line of polypropylene; therefore Indelpro made an initial required payment of US$9.5 million on that date, to use such licenses, patents and technical information for building the production line of the products under these patents (called the second production line) which at June 30, 2013, the Company has assessed that it has an estimated remaining useful life of 21 years. This contract, which is valid for an indefinite period, provides annual royalty payments from July 2013, which would be determined based on 1.22% of the value of net sales.

Until July 1, 2013 it was required to pay the royalties referred to in the preceding paragraph, based on 1.22% of net sales. The royalty payments would last until Indelpro completed a total of US$11 million as compensation, this amount was calculated as the net present value at the date the contract was signed (2004), using an annual discount rate of 8%, according to what was established in the contract. The contract also includes the option for Indelpro to pay in advance the maximum amount of royalties indicated above.

In relation to the above, April 26, 2013, Indelpro decided to prepay the maximum amount of royalties and determined that the total was US$21 million (Ps 258,480), equivalent to the value of US$11 million updated by the rate previously mentioned, from the date of conclusion of the contract until the date of payment, as established in the contract, the amount paid to Basell Poliolefine Italy, Sr L.

c) Closing of Cape Fear plants in North Carolina

In June 2013, the Company announced the planned closure of all its operations at its Cape Fear plant, in Wilmington, North Carolina. The purpose of this closing was to improve cost competitivity and distribute production to the most efficient plants in its productive network. The closing of operations took place in September 2013.

The Company had communications with authorities in North Carolina and it committed to the dismantling and demolition of assets, as well as to the environmental remediation for damages caused prior to the plant's starting operations. In this sense, the Company estimated costs of Ps 487,248 and Ps 371,848, respectively, (approximately US$67 million) initially recognized as part of the assets associated associated to the plant of which Ps 77,940 were spent in 2013 and the rest will be spent during the following three years.

Additionally, other direct costs attributable to the closing, mainly for indemnity concepts for dismissal and cancellation of contracts, the Company estimated costs of Ps 197,624 (US$16 million) disbursing Ps 116,910 in 2013.

As a result of this, the Company recorded a provision for restructuring costs of Ps 1,056,720 (US$83 million). See Note 18.

The Company also performed impairment tests of assets associated to the plant and recorded a charge for impairment related to these assets for Ps 2,223,749 (US$173 million). The total impact on the net income of the Company for this restructuring event amounted to Ps 1,501,251 (US$117 million), composed of Ps 2,421,373 (US$189 million) for restructuring costs and impairment of assets, which were recorded as non-recurring items within the operating income less Ps 920,122 (US$72 million) of deferred tax.

d) Issuance of debt of Alpek 144A

During August 2013, Alpek completed an issuance of debt obligations ("Senior Notes") in international markets for a nominal amount of Ps 3,993,120 (US$300 million) maturing in 2023. The interests of the Senior Notes will be payable semi-annually at a 5.375% annual rate (effective interest rate of 5.479%) as from February 20, 2014. Alpek capitalized debt issuance costs of Ps 30,556. The proceeds from the issuance were used to pay debt in advance and for general corporate purposes. This payment led to an advance amortization of issuance expenses amounting Ps 4,104.

e) Co-investment agreement

On September 26, 2013, the subsidiary Grupo Petrotemex, S.A. de C.V. ("GPT"), signed a co-investment agreement with United Petrochemical Company ("UPC"), a subsidiary of JSFC System ("System"), for the construction of an integrated plant of purified terephthalic acid ("PTA") - polytherephthalate ("PET") in Ufa, Baskortostan, Russia. Under the terms of the agreement, two new entities will be created: “RusPET Holding B.V.” (“JVC”) and “RusPET Limited Liability Company” (“RusCo”) and reserved matters of operations of the entities requiring approval by both shareholders.

On December 6, 2013 the incorporation by-laws of JVC were signed. The JVC issued initial capital of €8,000 of which UPC has 51% (represented by Class A ordinary shares) bought with a contribution of €4,080 and GPT has 49% (represented by Class B ordinary shares) bought with a contribution of €3,920.

In an analysis performed by management, it was assessed whether Alpek has control over JVC in accordance with IFRS 10 "Consolidated Financial Statements". The conclusion of such analysis on control indicates that at the date of acquisition and at December 31, 2013, Alpek has joint control and the investment should be treated as an investment in a joint business, which in the opinion of management it is not material for the group; therefore, it is accounted for using the equity method.

At December 31, 2013, the Company presents its investment in JVC recorded at cost including the paid consideration. Since JVC operations have not started, the equity method has not been recorded since the acquisition date and until December 31, 2013.

<u>2012</u>

a) Issuance of debt of Alpek 144A

During November 2012, Alpek completed an issuance of debt obligations ("Senior Notes") in international markets for a nominal amount of Ps 8,477,180 (US$650 million) maturing in 2022. The interests of Senior Notes will be payable semi-annually at a 4.5% annual rate (effective interest rate of 4.647%) as from May 20, 2013.

b) Public offer of capital of Alpek

During the months of April and May 2012, Alpek, S. A. de C. V. carried out an initial public offer (IPO) of shares in Mexico and a private offer of shares in international markets (together "Global Offering") as follows:

- On April 26, 2012, Alpek, S. A. de C. V. issued 330,259,322 shares at a placement price of 27.50 pesos. The offer included an overallotment option of up to 49,038,898 shares. The amount initial offering was of Ps 9,082 million.

- On May 8, 2012, the underwriters, both in Mexico, and abroad, exercised the agreed overallotment options. The amount of overallotments was Ps 1,349 million, corresponding to 49,038,898 shares at a placement price of 27.50 pesos each.

As a result, the total funds Alpek obtained from the Global Offering amounted to Ps 10,155 million, net of issuance costs of Ps 276 million. Subsequent to the Global Offering, the capital subscribed and paid of Alpek, is represented by a total of 2,118,163,635 Class I, Series A shares.

c) Incorporation of a new entity

In 2012, Alpek signed an agreement to invest approximately US$130 million, during the next two years, in a vapor and electrical energy cogeneration project through its subsidiary Petrotemex. This cogeneration plant will generate about 95 megawatts of electricity and all the steam necessary to meet the requirements of the PTA and PET plants located in Cosoleacaque. The cogeneration plant will also supply energy to other ALFA entities outside Cosoleacaque.

To implement this project, on January 31, 2012, Petrotemex and its subsidiary Dak Resinas Américas México, S. A. de C. V. (both subsidiaries of Alpek), constituted a new company called Cogeneración de Energía Limpia de Cosoleacaque, S. A. de C. V. ("Cogeneradora"). The project will increase the competitiveness of the site, assuring the preoperating supplies of cheap energy with low emissions.

At December 31, 2013, Cogeneradora is in the pre-operating stage and it expects to spend approximately Ps 262,000 (US$20 million) for its conclusion during 2014.

Note 3 - Summary of significant accounting policies

The accompanying consolidated financial statements and notes were authorized for issuance on January 29, 2014, by officials with the legal power to sign the basic financial statements and accompanying notes.

The following are the most significant accounting policies followed by the Company and its subsidiaries, which have been consistently applied in the preparation of their financial information in the years presented, unless otherwise specified:

a) Basis for preparation

The consolidated financial statements of Alpek, S. A. B. de C. V. and subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The IFRS include all International Accounting Standards ("IAS") in force and all related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

In accordance with the amendments to the Rules for Mexican Public Companies and Other Securities Market Participants, issued by the National Banking and Securities Commission (CNBV in Spanish), the Company is required to prepare its financial statements as from 2012 using IFRS as its accounting policy framework.

The consolidated financial statements have been prepared on a historical cost basis, except for the cash flow hedges which are measured at fair value and for the financial assets and liabilities at fair value through profit or loss with changes reflected in income and for financial assets available for sale.

The preparation of the consolidated financial statements according to IFRS requires the use of certain critical accounting estimates. Additionally, it requires Management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where judgments and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

b) Consolidation

i. Subsidiaries

The subsidiaries are all the entities over which the Company has the power to govern the financial and operating policies of the entity. The Company controls an entity when it is exposed, or has the right to variable returns from its interest in the entity and it is capable of affecting the returns through its power over the entity. Where the Company's interest in subsidiaries is less than 100%, the share attributed to outside shareholders is presented as non-controlling interest.

Subsidiaries are consolidated in full from the date on which control is transferred to the Company and up to the date it loses that control.

The Company applies the acquisition method in accounting for business combinations. The Company defines a business combination as a transaction in which obtains control over the business, which is defined as a set of activities and assets which are conducted and managed in order to obtain benefits in the form of dividends, less costs or other economic benefits directly to investors.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree based on the share of the non-controlling interest in the net identifiable assets of the acquired entity.

The Company accounts for business combinations using the predecessor method in a jointly controlled entity. The predecessor method involves the incorporation of the carrying amounts of the acquired entity, which includes the goodwill recognized at the consolidated level with respect to the acquiree. Any difference between the consideration transferred and the carrying amount of the net assets acquired at the level of the subsidiary is recognized in stockholders' equity.

The acquisition-related costs are recognized as expenses when they are incurred.

Goodwill is initially measured as excess of the sum of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of income.

Transactions and intercompany balances and unrealized gains (losses) on transactions between Alpek companies are eliminated in preparing the consolidated financial statements. In order to ensure consistency with the policies adopted by the Company, the accounting policies of subsidiaries have been changed where it was deemed necessary.

At December 31, 2013 and 2012, the principal subsidiaries of Alpek were:

	Country [1]	Percentage of Ownership	Functional currency
Alpek, S. A. B. de C. V. (Holding company)			Mexican peso
Grupo Petrotemex, S. A. de C. V. (Holding company)		100	US dollar
DAK Americas, L.L.C.	USA	100	US dollar
Dak Resinas Americas México, S. A. de C. V.		100	US dollar
DAK Americas Exterior, S. L. (Holding company)	Spain	100	Euro
DAK Americas Argentina, S. A.	Argentina	100	Argentine peso
Tereftalatos Mexicanos, S. A. de C. V.		91	US dollar
Akra Polyester, S. A. de C. V. [2]		93	US dollar
Indelpro, S. A. de C. V.		51	US dollar
Indelpro, S. A. de C. V.		50	US dollar
Unimor, S. A. de C. V.		100	Mexican peso
Univex, S. A.		100	Mexican peso

(1) (1) Companies incorporated in Mexico, except those indicated.

(2) At September 1, 2012, Productora de Tereftalatos de Altamira, S. A. de C. V. ("Petal"), merged into Akra Polyester, S. A de C. V. Prior to the merger, Grupo Petrotemex ("Petrotemex") owned 100% of the shares of Akra and 91% of the shares of Petal and BP Amoco Chemical Company ("BP Amoco") the remaining 9%. After the merger, Petrotemex owns 93.35% of the shares of Akra and BP Amoco the remaining 6.65%.

ii. Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries, i.e., an increase or decrease in the percentage of control, is recorded in stockholders' equity, directly in retained earnings, in the period in which the transactions that cause such effects occur. The effect of absorption (dilution) of control is determined by comparing the book value of the investment according to percentage of ownership before the event of dilution or absorption against the book value with the new percentage of ownership after the relevant event. In the case of loss of control, the dilution effect is recognized in income.

iii. Sale or disposal of subsidiaries

When the Company ceases to have control any retained interest in the entity is remeasured at fair value, and the change against the carrying amount is recognized in the income statement. The fair value is the initial carrying value for the purposes of accounting for any subsequent retained interest in the associate, joint venture or financial asset. Any amount previously recognized in comprehensive income in respect of that entity is accounted for as if the Company had directly disposed of the related assets and liabilities. This implies that the amounts recognized in the comprehensive income are reclassified to income for the year.

iv. Associates

Associates are all entities over which the Company has significant influence but not control. Generally an investor must hold between 20% and 50% of the voting rights in an investee for it to be an associate. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss. The Company has an investment of which it owns 50% and it is consolidated. See critical judgment in Note 5.2. If the equity in an associate is reduced but significant influence is maintained, only a portion of the amounts recognized in the comprehensive income are reclassified to income for the year, where appropriate.

The Company's share of profits or losses of associates, post-acquisition, is recognized in the income statement and its share in the other comprehensive income of associates is recognized as other comprehensive income. The cumulative movements after acquisition are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its equity in the associate, including unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

The Company assesses at each reporting date whether there is objective evidence that the investment in the associate is impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognizes it in "share of profit/loss of associates" in the income statement.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company´s equity in such gains. Unrealized losses are also eliminated unless the transaction provides evidence that the asset transferred is impaired. In order to ensure consistency with the policies adopted by the Company, the accounting policies of associates have been modified. When the Company ceases to have significant influence over an associate, any difference between the fair value of any retained interest plus any proceeds from disposing apart interest in the associate less the carrying amount of the investment at the date the equity method was discontinued is recognized in the income statement.

v. Joint arrangements

Joint arrangements are those where there is joint control since the decisions over relevant activities require the unanimous consent of each one of the parties sharing control.

Investments in joint arrangements are classified in accordance with the contractual rights and obligations of each investor such as: joint operations or joint ventures. When the Company holds the right over assets and obligations for the liabilities related to a joint arrangement is classified as a joint operation. When the company holds rights over net assets of the joint arrangement, is classified as a joint venture. The Company has assessed the nature of its joint arrangements and classified them as joint ventures and are accounted for by using the equity method.

c) Foreign currency translation

i. Functional and presentation currency

The amounts included in the financial statements of each of the Company's subsidiaries and associates should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Mexican pesos, which is the Company's presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as foreign exchange gains and losses in the income statement, except when those transactions arise from cash flow hedges, are recognized in other comprehensive income.

Foreign exchange gains and losses resulting from changes in the fair value of monetary financial assets and liabilities denominated in a foreign currency are recognized in the consolidated income statement, except when those transactions arise from cash flow hedges, are presented in other comprehensive income as.

Translation differences on monetary financial assets and liabilities classified as fair value through profit or loss are recognized in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets classified as available for sale are included in other comprehensive income.

iii. Consolidation of foreign subsidiaries

Translation of subsidiaries with a functional currency different from their recording currency.

The financial statements of foreign subsidiaries, having a recording currency different from their functional currency were translated into the functional currency in accordance with the following procedure:

a. The balances of monetary assets and liabilities denominated in the recording currency were translated at the closing exchange rates.

b. The balances and movements of nonmonetary assets, liabilities and share holders' equity were translated at the historical exchange rates. In the case of the movements of non-monetary items recognized at fair value, which occurred during the period, stated in the recording currency, these were translated using the historical exchange rates in effect on the date when the fair value was determined.

c. The revenue, costs and expenses of the periods, expressed in the recording currency, were translated at the exchange rate of the date they were accrued and recognized in the income statement, except when they arose from nonmonetary items, in which case the historical exchange rate of the non-monetary items was used.

d. The differences in exchange arising in the translation from the recording currency to the functional currency were recognized as income or expense in the income statement of the period they arose in.

Translation of subsidiaries with a functional currency different from their presentation currency.

The results and financial position of all Company entities (none of which is in a hyperinflationary environment) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. Assets and liabilities at December 31, 2013 and 2012 were translated at the closing exchange rates of 13.08 mexican pesos/dollar and 13.01 mexican pesos/dollar, respectively.

b. The stockholders' equity of each balance sheet presented is translated at historical rates.

c. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), which amounted 12.82 mexican pesos/dollar and 13.01 mexican pesos/dollar for the years ended December 31, 2013 and 2012, respectively.

d. All resulting exchange differences are recognized in other comprehensive income.

The goodwill and adjustments to fair value arising at the date of acquisition of a foreign operation so as to measure them at fair value are recognized as assets and liabilities of the foreign entity and translated at the exchange rate at the closing date. Exchange differences arising are recognized in other comprehensive income.

d) <u>Cash and cash equivalents</u>

Cash and cash equivalents include cash on hand, bank deposits available for operations and other short-term investments of high liquidity with original maturities of three months or less, all of which are subject to insignificant risk of changes in value. Bank overdrafts are presented as other current liabilities.

e) <u>Restricted cash and cash equivalents</u>

Cash and cash equivalents whose restrictions cause them not to comply with the definition of cash and cash equivalents given above, are presented in a separate line in the statement of financial position and are excluded from cash and cash equivalents in the statement cash flows.

f) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, investments held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition. Purchases and sales of financial assets are recognized on the settlement date.

Financial assets are written off in full when the right to receive the related cash flows expires or is transferred and the Company has also transferred substantially all risks and rewards of ownership, as well as control of the financial asset.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. These assets correspond to derivative financial instruments, which are classified as held for trading, unless they are designated as hedges.

Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Gains or losses from changes in fair value of these assets are presented in the income statement as incurred.

ii. Accounts receivable

The accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Accounts receivable are initially calculated at fair value plus directly attributable transaction costs and subsequently at amortized cost. When circumstances occur that indicate that the amounts receivable will not be collected at the amounts originally agreed or will be collected in a different period, the receivables are impaired.

iii. Investments held to maturity

If the Company intends and has the demonstrable ability to hold debt securities to maturity, they are classified as held to maturity. Assets in this category are classified as current assets if expected to be settled within the next 12 months, otherwise they are classified as non-current. Initially they are recognized at fair value plus any directly attributable transaction costs, and subsequently they are valued at amortized cost using the effective interest method. Investments held to maturity are recognized or derecognized on the day they are transferred to or by the Company. At December 31, 2013 the Company had no such investments.

iv. Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless their maturity is less than 12 months or Management intends to dispose of the investment within the next 12 months after the balance sheet date.

Financial assets available for sale are initially recognized at fair value plus directly attributable transaction costs. Subsequently, these assets are carried at fair value (unless they cannot be measured by their value in an active market and the value is not reliable, in which case they will be recognized at cost less impairment).

Gains or losses arising from changes in fair value of monetary and non-monetary instruments are recognized directly in the consolidated statement of comprehensive income in the period in which they occur.

When instruments classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement.

Financial liabilities

Financial liabilities that are not derivatives are initially recognized at fair value and are subsequently valued at amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities if expected to be settled within the next 12 months, otherwise they are classified as non-current.

Suppliers are obligations to pay for goods or services that have been acquired or received in the ordinary course of business. Loans are initially recognized at fair value, net of transaction costs incurred. Debt is subsequently carried at amortized cost; any difference between the funds received (net of transaction costs) and the settlement value is recognized in the income statement over the term of the loan using the effective interest method.

Offsetting financial assets and liabilities

Assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment of financial instruments

a. Financial assets measured at amortized cost

   The Company assesses at the end of each year whether there is objective evidence of impairment of each financial asset or group of financial assets. An impairment loss is recognized if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and provided that the loss event (or events) has an impact on the estimated future cash flows arising from the financial asset or group of financial assets that can be reliably estimated.

   Aspects evaluated by the Company to determine whether there is objective evidence of impairment are:

   - Significant financial difficulty of the issuer or debtor.
   - Breach of contract, such as default in payments of interest or principal.
   - Granting a concession to the issuer or debtor, by the Company, as a result of financial difficulties of the issuer or debtor and that would not otherwise be considered.
   - There is likelihood that the issuer or debtor will enter bankruptcy or other financial reorganization.
   - Disappearance of an active market for that financial asset due to financial difficulties.

- Verifiable information indicates that there is a measurable decrease in the estimated future cash flows related to a group of financial assets after initial recognition, although the decrease cannot yet be identified with the individual financial assets of the Company, including:
  (i) Adverse changes in the payment status of borrowers in the group of assets
  (ii) National or local conditions that correlate with default on the asset in the group

Based on the items listed above, the Company assesses whether there is objective evidence of impairment. Subsequently, for the category accounts receivable, when impairment exists, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The carrying amount of the asset is reduced by that amount, which is recognized in the income statement under administrative expenses. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Alternatively, the Company could determine the impairment of the asset given its fair value determined on the basis of a current observable market price.

If in the subsequent years, the impairment loss decreases and the decrease can be related objectively to an event occurring after the date on which such impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the loss impairment is recognized in the income statement

Impairment amounts of accounts receivable are mentioned in Note 8.

b. Financial assets available for sale

In the case of debt financial instruments, the Company also uses the above-listed criteria to identify whether there is objective evidence of impairment. In the case of equity financial instruments, a significant or prolonged reduction in its fair value below its cost is also considered objective evidence of impairment.

Subsequently, in the case of financial assets available for sale, an impairment loss determined by computing the difference between the acquisition cost and the current fair value of the asset, less any impairment loss previously recognized, is reclassified from the other comprehensive income to the income statement. Impairment losses recognized in the income statement related to equity financial instruments are not reversed through the consolidated income statement. Impairment losses recognized in the income statement related to financial debt instruments could be reversed in subsequent years, if the fair value of the asset is increased as a result of a subsequent event.

g) Derivative financial instruments and hedging activities

All derivative financial instruments are identified and classified as fair value hedging hedges or cash flow hedges, for trading or the hedging of market risks and are recognized in the balance sheet as assets and/or liabilities at fair value and similarly measured subsequently at fair value. The fair value is determined based on recognized market prices and its fair value is determined using valuation techniques accepted in the financial sector.

The hedging derivatives are classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Derivative financial instruments classified as hedges are contracted for risk hedging purposes and meet all hedging requirements; their designation at the beginning of the hedging operation is documented, describing the objective, primary position, risks to be hedged and the effectiveness of the hedging relationship, characteristics, accounting recognition and how the effectiveness is to be measured.

Fair value hedges

Changes in the fair value of derivative financial instruments are recorded in the income statement. The change in fair value of the hedging instruments and the gain or loss on the hedged item attributable to the hedged risk are recorded in the income statement. At December 31, 2013 and 2012, the Company has no derivative financial instruments classified as fair value hedges.

Cash flow hedges

The changes in the fair value of derivative instruments associated to cash flow hedges are recorded in stockholders' equity. The effective portion is temporarily recorded in comprehensive income, within stockholders' equity and is reclassified to the income statement when the hedged item affects this. The ineffective portion is immediately recorded in income.

Net investment hedge

Net investment hedge in a foreign business is recorded similarly to cash flow hedges. Any gain or loss of the hedged instrument related to the effective portion of the hedge is recorded in comprehensive income. The gain or loss of the ineffective portion is recorded in the statement of income. Accumulated gains and losses in equity are transferred to the statement of income on the disposal or partial disposal of the foreign operation. At December 31, 2013 and 2012, the Company has no derivative financial instruments classified as net investment hedges.

Discontinuation of hedge accounting

The Company discontinues the hedges accounting when the derivative has expired, has been sold, is cancelled or exercised, when the hedge does not meet the criteria for hedge accounting, or when the Company decides to cancel the hedge designation.

On discontinuing hedge accounting, in the case of fair value hedges, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used, is amortized to income over the period to maturity. In the case of cash flow hedges, the amounts accumulated in equity as a part of comprehensive income remain in equity until the time when the effects of the forecasted transaction affect income. In the event the forecasted transaction is not likely to occur, the income or loss accumulated in comprehensive income are immediately recognized in the income statement. When the hedge of a forecasted transaction appears satisfactory and subsequently does not meet the effectiveness test, the cumulative effects in comprehensive income in stockholders' equity are transferred proportionally to the income statement to the extent, the forecasted transaction impacts it.

The fair value of derivative financial instruments presented in the financial statements of the Company, is a mathematical approximation of their fair value. It is computed using proprietary models of independent third parties using assumptions based on past and present market conditions and future expectations at the respective balance sheet date.

h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method. The cost of finished goods and work-in-progress includes cost of product design, raw materials, direct labor, other direct costs and production overheads (based on normal operating capacity). It excludes loan costs. The net realizable value is the estimated selling price in the normal course of business, less the applicable variable selling expenses. Costs of inventories include any gain or loss transferred from equity corresponding to raw material purchases that qualify as cash flow hedges.

i) Property, plant and equipment

Items of property, plant and equipment are recorded at cost less the accumulated depreciation and any accrued impairment losses. The costs include expenses directly attributable to the asset acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flows to the Company and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognized. Repairs and maintenance are recognized in the income statement during the year they are incurred. Major improvements are depreciated over the remaining useful life of the related asset.

Depreciation is calculated using the straight-line method, considering separately each of the asset's components, except for land, which is not subject to depreciation. The average useful lives of assets families are as follows:

Buildings and constructions	40 to 50 years
Machinery and equipment	10 to 40 years
Transportation equipment	15 years
Furniture and laboratory equipment and information technology	2 to 13 years

The spare parts to be used after one year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

Borrowing costs directly attributable to the acquisition related to property, plant and equipment whose acquisition or construction requires a substantial period (nine months or more), are capitalized as part of the cost of acquiring such qualifying assets, up to the moment when they are suitable for their intended use or sale.

Assets classified as property, plant and equipment are subject to impairment tests when events or circumstances occur indicating that the carrying amount of the assets may not be recoverable. An impairment loss is recognized in the income statement in other expenses, net, for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and its value in use.

The residual value and useful lives of assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

In the event that the value in books is greater than the estimated recovery value, a decrease in value is recorded in the value in books of an asset and it is immediately recognized at its recovery value.

Gains and losses on disposal of assets are determined by comparing the sale value with the carrying amount and are recognized in other expenses, net, in the income statement.

j) Intangible assets

Goodwill represents the excess of the acquisition cost of a subsidiary over the Company's interest in the fair value of the identifiable net assets acquired, determined at the date of acquisition. Goodwill is shown in the statement of financial position as goodwill and intangible assets, net and is recognized at cost less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets are recognized when they meet the following features: they are identifiable, provide future economic benefits and the Company has control over such benefits.

Intangible assets are classified as follows:

i) Indefinite useful life. - These intangible assets are not amortized and are subject to annual impairment assessment. To date, no factors have been identified limiting the useful life of these intangible assets.

ii) Finite useful life. -– These assets are recognized at cost less accumulated amortization and impairment losses recognized. They are amortized on a straight line basis over their estimated useful life, determined based on the expectation of generating future economic benefits, and are subject to impairment tests when triggering events of impairment are identified.

The estimated useful lives of intangible assets with finite useful lives are summarized as follows:

Costs of development	15.5 years
Trademarks	10 years
No competition agreements	10 years
Customer relations	6 to 7 years
Software and licenses	3 to 7 years
Intellectual property rights	20 to 25 years

Research costs are recognized in income as incurred. Expenditures on development activities are recognized as intangible assets when such costs can be reliably measured, the product or process is technically and commercially feasible, potential future economic benefits are obtained and the Company intends also has sufficient resources to complete the development and to use or sell the asset. Their amortization is recognized in income by the straight-line method over the estimated useful life of the asset. Development expenditures that do not qualify for capitalization are recognized in income as incurred.

k) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not depreciable or amortizable and are subject to annual impairment tests. Assets that are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels at which separately identifiable cash flows exist (cash generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

l) Income tax

The deferred income taxes are determined in each subsidiary by the asset and liability method, applying the tax rate enacted or substantially enacted at the statement of financial position date. The tax rates are applied to the total of the temporary differences resulting from comparing the accounting and tax bases of assets and liabilities in accordance with the years in which the deferred asset tax is realized or the deferred liability tax is expected to be settled, considering, when applicable, any tax loss carry forwards expected to be that are considered to be recoverable. The effect of a change in tax rates is recognized in the income of the period in which the rate change is enacted.

Management periodically evaluates the positions taken in tax returns with respect to the situations in which the applicable law is subject to interpretation. Provisions are recognized when appropriate, based on the amounts expected to be paid to tax authorities.

Deferred tax assets are recognized only when it is probable that future taxable profits will exist against which the deductions for temporary differences can be taken.

The deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized, unless the period of reversal of temporary differences is controlled by ALFA and it is probable that the temporary differences will not reverse in the near future.

Deferred tax assets and liabilities are offset when legal enforceable rights exist, and when the taxes are levied by the same tax authority, on either: the same taxable entity; or different taxable entities which intent either to settle current tax liabilities and assets on a net basis.

m) Employee benefits

i. Pension plans

Defined contribution plans:

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their service in the current and past periods. The contributions are recognized as employee benefit expense when they are due.

Defined benefit plans:

A defined benefit plan is a plan under which the Company has a legal or constructive obligation for paying a pension when the employee reach the retirement age, considering factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates that are denominated in the currency in which the benefits will be paid, and have maturities that approximate the terms of the pension liability.

Actuarial gains and losses from adjustments and changes in actuarial assumptions are recognized directly in stockholders' equity in other items of the comprehensive income in the year they occur.

The Company determines the net finance expense (income) by applying the discount rate to the liabilities (assets) from net defined benefits.

Past-service costs are recognized immediately in the income statement.

ii. Other post-retirement benefits

The Company provides medical benefits to retired employees after termination of employment. The right to access these benefits usually depends on the employee´s having worked until retirement age and completing a minimum of years of service. The expected costs of these benefits are accrued over the period of employment using the same criteria as those described for defined benefit pension plans.

iii. Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or when an employee accepts voluntary termination of employment in exchange for these benefits. The Company recognizes termination benefits in the first of the following dates: (a) when the Company can no longer withdraw the offer of these benefits, and (b) when the Company recognizes the costs from restructuring within the scope of the IAS 37 and it involves the payment of termination benefits. If there is an offer that promotes the termination of the employment relationship voluntarily by employees, termination benefits are valued based on the number of employees expected to accept the offer. Any benefits to be paid more than 12 months after the balance sheet date are discounted to their present value.

iv. Short-term benefits

The Company provides benefits to employees in the short term, which may include wages, salaries, annual compensation and bonuses payable within 12 months. The Company recognizes an undiscounted provision when it is contractually obligated or when past practice has created an obligation.

v. Employee participation in profits and bonuses

The Company recognizes a liability and an expense for bonuses and employee participation in profits when it has a legal or constructive obligation to pay these benefits and determines the amount to be recognized based on the profit for the year after certain adjustments.

n) Provisions

Provisions represent a present legal obligation or a constructive obligation as a result of past events where an outflow of resources to meet the obligation is likely and where the amount can be reliably estimated. Provisions are not recognized for future operating losses.

o) Sharebased payments

The Company's compensation plans are based on the market value of shares of the holding in favor of certain senior executives of ALFA and its subsidiaries. The conditions for granting such compensation to the eligible executives include among other things, compliance with certain metrics such as the level of profit achieved, permanence in the Company, etc. The Board of Directors has appointed a technical committee to manage the plan, and it reviews the estimated cash settlement of this compensation at the end of the year. Adjustments to this estimate are charged or credited to the income statement.

The fair value of the amount payable to employees in respect of share-based payments which are settled in cash is recognized as an expense, with a corresponding increase in liabilities, over the period of service required. The liability is included under other liabilities and is adjusted at each reporting date and the settlement date. Any change in the fair value of the liability is recognized as compensation expense in the income statement.

p) Treasury shares

The Shareholders' Meeting periodically authorizes a maximum amount for the acquisition of the Company's own shares. Upon the occurrence of a repurchase of its own shares, they become treasury shares and the amount is charged to stockholders' equity at purchase price: a portion to capital stock at its modified historical value, and the balance to retained earnings. These amounts are stated at their historical value.

q) Capital stock

The Company's ordinary shares are classified as capital. Incremental costs directly attributable to the issuance of new shares are included in equity as a deduction from the consideration received, net of tax.

r) Comprehensive income

Comprehensive income is composed of net income plus other items of comprehensive income, net of taxes, which comprise the effects of the translation of foreign subsidiaries, the effects of derivative financial instruments for cash flow hedging, remeasurments of obligations for employee benefits, the effects of changes in the fair value of financial instruments available for sale, the equity in other items of comprehensive income of associates, and other items specifically required to be reflected in stockholders' equity and which do not constitute capital contributions, reductions or distributions.

s) Segment reporting

Segment information is presented consistently with the internal reporting provided to the Chief Executive Officer who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance.

t) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the normal course of operations. Revenue is shown net of value added tax, customer returns, rebates and similar discounts and after eliminating intercompany revenue.

Revenues are recognized when the following conditions are fulfilled:

- The risks and rewards of ownership have been transferred
- The amount of revenue can be reliably measured
- It is likely that future economic benefits will flow to the Company
- The company retains no involvement associated with ownership nor effective control of the sold goods
- The costs incurred or to be incurred in respect of the transaction can be measured reasonably.

The revenue recognition criteria depend on the contractual conditions with the Company's clients. In some cases, depending on the agreements with each client, the risks and benefits associated to the property are transferred when the goods are taken by the clients in the Company's plant. In other cases, the risks and benefits associated to the property are transferred when the goods are delivered in the plant of the clients.

Dividend income from investments is recognized once the rights of shareholders to receive this payment have been established (when it is probable that the economic benefits will flow to the entity and the revenue can be reliably valued).

Interest income is recognized when it is likely that the economic benefits will flow to the entity and the amount of revenue can be reliably valued by applying the effective interest rate.

Revenues from royalties are recognized using an accrued basis, in accordance with the essence of the agreement on which they are based.

Impairment provisions for client impairment are recognized based on studies carried out by the company's management, considering the type of client, the type of transaction and the specifications of each agreement.

u) Earnings per share

Earnings (losses) per share are calculated by dividing the profit (loss) attributable to the shareholders of the parent by the weighted average number of common shares outstanding during the year. There are no dilutive effects from financial instruments potentially convertible into shares.

v) Non-recurring items

Non-recurring items require judgment from management to be disclosed, due to their size or incidence. These items are disclosed in the consolidated statement of income and in Note 18. Operations that gave rise to non-recurring items are the restructuring activities and impairments.

w) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards effective at January 1, 2013. The nature and impact of each new standard or modification are described as follows:

- IAS 1 (amended) - "Presentation of Financial Statements" The amendment requires entities to separate the items presented in other comprehensive income in two groups based on whether they can be recycled to the income statement in the future or not. Items that cannot be recycled are presented separately from the items that may be recycled in the future. Entities that decide to present items of other comprehensive income before taxes should show the taxes related to the two groups separately. For the Company, this amendment became effective on January 1, 2013. The amendment affected the presentation only and had no effect on the Company's financial position or performance.

- IAS 19 (Revised) - "Employee benefits" There are a number of amendments that have been applied retrospectively; these eliminate the option to defer the recognition of actuarial gains and losses in the defined benefit post-employment plans, known as the "corridor method". The Company has not previously applied this option and has recognized the gains and losses in other comprehensive income. Therefore, this change in the standard has no impact on the Company's consolidated financial statements. The expected returns on plan assets are no longer recognized in the statement of income for the year, instead, there is a requirement to recognize net interest on the net defined benefit liability (asset) in the statement of income, calculated using the discount rate used to measure the defined benefit obligation. This change had no significant impact on the consolidated financial statements of the Company.

  Past-service costs are recognized in the statement of income in the period of a plan amendment, instead of deferring the portion related to the unvested benefits. Previously the Company recognized past-service costs immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period (vesting period), management determined that the effect of the net income of the Company for 2012 is not significant. As a result of the adoption of the amendment to IAS 19, at January 1, 2013, the Company adjusted against retained earnings, an accumulated balance for unamortized past-service costs amounting to (Ps 27,160) and recognizes a net charge of income tax on consolidated retained earnings of (Ps 19,723). The IAS 19 (Revised) was adopted prospectively and prior periods were not restated since management determined that the effect is not significant for the Company's financial position.

- IFRS 10, 'Consolidated financial statements' –IFRS 10 was issued in May 2011 and replaces all the guidance on control and consolidation in IAS 27, "Consolidated and separate financial statements', and SIC 12, "Consolidation - Special purpose entities'. Under IFRS 10, subsidiaries are all entities (including the structured entities) over which the Company has control. The Company controls an entity when it has power over an entity, is exposed to, or has rights to variable returns from its interest in the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date when the control is transferred to the Company. They are deconsolidated from the date control ceases. The Company has applied IFRS 10 retrospectively in conformity with transition provisions described in this standard. The aforementioned had no impact on the consolidation of investments held by the Company.

- IFRS 11 "Joint arrangements" The standard focuses on the rights and obligations of the parties to determine whether there is a joint arrangement, over other factors such as the legal form. There are two types of joint arrangements: Joint operations and joint ventures. Joint operations occur when investors have rights to the assets and obligations for liabilities of an arrangement, a joint operator accounts for his portion of assets, liabilities, revenues and expenses. A joint venture occurs when investors have rights over the net assets of the arrangement; joint ventures are accounted using the equity method. Proportional consolidation is not allowed under this standard. This change had no effect on the consolidated financial statements of the Company.

- IFRS 12, "Disclosure of Interests in Other Entities" requires an entity to disclose information that enables users of financial information to evaluate the nature and risks associated with its interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet entities; in addition to the effects of these interests in its financial position and performance, and its cash flows. The Company made the required disclosures in the consolidated financial statements at December 31, 2013.

- IFRS 13, "Fair Value Measurements". The objective of IFRS 13 is to provide a precise definition of fair value and be a single source for the measurement and disclosure requirements for fair value when it is required or permitted by other IFRS, except for transactions within the scope of IFRS 2 "Share-based payments", IAS 17 "Leases", measurements that have similarities to fair value but not considered as such, and the net realizable value under the scope of the IAS 2 "Inventories" or the value in use in IAS 36 "Impairment of long-lived assets". The application of IFRS 13 has not significantly impacted the fair value measurements made by the Company.

- 2011 annual improvements include an improvement to IAS 16 "Property, plant and equipment" clarifying that main spare parts and maintenance equipment that comply with the definition of Property, plant and equipment, are not part of the inventory, and the improvement to IAS 32 "Financial instruments presentation" clarifies that income taxes derived from distributions to shareholders are accounted for in accordance with IAS 12 "Taxes on gains". These improvements had no effect on the Company.

x) New accounting pronouncements not early adopted by the company

Following are the new pronouncements and amendments issued and effective for years subsequent to 2013 that have not been early adopted by the Company.

- IFRS 9, "Financial Instruments"

  IFRS 9 was issued in November 2009 and included requirements for classification and measurement of financial assets. IFRS 9 maintains and simplifies the two types of measurement models and establishes two main categories of financial assets: at amortized cost and fair value. The classification basis depends on the business model of the Company and the characteristics of contractual cash flows of financial assets. Requirements for financial liabilities were included as part of the IFRS 9 in October 2010. Most of the requirements for financial liabilities were taken from the IAS 39 without any changes. However, some amendments were realized on the fair value option for financial liabilities to include the credit risk. On December 2011, the IASB made amendments to IFRS 9 to require their application for annual periods starting in or subsequent to January 1, 2015; however, in November 2013, amendments were issued that eliminate the effective application date of January 1, 2015. The new effective application date will be determined once the classification and measurement phases and impairment of IFRS 9 are finished.

- IAS 19 - Employee benefits

  In November 2013, the IASB amended the IAS 19 in regards to Definite Benefit Plans, Employee Contributions. The objective of this modification is to provide additional guidance on the accounting of employee contributions or third parties to defined benefit plans. For the Company, this amendment is obligatory as from January 1, 2015.

- IAS 32, "Financial instruments: presentation"

  In December 2011, the IASB amended IAS 32. These amendments are in the application guide and clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. For the Company, this amendment is obligatory as from January 01, 2014.

- IAS 36, "Impairment of Assets"

  In May 2013, the IASB modified IAS 36. This amendment indicates the disclosure of information over the recoverable value of impaired assets if the amount is calculated based on the fair value method less the cost of sale. For the Company, this amendment is obligatory as from Wednesday, January 01, 2014.

- IAS 39, "Financial Instruments": Recognition and Measurement"

  In June 2013, the IASB modified IAS 39 to clarify that there is no need to suspend hedge accounting when novation of a hedging instrument to a central counter party meets certain requirements. For the Company, this amendment is applicable to annual periods starting on or subsequent to January 1, 2014.

At the date of the financial statements, the Company's management is in the process of quantifying the effects of adoption of the new standards and amendments mentioned above.

There are no additional standards, amendments or interpretations issued but not effective that could have a significant effect on the company.

Note 4 - Financial risk management

4.1 Financial risk factors

The Company's activities expose it to various financial risks: market risk (including foreign exchange risk, interest rate risk on cash flows and interest rate risk on fair value), credit risk and liquidity risk. The Company's risk management plan considers the unpredictability of the financial markets and seeks to minimize the potential negative effects on the financial performance of the Company. The Company uses derivative financial instruments to hedge some risk exposures.

The objective is to protect the financial health of the business taking into account the volatility associated with exchange rates and interest rates. Additionally, due to the nature of the industries in which it participates, the Company has entered into derivative hedges of input prices.

ALFA has a Risk Management Committee, consisting of the Chairman, the Chief Executive Officer, the Chief Financial Officer of the Company and a financial executive of the Company who acts as technical secretary. The Committee oversees derivatives transactions proposed by the subsidiaries of the Company in which the maximum possible loss exceeds US$1,000. This Committee supports both the Executive Director and the Chairman of the holding company. All new derivative transactions that the Company proposes to make, and the renewal of existing derivatives, require approval by both the subsidiary and ALFA in accordance with the following schedule of authorizations:

	Possible Maximum Loss US$	
	Individual transactions	Cumulative transactions annual
Company's General Director	1	5
ALFA Risk Management Committee	30	100
Finance Committee	100	300
ALFA's board of directors	>100	>300

The proposed transactions must meet certain criteria, including that the hedges are lower than exposures, and that they are the result of a fundamental analysis and properly documented. Sensitivity analyses and other risk analyses should be performed before the operation is carried out.

a) Market risk

(i) Exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk, primarily related to the Mexican peso and the US dollar. The Company is exposed to foreign exchange risk arising from future commercial transactions in assets and liabilities in foreign currencies and investments abroad.

The respective exchange rates of the Mexican peso and the U.S. dollar are very important factors for the Company due to the effect they have on their results. Moreover, Alpek has no influence over their movements. On the other hand, Alpek estimates that most of its revenues are denominated in foreign currency, either because they come from products that are exported from Mexico or because they come from products that are manufactured and sold abroad, or because even if sold in Mexico the price of such products are set based on international prices in foreign currencies such as the U.S. dollar.

For this reason, in the past, in times when the Mexican peso has appreciated in real terms against other currencies such as the dollar, the Company's profit margins have been reduced. On the other hand, when the Mexican peso has lost value, the Company's profit margins have been increased. However, although this factor correlation has appeared on several occasions in the recent past, there is no assurance that it will be repeated if the exchange rates between the Mexican peso and other currencies fluctuate again.

The Company participates in operations with derivative financial instruments on exchange rates for the purpose of controlling the total comprehensive cost of its financing and the volatility associated with exchange rates. Additionally, it is important to note the high "dollarization" of the Company's revenues, since a large proportion of its sales are made abroad, providing a natural hedge against its obligations in dollars, while at the same time its income level is affected in the event exchange rate appreciation. Based on the overall exchange rate exposure at December 31, 2013 and 2012, a hypothetical variation of 5% in the exchange rate MXN/USD, holding all other variables constant, would result in an effect on the income statement by Ps 7,295 and Ps 7,061, respectively.

(ii) Price risk

In carrying out its activities, the Company depends on the supply of raw materials provided by its suppliers, both in Mexico and abroad, among which are intermediate petrochemicals, principally.

In the most recent years, the price of some inputs has shown volatility, especially those arising from oil and natural gas.

In order to fix the selling prices of certain of its products, the Company has entered into agreements with certain customers. At the same time, it has entered into transactions involving derivatives on natural gas that seek to reduce price volatility of the prices of this input.

Additionally, it has entered into derivative financial instruments transactions to hedge purchases of certain raw materials, since these inputs have a direct or indirect relationship with the prices of its products.

The derivative financial operations have been privately contracted with various financial institutions, whose financial strength was highly rated at the time by rating agencies. The documentation used to formalize the contract operations is that based generally on the "Master Agreement", generated by the "International Swaps & Derivatives Association" ("ISDA"), which is accompanied by various accessory documents known in generic terms as "Schedule", "Credit Support Annex" and "Confirmation".

Regarding natural gas, Pemex is the only supplier in Mexico. The selling price of natural gas at first hand is determined by the price of that product on the "spot" market in South Texas, USA, which has experienced the volatility. For its part, the CFE is a decentralized public company in charge of producing and distributing electricity in Mexico. Electricity rates have also been influenced by the volatility of natural gas, since most power plants are gas-based.

The Company entered into various derivative agreements with various counterparties to protect it against increases in prices of natural gas and other raw materials. In the case of natural gas derivatives, hedging strategies for products were designed to mitigate the impact of potential increases in prices. The purpose is to protect the price from volatility by taking positions that provide stable cash flow expectations, and thus avoid price uncertainty. The reference market price for natural gas is the "Henry Hub New York Mercantile Exchange (NYMEX)". The average price per MMBTU for 2013 and 2012 was 3.65 and 2.79 US dollars, respectively.

At December 31, 2012, the Company had hedges of natural gas prices for a portion expected of consumption needs in Mexico and the United States. Based on the general input exposure at December 31, 2013 and 2012, a hypothetical increase (decrease) of 10% in market prices applied to fair value and keeping all other variables constant, such as exchange rates, the increase (decrease) would result in an immaterial effect on the income statement for 2013 and 2012.

(iii) Interest rate risk and cash flow

The interest rate risk for the Company arises from long-term loans. Loans at variable rates expose the Company to interest rate risk on cash flows that are partially offset by cash held at variable rates. Loans at fixed rates expose the Company to interest rate risk at fair value.

For the purpose of controlling the total comprehensive cost of its financing and the volatility of interest rates, the Company has contracted interest rate swaps to convert certain variable rate loans to fixed rates.

At December 31, 2013 and 2012, if interest rates on variable rate loans were increased/decreased by 10%, interest expense would increase/decrease by Ps 3,495 and Ps 1,540, respectively.

b) Credit risk

Credit risk is managed on a group basis, except for the credit risk related to accounts receivable balances. Each subsidiary is responsible for managing and analyzing credit risk for each of its new customers before setting the terms and conditions of payment. Credit risk is generated from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposure to customers, including receivables and committed transactions. If wholesale customers are rated independent by these are the ratings used. If there is no independent rating, the Company´s risk control group evaluates the creditworthiness of the customer, taking into account their financial position, past experience and other factors.

Individual risk limits are determined based on internal and external ratings in accordance with limits set by the Board. The use of credit risk is monitored regularly.

During 2013 and 2012, credit limits were not exceeded and management does not expect losses in excess of the impairment recognized in the corresponding periods.

The impairment provision for doubtful accounts represents estimated losses resulting from the inability of customers to make required payments. In determining the allowance for doubtful accounts, significant estimates have to be made. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness, as determined by a review of their current credit information. In addition, the Company considers a number of factors to determine the size and appropriate timing for the recognition of allowances, including historical collection experience, customer base, current economic trends and the ageing of the accounts receivable portfolio.

c) Liquidity risk

In the past, the Company has generated and expects to continue generating positive operation cash flows. Operation cash flows represent mainly the inflow of net revenues (adjusted for depreciation and other items not related to cash) and the outflow of working capital increases necessary to grow the business. Cash flows used in investment activities, represent the investment of capital required for the growth, as well as business acquisitions. Financing activities cash flows are related mainly with the indebtedness changes to grow the business or indebtedness paid with cash of operations or refinancing operations, as well as dividends paid.

The main cash flow needs of the Company are used for working capital, capital investments, maintenance, expansion of acquisitions and payment of debt. The Company's abilities to finance cash flow needs depend on the continuous ability to generate cash operations, general capacity and terms of finance agreements, as well as access to capital markets. The Company believes that the future cash of operations together with the access to funds available under such finance agreements and capital markets, will provide it with adequate resources to finance predictable operating requirements, capital investments, acquisitions and new business development activities.

The following tables analyze the derivative and non-derivative financial liabilities, grouped according to their maturity, from the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis to understand the timing of the Company's cash flows for these liabilities. The amounts disclosed in the table are contractual undiscounted cash flows.

The detail of maturities of existing financial liabilities at December 31, 2013 and 2012, is as follows[1]:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At December 31, 2013				
Current portion of long-term debt	Ps 261,530	Ps -	Ps -	Ps -
Short-term bank loans	447,190	-	-	-
Notes payable	44,362	-	-	-
Cumulative interest payable	139,093	616,478	1,197,653	3,093,232
Affiliated companies	395,964	-	-	-
Suppliers	8,847,817	-	-	-
Other accounts payable and accrued expenses	1,176,250	-	-	-
Debt (excluding issuance expenses)	-	873,909	588,442	-
Senior notes (excluding issuance expenses)	-	-	-	12,400,441

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At December 31, 2012				
Current portion of long-term debt	Ps 358,274	Ps -	Ps -	Ps -
Short-term bank loans	140,184	-	-	-
Notes payable	2,183	-	-	-
Cumulative interest payable	148,433	433,422	806,075	2,280,358
Affiliated companies	464,527	-	-	-
Suppliers	9,231,707	-	-	-
Other accounts payable and accrued expenses	1,313,828	-	-	-
Debt (excluding issuance expenses)	-	449,499	3,573,549	-
Senior notes (excluding issuance expenses)	-	1,563,979	-	8,432,510

(1) Amounts included are undiscounted contractual cash flows; therefore, they differ from the amounts included in the consolidated financial statements and in Note 19.

The Company expects to meet its obligations with cash flows generated by operations. Additionally, the Company has access to credit lines with various banks to meet possible requirements.

At December 31, 2013 the Company has unused credit lines for a total of $273 million US dollars.

4.2 Capital management

The Company's objectives when managing equity are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure so as to reduce the cost of equity.

To maintain or adjust the equity structure, the Company may adjust the amount of dividends paid to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors equity based on the degree of leverage. This percentage is calculated by dividing total liabilities by total equity.

The financial ratio of total liabilities/total equity was 1.15 and 1.08 at December 31, 2013 and 2012, respectively.

4.3 Fair value estimation

The following is an analysis of financial instruments measured by the fair value valuation method. The 3 different levels used are presented below:

- Level 1: Quoted prices for identical instruments in active markets.

- Level 2: Other valuations including quoted prices for similar instruments in active markets that are directly or indirectly observable.

- Level 3: Valuations made through techniques wherein one or more of their significant data inputs are non-observable.

The following table presents the Company's assets and liabilities that are measured at fair value at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments with trading accounting treatment	Ps -	Ps 58,477	Ps -	Ps 58,477
Derivative financial instruments with hedge accounting treatment	-	28,015	-	28,015
Financial assets available for sale	-	-	92,581	92,581
Total Assets	Ps -	Ps 86,492	Ps 92,581	Ps 179,073

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative financial instruments with trading accounting treatment	Ps -	Ps 1,832	Ps -	Ps 1,832
Derivative financial instruments with hedge accounting treatment	-	31,319	-	31,319
Total liabilities	Ps -	Ps 33,151	Ps -	Ps 33,151

The following table presents the Company's assets and liabilities that are measured at fair value at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments with trading accounting treatment	Ps -	Ps 35,153	Ps -	Ps 35,153
Derivative financial instruments with hedge accounting treatment	-	72,144	-	72,144
Financial assets available for sale	-	-	92,208	92,208
Total Assets	Ps -	Ps 107,297	Ps 92,208	Ps 199,505

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative financial instruments with trading accounting treatment	Ps -	Ps 276,923	Ps -	Ps 276,923
Derivative financial instruments with hedge accounting treatment	-	218,805	-	218,805
Total liabilities	Ps -	Ps 495,728	Ps -	Ps 495,728

There are no transfers between levels 1 and 2, or between levels 2 and 3 in the reported periods.

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is considered active if quoted prices are clearly and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regular market transactions at arm-length conditions. The trading price used for financial assets held by ALFA is the current bid price.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data when available and rely as little as possible on estimates specific to the Company. If all significant inputs required to measure an instrument at fair value are observable, the instrument is classified at Level 2.

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is classified at Level 3.

Specific valuation techniques used to value financial instruments include:

- Market quotations or offers from retailers for similar instruments.
- The fair value of swaps is calculated as the present value of future cash flows estimated in observable return curves.
- The fair value of forward contracts is determined using exchange rates at the balance sheet date, when the resulting value is discounted at present value.
- Other techniques, such as the analysis of discounted cash flows, used to determine the fair value of the remaining financial instruments.

Financial assets included within this level are only financial assets available for sale, which correspond to investment in company's shares that are not quoted in the active market and therefore, the fair value may not be reliably determined.

Note 5 - Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Property, plant, equipment and finite life intangibles

The Company estimates the useful lives of its property, plant and equipment and finite life intangibles in order to determine the depreciation and amortization expense, respectively, to be recorded during the reporting period. The useful life of these assets is calculated at the time when the asset is acquired and is based on the past experience with similar assets, considering advance technological changes or changes of other kind. If technological changes were not occur faster than estimated, or differently from anticipated, the useful lives assigned to these assets may need to be reduced. This would result in the recognition in a greater depreciation and amortization expense in future periods. Alternatively, these types of technological changes may result in recognizing a charge for impairment to show the reduction in the value of assets. The Company reviews assets annually to know if they show signs of impairment, or when certain events or circumstances indicate that the book value cannot be recovered during the remaining life of the assets, in case there are signs of impairment, the Company carries out a study to determine the value in use of assets. At December 31, 2013 and 2012, there were no signs of impairment.

b) Estimate of impairment in goodwill and other indefinite life intangible assets

The Company tests annually whether goodwill and other intangible assets have suffered any impairment, in accordance with the established accounting policy (see Note 12). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

c) Income tax

The Company is subject to income taxes in numerous jurisdictions and critical judgment is required to determine the global income tax provisions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

If income before taxes increases/decreases by 5%, income tax will be increased/decreased by Ps 40,867.

d) The fair value of derivative financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using fair value hierarchies. The Company uses its judgment to select a variety of methods and make assumptions that are based mainly on market conditions existing at the end of each reporting period.

If the fair value estimation varies by 5%, the effect on income would be modified by Ps 65,382.

e) Pension benefits

The present value of pension obligations depends on a number of factors determined on an actuarial basis using different assumptions. Assumptions used in the determination of the net cost (income) for pensions include the discount rate. Any change in the assumptions will impact the value in books of pension obligations.

The Company determines the adequate discount rate at year end. This interest rate should be used to determine the present value of future cash outflows expected required to settle pension obligations. In the determination of the appropriate discount rate, the Company considers the discount interest rate in conformity with IAS 19 (Revised) "Employee benefits" denominated in the currency used to pay benefits with terms at maturity that approximate the obligations terms of related pension obligations.

Other key assumptions for pension obligations are based, in part, on the current market conditions.

5.2 Critical judgments in applying the entity's accounting policies

a) Basis of Consolidation

The financial statements include the assets, liabilities and results of all entities in which the Company has a controlling interest. The outstanding balances and significant intercompany transactions have been eliminated in consolidation. To determine control, the Company considers whether it has the power to govern the financial and operational strategy of the respective entity and not just the power of the capital held by the Company. As a result of this analysis, the Company has exercised critical judgment to decide whether to consolidate the financial statements of Polioles and Indelpro, where the determination of control is not clear. Based on the principal substantive right of Alpek in accordance with the by-laws of Polioles to appoint the General Director, who has control over the relevant decision making and based on the by-laws of Indelpro and supported in the General Law of Mercantile Organizations, which allow Alpek to control the decisions over relevant activities by a simple majority through an ordinary shareholders' meeting, where it holds 51% of Indelpro. Management has concluded that there are circumstances and factors described in the bylaws of Polioles and applicable standards that allow the Company to conduct the daily operations of Polioles and Indelpro, therefore, demonstrate control. The Company will continue to evaluate these circumstances at the date of each statement of financial position to determine if this critical judgment is still valid. If the Company determines that it has no control over Polioles and Indelpro, they will need to be deconsolidated and be recorded using the equity method.

Note 6 - Cash and cash equivalents

The value of restricted cash and cash equivalents are comprised as follows:

	At December 31,	
	2013	2012
Cash and bank accounts	Ps 1,790,898	Ps 1,851,076
Short-term bank deposits	2,946,190	4,803,485
Cash and cash equivalents (excluding bank overdrafts)	Ps 4,737,088	Ps 6,654,561

Note 7 - Restricted cash and cash equivalents

The Company has restricted cash of approximately Ps 2,840 and Ps 2,992 at December 31, 2013 and 2012. The balances are required to be heldin escrow as deposits related to workers compensation reserves. The restricted cash balance is classified as current assets in the statement of financial position based on the maturity date of the restriction.

Note 8 - Trade and other receivables, net

Trade and other accounts receivable are comprised as follows:

	At December 31,	
	2013	2012
Trade receivables	Ps 10,008,669	Ps10,707,247
Provision for impairment in trade receivables	(332,601)	(241,897)
Trade receivables, net	9,676,068	10,465,350
Accounts receivable from related parties (Note 9)	1,429,908	1,292,387
Recoverable taxes	1,402,607	1,419,531
Interest receivable	940	27
Other debtors	325,412	191,700
Current portion	Ps 12,834,935	Ps13,368,995

Customers and other accounts receivable include past-due balances of Ps 1,743,399 and Ps 1,981,667 at December 31, 2013 and 2012, respectively.

The analysis by age of the balances due from customers and other receivables not covered by impairment provisions is as follows:

	At December 31, 2013			
	Past due			
	1 to 30 days	30 to 90 days	90 to 180 days	More than 180 days
Trade and other accounts receivable	Ps 796,320	Ps 325,825	Ps 239,260	Ps 381,994

	At December 31, 2012			
	Past due			
	1 to 30 days	30 to 90 days	90 to 180 days	More than 180 days
Trade and other accounts receivable	Ps 1,218,072	Ps 182,733	Ps 180,568	Ps 400,294

At December 31, 2013 and 2012, trade and other accounts receivable of Ps 332,601 and Ps 241,897, respectively were totally impaired. Trade and other accounts receivable impaired correspond mainly to companies going through difficult economic situations. Part of the impaired accounts is expected to be recovered.

Movements in the provision for impairment of trade and other receivables are analyzed as follows:

	2013	2012
Initial balance (January 1)	(Ps 241,897)	(Ps 248,135)
Provision for impairment in trade receivables	(160,565)	(99,647)
Receivables written off during the year	4,292	49,110
Provision for unused written off impairment	65,569	56,775
Final balance (December 31)	(Ps 332,601)	(Ps 241,897)

The maximum risk in accounts receivable is the value in books at December 31, 2013.

Note 9 - Related party transactions

Related party transactions were carried out at market values.

At December 31, 2013

		Loans granted to related parties						
	Accounts receivable	Amount	Currency	Maturity date DD/MM/YY	Interest rate	Accounts payable	Amount	Currency
Holding	Ps 189,782	Ps 312,570	USD	26/12/2014	7.33%	Ps -	Ps -	
	-	93,084 (1)	USD	-	-	-	-	
Affiliates	231,192	321,573	USD	16/06/2014	3.59%	25,622	103,586 (2)	MXN
	-	56,918	USD	30/05/2014	2.53%	-	-	
	-	13,077	USD	15/01/2014	3.59%	-	-	
	-	13,000	USD	16/06/2014	6.87%	-	-	
	-	13,938 (1)	USD / MXN	-	-			
Partners with significant influence over certain subsidiaries	184,774	-				266,756	-	
Total	Ps 605,748	Ps 824,160				Ps 292,378	Ps 103,586	

At December 31, 2012

		Loans granted to related parties						
	Accounts receivable	Amount	Currency	Maturity date DD/MM/YY	Interest rate	Accounts payable	Amount	Currency
Holding	Ps 196,094	Ps 310,983	USD	27/12/2013	7.33%	Ps -	Ps -	
	-	69,499 (1)	USD			-	-	
Affiliates	227,164	4,589	USD	26/06/2013	3.06%	40,700	103,586 (2)	MXN
	-	52,040	USD	26/06/2013	3.06%	-	-	
	-	319,941	USD	16/12/2013	3.59%	-	-	
	-	13,010	USD	16/12/2013	3.59%	-	-	
	-	13,000	MXN	21/01/2013	7.30%	-	-	
	-	579 (1)	USD / MXN			-	-	
Partners with significant influence over certain subsidiaries	85,488	-				320,241	-	
Total	Ps 508,746	Ps 783,641				Ps 360,941	Ps 103,586	

(1) Are accrued interests related to the included loans.
(2) Is an account payable for sale of assets.

Revenue with related parties

Year ended December 31, 2013	Finished goods	Raw materials	Interest	Administrative services	Lease	Other
Holding	Ps -	Ps -	Ps 22,775	Ps -	Ps -	Ps -
Affiliate	333,122	12,805	14,537	43,444	-	1,301
Shareholders with significant influence over subsidiaries	1,960,637	-	-	-	7,035	275
Total	Ps 2,293,759	Ps 12,805	Ps 37,312	Ps 43,444	Ps 7,035	Ps 1,576

Year ended December 31, 2012	Finished goods	Interest	Administrative services	Lease	Other
Holding	Ps -	Ps 23,457	Ps -	Ps -	Ps -
Affiliate	321,844	25,687	37,714	-	1,807
Shareholders with significant influence over subsidiaries	1,468,410	-	-	5,312	-
Total	Ps 1,790,254	Ps 49,144	Ps 37,714	Ps 5,312	Ps 1,807

Cost of sales and expenses with related parties

Year ended December 31, 2013	Finished goods	Raw materials	Interest	Administrative services	Technical assistance	Electric energy	Lease	Commissions	Other
Holding	Ps -	Ps -	Ps -	Ps -	Ps -	Ps -	Ps -	Ps -	Ps -
Affiliate	-	15,771	-	133,815	-	227,099	-	-	1,308
Shareholders with significant influence over subsidiaries	1,331,934	279,083	-	151,713	82,753	-	2,413	32,756	22
Total	Ps 1,331,934	Ps 294,854	Ps -	Ps 285,528	Ps 82,753	Ps 227,099	Ps 2,413	Ps 32,756	Ps 1,330

Year ended December 31, 2012	Finished goods	Raw materials	Interest	Administrative services	Technical assistance	Electric energy	Lease	Commissions	Other
Holding	Ps -	Ps -	Ps 56,362	Ps 122,121	Ps -	Ps -	Ps -	Ps -	Ps -
Affiliate	-	14,135	-	125,042	-	93,323		-	808
Shareholders with significant influence over subsidiaries	1,212,510	278,133	-	146,429	59,165	-	2,406	26,985	-
Total	Ps 1,212,510	Ps 292,268	Ps 56,362	Ps 393,592	Ps 59,165	Ps 93,323	Ps 2,406	Ps 26,985	Ps 808

For the year ended December 31, 2013, wages and benefits received by top officials of the Company were Ps 225,791 (Ps 179,858 in 2012), comprising of base salary and law benefits and supplemented by a variable compensation program that is basically based on the performance of the Company and by the market value of its stocks.

The Company and its subsidiaries report that they had no significant transactions with related parties or conflicts of interest to disclose.

Note 10 - Inventories

	At December 31,	
	2013	2012
Finished goods	Ps 6,490,653	Ps 5,969,149
Raw material and other consumables	4,075,258	4,452,073
Materials and tools	728,708	719,237
Work in process	483,095	441,586
	Ps 11,777,714	Ps 11,582,045

For the years ended at December 31, 2013 and 2012, the cost of raw materials used and the changes in inventories of goods in transit and finished goods recognized in the cost of sales amounted to Ps 82,436,458 and Ps 86,766,710, respectively.

For the years ended December 31, 2013 and 2012 amounts to Ps 37,929 and Ps 9,260 in income, respectively, corresponding to damaged, slow-moving and obsolete inventory.

At December 31, 2013 and 2012 there were no inventories in guarantee.

Note 11 – Property, plant and equipment, net

	Land	Buildings and constructions	Machinery and equipment	Transportation equipment	Furniture, lab and information technology equipment	Construction in process	Others fixed assets	Total
At January 1, 2012								
Deemed cost	Ps 2,827,422	Ps 9,293,248	Ps 42,884,462	Ps 197,297	Ps 1,010,718	Ps 917,729	Ps 484,069	Ps 57,614,945
Accumulated depreciation	-	(5,562,212)	(22,207,064)	(126,912)	(755,927)	-	(83,748)	(28,735,863)
Carrying value at January 1, 2012	2,827,422	3,731,036	20,677,398	70,385	254,791	917,729	400,321	28,879,082
For the year ended December 31, 2012								
Translation adjustments	(81,911)	(235,039)	(1,377,180)	(5,128)	(17,798)	(59,494)	(24,087)	(1,800,637)
Additions	2,567	3,495	57,781	1,932	2,906	1,502,862	42,107	1,613,650
Disposals	(7,406)	(213)	(15,384)	(175)	(135)	(20)	(25,236)	(48,569)
Depreciation charge recognized in the year	-	(130,054)	(1,728,360)	(22,831)	(78,722)	-	-	(1,959,967)
Transfers	5,729	61,208	879,502	32,568	68,163	(1,030,571)	(4,748)	11,851
Balance at December 31, 2012	2,746,401	3,430,433	18,493,757	76,751	229,205	1,330,506	388,357	26,695,410
At December 31, 2012								
Deemed cost	2,746,401	8,816,950	41,050,792	214,804	903,908	1,330,506	388,357	55,451,718
Accumulated depreciation	-	(5,386,517)	(22,557,035)	(138,053)	(674,703)	-	-	(28,756,308)
Carrying value at December 31, 2012	2,746,401	3,430,433	18,493,757	76,751	229,205	1,330,506	388,357	26,695,410
For the year ended December 31, 2013								
Translation adjustments	2,290	7,432	(24,601)	(1,194)	(16)	13,638	4,491	2,040
Additions	594	19,677	1,003,281	2,774	12,868	1,435,187	34,532	2,508,913
Disposals	(1,862)	(1,478)	(5,443)	(370)	(160)	(91)	(12,218)	(21,622)
Impairment	-	(328,262)	(1,956,524)	(2,000)	-	(25,863)	(81,376)	(2,394,025)
Depreciation charge recognized in the year	-	(191,571)	(1,585,695)	(15,280)	(63,483)	-	-	(1,856,029)
Transfers	2,959	(31,661)	330,450	1,309	52,552	(662,916)	78,509	(228,798)
Carrying value at December 31,, 2013	2,750,382	2,904,570	16,255,225	61,990	230,966	2,090,461	412,295	24,705,889
At December 31, 2013								
Deemed cost	2,750,382	8,400,983	39,969,052	210,160	970,629	2,090,461	412,295	54,803,962
Accumulated depreciation	-	(5,496,413)	(23,713,827)	(148,170)	(739,663)	-	-	(30,098,073)
Carrying value at December 31, 2013	Ps 2,750,382	Ps 2,904,570	Ps 16,255,225	Ps 61,990	Ps 230,966	Ps 2,090,461	Ps 412,295	Ps 24,705,889

Depreciation expense of Ps 1,840,795 and Ps 1,942,073 has been charged in cost of sales, Ps 2,070 and Ps 2,306, in selling expenses and Ps 13,164 and Ps 15,588, in administrative expenses in 2013 and 2012, respectively.

During 2013, impairment charge of Ps 2,223,749 related to the closing of the Cape Fear plant (See Note 2), was recorded in the income statement within "Non-recurring items". Additionally, within the other income (expense) items, net, a charge for impairment amounting to Ps 170,276 (See note 26) was recorded. During 2012, Ps 4,798 for impairment were recorded in income presented in the note of other income (expense), net (See note 26).
The Company has capitalized costs of loans in qualified assets for Ps 82,298 and Ps 2,853 for the years ended December 31, 2013 and 2012, respectively. Costs from loans were capitalized at the weighted average rate of loans that amount to approximately 7.64%.

Note 12 – Goodwill and intangible assets, net

	Finite life						Indefinite life		
Cost	Development costs	Trademarks	Non-compete agreements	Customer relationships	Software and licenses	Intellectual property rights and others	Goodwill	Others	Total
At January 1, 2012	Ps 318,109	Ps 430	Ps 65,700	Ps 508,126	Ps 32,297	Ps1,674,648	Ps 237,175	Ps 4,316	Ps 2,840,801
Translation effect	(22,098)	(30)	(4,552)	(35,217)	(2,041)	(123,682)	(16,434)	(302)	(204,356)
Additions	5,284	-	-	528	33,415	7,644	-	167	47,038
At December 31, 2012	301,295	400	61,148	473,437	63,671	1,558,610	220,741	4,181	2,683,483
Translation adjustments	18,525	-	312	2,416	(1,255)	21,337	1,127	70	42,532
Additions	263,666	-	-	-	-	527,352	-	1,653	792,671
At December 31, 2013	583,486	400	61,460	475,853	62,416	2,107,299	221,868	5,904	3,518,686
Amortization									
At January 1, 2012	(142,818)	(415)	(15,056)	(29,285)	(27,052)	(76,755)	-	-	(291,381)
Amortization	(29,031)	(17)	(15,519)	(39,176)	(6,528)	(79,136)	-	-	(169,407)
Transfers	4,539	8	-	(256)	(41)	-	-	-	4,250
Translation effect	5,024	24	1,273	2,584	1,121	6,524	-	-	16,550
At December 31, 2012	(162,286)	(400)	(29,302)	(66,133)	(32,500)	(149,367)	-	-	(439,988)
Amortization	(35,043)	-	(15,068)	(36,997)	(4,631)	(76,816)	-	-	(168,555)
Translation adjustments	(1,076)	-	(446)	(1,066)	1,190	(2,275)	-	-	(3,673)
At December 31, 2013	(198,405)	(400)	(44,816)	(104,196)	(35,941)	(228,458)	-	-	(612,216)
Net carrying value									
Cost	301,295	400	61,148	473,437	63,671	1,558,610	220,741	4,181	2,683,483
Amortization	(162,286)	(400)	(29,302)	(66,133)	(32,500)	(149,367)	-	-	(439,988)
At December 31, 2012	139,009	-	31,846	407,304	31,171	1,409,243	220,741	4,181	2,243,495
Cost	583,486	400	61,460	475,853	62,416	2,107,299	221,868	5,904	3,518,686
Amortization	(198,405)	(400)	(44,816)	(104,196)	(35,941)	(228,458)	-	-	(612,216)
At December 31, 2013	Ps 385,081	Ps -	Ps 16,644	Ps 371,657	Ps 26,475	Ps1,878,841	Ps 221,868	Ps 5,904	Ps 2,906,470

Of the total amortization expense: Ps 168,384 and Ps 162,198 were charged to cost of sales, Ps 40 and Ps 7,071 to selling expenses and Ps 131 and Ps 138 to administrative expenses in 2013 and 2012, respectively.

Research expenses and development incurred and recorded in the results of 2013 and 2012 were Ps 37,872 and Ps 40,744, respectively.

Management assesses its operations through two business segments: the Polyester business chain and the Plastics and Chemicals business. Likewise, Management monitors the goodwill at the operating segment level and has assigned total Polyester segment balance. See Note 30.

Impairment testing of goodwill

Goodwill is allocated to operating segments that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units, goodwill arising from the Polyester segment for a total of Ps 221,868 and Ps 220,741 at December 31, 2013 and 2012, respectively:

The amount of recovery from the operating segments has been determined based on calculations of values in use. These calculations use cash flow projections based on pre-tax financial budgets approved by management covering a period of 5 years.

The key assumptions used in calculating the value in use in 2013 and 2012 were as follows:

	2013	2012
Estimated gross margin	4.0%	3.0%
Growth rate	3.8%	2.2%
Discount rate	10.2%	10.0%

With regard to the calculation of the value in use of the operating segments, the Company's Management considers that a possible change in the key assumptions used, would not cause the carrying value of the operating segments to materially exceed their value in use.

Note 13 – Other non-current assets

	At December 31, 2013	2012
Other receivables, net	Ps 190,513	Ps 190,523
Financial assets available for sale (1)	92,581	92,208
Investment in associates (2)	(27,862)	1,528
Joint agreements (3)	69,163	-
Other non-current financial assets	302,690	8,515
Total other non-current assets	Ps 627,085	Ps 292,774

(1) Financial assets available for sale:

	At December 31, 2013	2012
Unlisted shares		
- Investment in shares with third parties	Ps 92,581	Ps 92,208

The movement of financial assets available for sale is as follows:

	2013	2012
Balance at January 1	Ps 92,208	Ps 40,249
Translation effect	266	(2,015)
Additions	107	54,055
Impairment	-	(81)
Balance at December 31	Ps 92,581	Ps 92,208

Financial assets available for sale are denominated in the following currencies:

	At December 31, 2013	At December 31, 2012
USD	Ps 52,306	Ps 52,040
MXN	40,167	40,168
Other currencies	108	-
Total	Ps 92,581	Ps 92,208

None of the financial assets available for sale is expired or impaired.

(2) Investments in associates

The accumulated summarized financial information for associated companies of the group accounted for by the equity method, not considered material, is as follows:

	2013	2012
Net loss	(Ps 119,986)	(Ps 155,284)
Other comprehensive income	-	-
Comprehensive income	(Ps 119,986)	(Ps 155,284)
Investment in associates at December 31	(Ps 27,862)	Ps 1,528

There are no contingent liabilities corresponding to the Company's equity in investment of associates.

(3) Joint arrangements

The accumulated summarized financial information for joint arrangements of the group accounted for by the equity method, not considered material, is as follows:

	2013	2012
Net income	Ps -	Ps -
Other comprehensive income	-	-
Comprehensive income	-	-
Joint arrangements at December 31	Ps 69,163	Ps -

Note 14 – Subsidiaries with significant non-controlling interest

The significant non-controlling interest for the year ended December 31, 2013 and 2012 is integrated as follows:

	Non-controlling ownership percentage	Non-controlling interest income for the period 2013	2012	Non-controlling interest at December 31, 2013	2012
Indelpro, S. A. de C. V. and subsidiary	49%	Ps 334,119	Ps 317,066	Ps 2,079,547	Ps 2,231,847
Polioles, S. A. de C. V. and subsidiary	50%	290,620	291,458	539,058	698,168

The summarized financial information at December 31, 2013 and 2012 and for the year then ended, corresponding to each subsidiary with a significant non-controlling interest is shown below:

	Indelpro, S. A. de C. V. 2013	2012	Polioles, S. A. de C. V.. 2013	2012
Current assets	Ps 3,042,245	Ps 2,949,172	Ps 2,672,088	Ps 2,709,581
Non-current assets	5,046,062	4,972,218	1,037,738	1,059,016
Current liabilities	1,701,750	1,283,654	1,845,783	1,605,850
Non-current liabilities	2,142,584	2,082,948	785,928	766,411
Stockholders' equity	4,243,973	4,554,788	1,078,115	1,396,336
Revenues	9,092,372	8,270,976	9,219,839	8,903,906
Net profit	681,876	647,073	581,240	582,915
Comprehensive income of the year	732,494	328,210	613,699	470,408
Comprehensive income attributable to non-controlling interest	358,922	160,823	306,849	235,204
Dividends paid to non-controlling percentage	512,767	262,577	461,536	293,303
Cash flows from operating activities	942,966	707,217	784,186	906,687
Net cash used in investments activities	(284,479)	(26,803)	(46,409)	(39,172)
Net cash used in financing activities	(796,086)	(705,921)	(814,885)	(692,388)
Net increase in cash and cash equivalents	(138,394)	(44,105)	(67,879)	154,142

Note 15 - Financial instruments

a. Financial instruments by category

	At December 31, 2013				
	Trade receivables and liabilities at amortized cost	Available for sale	Financial assets and liabilities at fair value through profit and loss	Derivative contracted as hedges	Total
Financial assets:					
Cash and cash equivalents	Ps 4,737,088	Ps -	Ps -	Ps -	Ps 4,737,088
Restricted cash and cash equivalents	2,840	-	-	-	2,840
Trade and other receivable, net	12,834,934	-	-	-	12,834,934
Derivative financial instruments with trading accounting treatment	-	-	58,477	-	58,477
Derivative financial instruments with hedge accounting treatment	-	-	-	28,015	28,015
Assets available for sale	-	92,581	-	-	92,581
	Ps17,574,862	Ps 92,581	Ps 58,477	Ps 28,015	Ps17,753,935
Financial liabilities:					
Debt	Ps 753,083	Ps -	Ps -	Ps -	Ps 753,083
Suppliers and other accounts payable	9,243,781	-	-	-	9,243,781
Derivative financial instruments with hedge accounting treatment	-	-	-	31,319	31,319
Derivative financial instruments with trading accounting treatment	-	-	1,832	-	1,832
	Ps 9,996,864	Ps -	Ps 1,832	Ps 31,319	Ps10,030,015

	At December 31, 2012				
	Trade receivables and liabilities at amortized cost	Available for sale	Financial assets and liabilities at fair value through profit and loss	Derivative contracted as hedges	Total
Financial assets:					
Cash and cash equivalents	Ps 6,654,561	Ps -	Ps -	Ps	Ps 6,654,561
Restricted cash and cash equivalents	2,992	-	-		2,992
Trade and other receivable, net	13,368,995	-	-	-	13,368,995
Derivative financial instruments with trading accounting treatment	-	-	35,153	-	35,153
Derivative financial instruments with hedge accounting treatment	-	-	-	72,144	72,144
Assets available for sale	-	92,208	-	-	92,208
	Ps20,026,548	Ps 92,208	Ps 35,153	Ps 72,144	Ps20,226,053
Financial liabilities:					
Debt	Ps14,440,408	Ps -	Ps -	Ps -	Ps14,440,408
Suppliers and other accounts payable	9,696,234	-	-	-	9,696,234
Derivative financial instruments with hedge accounting treatment	-	-	-	218,805	218,805
Derivative financial instruments with trading accounting treatment	-	-	276,923	-	276,923
	Ps24,136,642	Ps -	Ps 276,923	Ps 218,805	Ps24,632,370

b. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information on non-compliance rates of the counterparty:

	At December 31,	
	2013	2012
Trade and other receivables, net		
Counterparties with external credit rating		
"A+"	Ps 134,445	Ps 3,115
"A-"	175,679	-
"A"	56,322	43,796
"BBB+"	73,723	-
"BBB"	300,216	6,603
"BB"	77,653	-
"BB+"	50,388	-
"BB-"	1,003,707	-
Other categories	546,686	817,899
	2,418,819	871,413
Counterparties without external credit rating		
Type of clients X	9,124,308	10,819,011
Type of clients Y	808,710	1,147,847
Type of clients Z	10,794	13,383
	9,943,812	11,980,241
Total unimpaired trade receivables	Ps 12,362,631	Ps 12,851,654

	At December 31,	
Cash and cash equivalents with or without restriction, not including petty cash	2013	2012
"A+"	Ps 118,337	Ps 1,016,824
"A-"	474,787	868,631
"A"	409,644	842,263
"BBB+"	1,452,549	-
"BBB"	280,271	3,583,815
"BB+"	100,020	-
Other categories	1,804,502	213,517
Not rated	99,217	131,843
	4,739,327	6,656,893
Derivative financial instruments		
"AA-"	Ps12,685	Ps -
"A"	36,761	35,847
"A+"	722	6,567
"A-"	19,704	12,625
AA-	-	25,426
"BBB"	-	1,370
"BBB+"	7,210	-
Not rated	9,410	25,462
	Ps 86,492	Ps 107,297

Group X – New trade and other receivables, net /related parties (less than 6 months).

Group Y – Current trade and other receivables, net / related parties (more than 6 months) without default in the past.

Group Z – Current trade and other receivables, net /related parties (more than 6 months) with some defaults in the past. All past-due amounts were fully recovered.

c. Fair value of financial assets and liabilities

The amounts of cash and cash equivalents, restricted cash and cash equivalents, customers and other receivables, other current assets, suppliers and other payables, outstanding debt, provisions and other current liabilities approximate their fair value due to their short maturity. The carrying value of these accounts represents the expected cash flow.

The value in books and the estimated fair value of the rest of the financial assets and liabilities are presented as follows:

	December 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-current receivable	Ps 190,513	Ps 178,724	Ps 190,523	Ps 184,521
Financial liabilities				
Non-current debt	13,756,342	13,502,707	14,019,537	14,809,233

The estimated fair values were determined based on discounted cash flows. These fair values do not consider the current portion of financial assets and liabilities, since the current portion approximates their fair value.

Note 16 - Derivative financial instruments

The effectiveness of derivative financial instruments designated as hedges is measured periodically. At December 31, 2013 and 2012 the Company's Management has assessed the effectiveness of its hedges for accounting purposes and has concluded that they are highly effective.

Notional amounts related to derivative financial instruments reflect the contracted reference volume; however they do not reflect the amounts at risk with respect to future cash flows. The amounts at risk are generally limited to the unrealized profit or loss from the market valuation of such instruments, which may vary according to changes in the market value of the underlying, its volatility and the credit quality of the counterparties.
The principal obligations which the Company is subject to depends on the type of contract and the conditions established in each one of the derivative financial instruments in force at December 31, 2013 and 2012.

Trading derivatives are classified as current assets or liabilities. The fair value of hedges is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

a) Exchange rate derivatives

Derivative financial instruments exchange rate positions with trading accounting treatment is summarized as follows (figures in millions of pesos):

At December 31, 2013

Type of derivative, value or contract	Notional amount	Underlying asset Unit	Underlying asset Reference	Fair value	Maturity 2014	Maturity 2015	Maturity 2016+	Collateral/ guarantee
US$ / MXN	(Ps 837)	Pesos / Dollar	13.08	Ps -	Ps -	Ps -	Ps -	Ps -

At December 31, 2012

Type of derivative, value or contract	Notional amount	Underlying asset Unit	Underlying asset Reference	Fair value	Maturity 2013	Maturity 2014	Maturity 2015+	Collateral/ guarantee
US$ / MXN	(Ps 325)	Pesos / Dollar	13.01	Ps 6	Ps 6	Ps -	Ps -	Ps -

b) Interest rate swaps

Derivative financial instruments interest rate positions of swaps are summarized as follows (figures in millions of pesos):

At December 31, 2013

Type of derivative, value or contract	Notional amount	Underlying asset Unit	Underlying asset Reference	Fair value	Maturity 2014	Maturity 2015	Maturity 2016+	Collateral/ guarantee
With hedge accounting treatment:								
In Libor rate [1]	Ps 785	% per year	0.49	(Ps 20)	(Ps 12)	(Ps 7)	(Ps 1)	Ps -

At December 31, 2012

Type of derivative, value or contract	Notional amount	Underlying asset Unit	Underlying asset Reference	Fair value	Maturity 2013	Maturity 2014	Maturity 2015+	Collateral/ guarantee
With hedge accounting treatment:								
In Libor rate [1]	Ps 2,862	% per year	0.39	(Ps 200)	(Ps 42)	(Ps 56)	(Ps 102)	Ps -
With trade accounting treatment:								
In Libor rate	1,008	% per year	0.39	(36)	(36)	-	-	-
				(Ps 236)	(Ps 78)	(Ps 56)	(Ps 102)	Ps -

1 Cash flow hedges

c) Energy

Derivative financial instruments positions of natural gas, gasoline, ethylene, ethane, paraxylene and Brent crude, is summarized as follows (figures in millions of pesos):

At December 31, 2013								
		Underlying asset			Maturity			
Type of derivative, value or contract	Notional amount	Unit	Reference	Fair value	2014	2015	2016+	Collateral/ guarantee
With hedge accounting treatment:								
Ethylene [1]	Ps 155	Cent. Dollar/lb	58.75	Ps 12	Ps 11	Ps 1	Ps -	Ps -
Natural gas [1]	345	Dollar / MBTU	4.29	10	14	-	(4)	-
Ethane [1]	23	Cent. Dollar/Gallon	28.03	(3)	(3)	-	-	-
Px [1]	226	Dollar/MT	1,435	(2)	(2)	-	-	-
With trade accounting treatment:								
Gasoline	923	Dollar / Gallon	2.72	54	54	-	-	-
Brent Crude	60	Dollar / BBL	108.53	2	2	-	-	-
				Ps 73	Ps 76	Ps 1	(Ps 4)	Ps -

At December 31, 2012								
		Underlying asset			Maturity			
Type of derivative, value or contract	Notional amount	Unit	Reference	Fair value	2013	2014	2015+	Collateral/ guarantee
With hedge accounting treatment:								
Ethylene [1]	Ps 476	Cent. Dollar/lb	55.1	Ps 40	Ps 42	(Ps 2)	Ps -	-
Natural gas [1]	606	Dollar / MBTU	3.60	30	30	-	-	-
Ethane [1]	55	Cent. Cents/Gallon	23.9	(16)	(16)	-	-	-
With trade accounting treatment:								
Ethylene	4	Cent. Dollar/lb	55.1	-	-	-	-	-
Natural gas	28	Dollar / MBTU	3.60	(226)	(226)	-	-	-
Gasoline	1,138	Dollar / Gallon	2.70	14	20	(6)	-	-
				(Ps 158)	(Ps 150)	(Ps 8)	Ps -	Ps -

1 cash flow hedges

The main obligations to which the Company is subject, depends on the contracting mechanisms and the conditions of each derivative financial instrument at December 31, 2013 and 2012.

At December 31, 2013 and 2012, the net fair value of derivative financial instruments above amounts to Ps53,341 and (Ps 388,431), respectively, which is shown in the consolidated statements of financial position as follows:

	Fair value At December 31,	
	2013	2012
Current assets	Ps 86,492	Ps 107,297
Current liabilities	(7,315)	(287,510)
Non-current liabilities	(25,836)	(208,218)
Net position	Ps 53,341	(Ps 388,431)

At December 31, 2013 and 2012 there is no collateral in derivative financial instruments.

Note 17 - Suppliers and other accounts payable

	At December 31, 2013	2012
Suppliers	Ps 8,847,817	Ps 9,231,707
Balances with related parties (Note 9)	395,964	464,527
	Ps 9,243,781	Ps 9,696,234

Note 18 - Provisions

	Restructuring y demolition	Environmental remediation	Indemnities from dismissal and others	Total
At December 31, 2012	Ps -	Ps -	Ps -	Ps -
Additions from restructuring	487,248	371,848	197,624	1,056,720
Translation effect	6,839	5,287	10,318	22,444
Payments	(77,940)	-	(116,910)	(194,850)
At December 31, 2013	Ps 416,147	Ps 377,135	Ps 91,032	Ps 884,314

	2013	2012
Short-term provisions	Ps 832,632	Ps -
Long-term provisions	51,682	-
At December 31	Ps 884,314	Ps -

The provisions in the above table are related to the closing of the Cape Fear plant. See Note 2 for more details.

Note 19 - Debt

	At December 31, 2013	2012
Current:		
Bank loans [(1)]	Ps 447,190	Ps 358,274
Current portion of non-current debt	261,530	140,184
Notes payable[(1)]	44,363	2,183
Current debt	Ps 753,083	Ps 500,641
Non-current:		
Senior Notes[(2)]	Ps 12,400,441	Ps 9,996,489
Bank loans[(2)]	1,723,881	4,163,232
Debt issuance costs	(106,450)	(79,770)
Total	14,017,872	14,079,951
Less: current portion of non-current debt	(261,530)	(140,184)
Non-current debt	Ps 13,756,342	Ps 13,939,767

(1) The fair value of bank loans and notes payable approximates their current book value, as the impact of discounting is not significant.

(2) The carrying amounts, terms and conditions of non-current debt were as follows:

Description	Currency	Balance at December 31, 2013	Balance at December 31, 2012	Maturity date DD/MM/YY	Interest rate
Senior Notes 144A/Reg. S accruing annual interest of 9.50%, with maturity in August 2014. Guaranteed by Temex, Akra, DAK Americas and DAK Resinas.	USD	-	1,563,979	19-Aug-14	9.50%
Senior Notes 144A/Reg. S accruing annual interest of 4.50%, maturing in November 2022. Guaranteed by Petrotemex, Temex, Akra, DAK Americas, DAK Resinas and DAK Mississippi.	USD	8,477,491	8,432,510	20-Nov-22	4.50%
Senior Notes 144A/Reg. S accruing annual interest of 5.375%, maturing in August 2023. Guaranteed by Petrotemex, Temex, Akra, DAK Americas, DAK Resinas and DAK Mississippi.	USD	3,922,950	-	8-Aug-23	5.375%
Total Senior Notes		Ps 12,400,441	Ps 9,996,489		
Bank loan bearing annual interest of Libor + 3.07% maturing in August 2017. Guaranteed by Temex, Akra, DAK Resinas and DAK Americas.	USD	-	2,081,616	23-Aug-17	3.79%
Committed credit line that accrue annual interest of Libor + 2.0%, maturing in September 2015 and guaranteed by Petrotemex, Temex, Akra and DAK Resinas.	USD	-	65,050	24-Sep-15	2.31%
Bank loan bearing annual interest of Libor + 1.80% maturing in April 2016.	USD	784,590	780,606	01-Apr-16	2.16%
Committed credit line that accrue annual interest of Libor + 1.60%, maturing in January 2015.	USD	285,466	-	31-Jan-15	1.77%
Bank loan bearing annual interest of Libor + 1.60% maturing in August 2016.	USD	653,825	650,505	16-Aug-16	1.98%

Description	Currency	Balance at December 31, 2013	Balance at December 31, 2012	Maturity date DD/MM/YY	Interest rate
Bank loan bearing annual interest of Libor + 2.15% maturing in September 2015. Secured by Univex and Nyltek.	USD	Ps -	Ps 390,303	20-Sep-15	2.46%
Bank loan bearing annual interest of Libor + 2.50% maturing in February 2017. Secured by Univex and Nyltek.	USD	-	195,152	28-Feb-17	2.81%
Total bank loans		Ps 1,723,881	Ps 4,163,232		
TOTAL		Ps 14,124,322	Ps 14,159,721		

At December 31, 2013, the annual maturities of non-current debt are as follows:

	2015	2016	2017	2018 onwards	Total
Bank loans	Ps 873,909	Ps 588,442	Ps -	Ps -	Ps 1,462,351
Senior Notes	-	-	-	12,400,441	12,400,441
Less: debt issuance costs	-	-	-	-	(106,450)
	Ps 873,909	Ps 588,442	Ps -	Ps 12,400,441	Ps 13,756,342

Covenants:

Most of the existing debt agreements contain restrictions for the Company, mainly with respect to compliance with certain financial ratios among, the most important of which are:

a) Interest hedge ratio: defined as the result of dividing the income before financial result, taxes, depreciation, amortization and impairment of non-current assets (Consolidated EBITDA) by the net interest charges for the period. This factor cannot be less than 3.0 times for the last four consecutive fiscal quarters.

b) Leverage ratio: it is defined as the result of dividing the net consolidated debt by the consolidated EBITDA of the last twelve months. This factor may not be greater than 3.5 times.

Additionally, there are other restrictions regarding incurring additional debt or taking loans that require mortgaging assets, dividend payments and submission of financial information, which if not met or remedied within a specified period to the satisfaction of creditors may cause the debt to become payable immediately. During 2013 and 2012, the financial ratios were calculated according to the formulas set out in the loan agreements. At December 31, 2012 and the date of issuance of these financial statements, the Company and its subsidiaries complied satisfactorily with such covenants and restrictions.

Relevant debt transactions:

(a) On August 13, 2012, Grupo Petrotemex repurchased US$154.2 ("Tender Offer") of the principal amount of the Senior Notes 144A/Reg. S issued in 2009, leaving a balance at December 31, 2012 of US$120.8, due in 2014. Additionally, after the Tender Offer, the Grupo Petrotemex achieved majority consent of the holders of the Senior Notes to amend certain terms of the contract that governs them, and as a result the Senior Notes that did not adhere to the tender offer remain in force but without the effect of the financial covenants.

(b) On November 20, 2012, Alpek completed an issuance of Senior Notes for a nominal amount of US$650 million with single maturity on November 20, 2022. Interests of Senior Notes will be payable semi-annually at a 4.50% annual rate as from Monday, May 20, 2013. The Senior Notes were issued through a private issuance under Rule 144A of the "Securities Act" of 1933 ("Rule 144A of the Securities Act of 1933") of the United States of America and they are unconditionally guaranteed, in an unsubordinated manner, for the joint obligation of certain subsidiaries of the Company.

Additionally, the issuance of Senior Notes originated issuance costs and expenses to the amount of US$6 million. Issuance of costs and expenses, including the placement discount of Senior Notes are presented net of the debt and amortized together with the loan based on the effective interest rate method.

(c) On August 8, 2013, Alpek completed an issuance of Senior Notes for a nominal amount of US$300 with single maturity on August 8, 2023. Interests of Senior Notes will be payable semi-annually at a 5.375% annual rate beginning February 8, 2014. The Senior Notes were issued through a private issuance under Rule 144A of the "Securities Act" of 1933 ("Rule 144A of the Securities Act of 1933") of the United States of America and they are unconditionally guaranteed, in an unsubordinated manner, for the joint obligation of certain subsidiaries of the Company.

Additionally, the issuance of Senior Notes originated issuance costs and expenses in the amount of US$2.40 million. Issuance costs and expenses, including the placement discount of Senior Notes is presented net of the debt and amortized together with the loan based on the effective rate method.

(d) On September 26, 2013, Grupo Petrotemex paid in advance the principal amount of the "Senior Notes 144A/Reg.S" issued in 2009, the outstanding amount of principal at that date was US$120 million.

The net proceeds of the issuance of Senior Notes were used mainly to make advance debt payments of certain subsidiaries of the Company.

Note 20 - Employee benefits

The valuation of retirement plan employee benefits (covering approximately 64% of workers in 2013 and 65% in 2012) and is based primarily on their years of service, current age and estimated salary at retirement date.

The principal subsidiaries of the Company have established irrevocable trust funds for payment of pensions and seniority premiums and health-care expenses. The contributions in 2013 amounted to Ps 43,844 (Ps 114,579 in 2012).

Following is a summary of the main financial information of such employee benefits:

	At December 31,	
	2013	2012
Liabilities for employees benefits:		
Pension benefits	Ps 381,288	Ps 927,678
Post-employment medical benefits	175,644	202,450
Employees benefits in the statement of financial position	Ps 556,932	Ps 1,130,128

	2013	2012
Charge to the income statement for:		
Pension benefits	(Ps 34,157)	Ps 15,717
Post-employment medical benefits	(11,112)	(10,619)
	(45,269)	5,098
Remeasurement of obligations for employees benefits recognized in the statement of comprehensive income for the year	Ps 598,160	(Ps 88,387)
Remeasurement of accumulated obligations for employees benefits	Ps 116,190	(Ps 481,970)

Pension benefits

The Company operates defined benefit pension plans based on employees´ pensionable remuneration and length of service. Most plans are externally funded. Plan assets are held in trusts, foundations or similar entities, governed by local regulations and practice in each country, as is the nature of the relationship between the Company and the respective trustees (or equivalent) and their composition.

The amounts recorded in the statement of financial position, are determined as shown below:

	At December 31,	
	2013	2012
Present value of defined benefit obligations.	Ps 2,700,267	Ps 3,150,578
Fair value of plan assets	(2,318,979)	(2,195,740)
Defined benefit liability, net	381,288	954,838
Past service cost not recognized	-	(27,160)
Employees benefits in the statement of financial position	Ps 381,288	Ps 927,678

The movement in the defined benefit obligation during the year is as follows:

	2013	2012
At January 1	Ps 3,150,578	Ps 3,131,000
Service cost	32,154	15,565
Interest cost	119,474	134,263
Remeasurements:		
Gains from changes in financial assumptions	(288,066)	239,477
Gains from change in demographic assumptions and experience adjustments	(10,768)	-
Translation effect	9,129	(192,768)
Benefits paid (1)	(280,503)	(176,960)
Plan reductions (1)	(20,189)	-
Settlements	(11,542)	-
At December 31	Ps 2,700,267	Ps 3,150,577

The movement in the fair value of plan assets for the year is as follows:

	2013	2012
At January 1	(Ps2,195,740)	(Ps2,098,529)
Interest income	(85,740)	(167,479)
Remeasurements return on plan assets, excluding interest income	(268,388)	(107,842)
Translation effect	(7,590)	122,239
Contributions	(43,844)	(114,579)
Paid benefits (1)	282,323	170,450
At December 31	(Ps2,318,979)	(Ps2,195,740)

(1) With respect to the closing of the Cape Fear plant, the Company incurred in losses from termination and a settlement agreement with the trustees, effective as at October 10, 2013 for a total of Ps 106,533, settling all retirement benefit plan obligations in relation with the site's employees. This resulted in a modification to plan assets.

The amounts recorded in the statement of income for the years ended December 31 are the following:

	2013	2012
Service cost	(Ps 32,154)	(Ps 15,565)
Net interest cost	(33,734)	33,216
Past service cost	-	(1,934)
Effect of reductions of plan and/or settlements	31,731	-
Total included in personal costs	(Ps 34,157)	Ps 15,717

The principal actuarial assumptions are as follows:

	At December 31,	
	2013	2012
Discount rate	MX 6.75%	MX 5.50%
	US 4.65%	US 3.80%
Inflation rate	4.25%	3.57%
Salary increase rate	5.25%	5.25%
Expected return on plan assets		MX 9.75%
		US 8.25%

The average life of defined benefit obligations is of 17.3 and 17.7 years at December 31, 2013 and 2012, respectively.

The sensitivity analysis of the main assumptions for defined benefit obligations is as follows:

	Effect in defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	Mx 1%	Decreases by Ps 28,615	Increases by Ps 33,491
Discount rate	US 1%	Decreases by Ps 291,356	Increases by Ps 243,165

Prior sensibility analyses are based on a change in assumptions, while the all other assumptions remain constant. In practice, this is slightly probable, and the changes in some assumptions may be correlated. In the calculation of the sensibility from the defined benefit obligation, significant actuarial assumptions the same method (present value of calculated defined benefit obligation with the projected unit credit method at reporting period) has been applied as in the calculation of liabilities for pensions recognized within the balance sheet.

Post-employment medical benefits

The Company operates post-employment medical benefits schemes mainly in DAK Americas. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. Most of these plans are not being funded.

In addition to the assumptions mentioned above, the main actuarial assumption in a long-term increase in health costs by 8.0% in 2013 and 8.50% in 2012.
Amounts recognized in the balance sheet are determined as follows:

	At December 31,	
	2013	2012
Present value of defined benefit obligations	Ps 175,644	Ps 202,450
Fair value of plan assets	-	-
Defined benefit liability, net	175,644	202,450
Past service cost not recognized	-	-
Employees benefits in the statement of financial position	Ps 175,644	Ps 202,450

The movements of defined benefit obligations are as follows:

	2013	2012
At January 1	Ps 202,450	Ps 259,351
Service cost	2,195	2,542
Interest cost	6,352	7,152
Employee contributions	7,625	9,657
Remeasurements:		
Gain from changes in financial assumptions	(2,716)	(43,248)
Gains from changes in demographic assumptions and experience adjustments	(28,222)	-
Translation effect	916	(17,991)
Plan reductions	2,565	-
Benefits paid	(15,521)	(15,013)
At December 31	Ps 175,644	(Ps 202,450)

The amounts recorded in the statement of income for the years ended December 31 are the following:

	2013	2012
Service cost	(Ps 2,195)	(Ps 2,542)
Net interest cost	(6,352)	(8,077)
Effect of reductions on plan and/or settlements	(2,565)	-
Total included in personal costs	(Ps 11,112)	(Ps 10,619)

At December 31, 2013, the effect of a 1% in the incremental of medical expenses, as follows:

	Increase	Decrease
Effect of the sum of the current service cost and interest cost	Ps 641	Ps (731)
Effect in defined benefit obligation	863	(1,225)

Employee benefits

Plan assets are comprised as follows:

	At December 31,	
	2013	2012
Equity instruments	Ps 1,115,852	Ps 1,036,816
Cash and cash equivalents	1,203,127	1,158,924

Note 21 - Deferred taxes

The analysis of the deferred tax asset and deferred tax liability is as follows:

	At December 31,	
	2013	2012
Deferred tax asset:		
- To be recovered for more than 12 months	Ps 163,515	Ps 700,264
- To be recovered within 12 months	53,082	418,243
	216,597	1,118,507
Deferred tax liability:		
- To be recovered in more than 12 months	(3,912,960)	(3,787,918)
- To be recovered within 12 months	(431,308)	(1,544,421)
	(4,344,268)	(5,332,339)
Deferred tax, net	(Ps4,127,671)	(Ps4,213,832)

The gross movement in the deferred income tax account is as follows:

	2013	2012
At January 1	(Ps4,213,832)	(Ps4,185,690)
Translation effect	20,445	236,309
To retained earnings	7,550	-
Credit (charge) to income statement	363,587	(268,017)
(Charge) credit to other items of comprehensive income	(305,421)	3,566
At December 31	(Ps4,127,671)	(Ps4,213,832)

The change to temporary differences require deferred income tax recognition for the year ended December 31, as follows:

	2013	2012
Assets:		
Inventories	Ps 175,090	Ps 18,659
Trade and other receivables, net	(3,695)	89,453
Property, plant and equipment, net	3,946,048	3,787,918
Tax loss carryforwards	(552,325)	(635,022)
Derivative financial instruments	(30,562)	(122,266)
Total	Ps3,534,556	Ps 3,138,742
Liabilities:		
Provisions	687,890	914,092
Other temporary differences, net	(94,775)	160,998
Total	Ps 593,115	Ps 1,075,090
Net deferred tax liability	Ps 4,127,671	Ps 4,213,832

Tax loss carry forwards are recognized as a deferred tax asset to the extent that realization of the related tax benefit through future taxable profits is probable. In September 2012, AKRA Polyester recorded a deferred tax asset amounting to Ps 351,166 in relation with losses amounting to Ps 1,254,165 due to the merger with Petal.

At December 31, 2013, the subsidiaries have accumulated tax loss carryforwards for a total of Ps 1,836,359 expiring as shown below:

Loss incurred in the year	Tax loss carryforwards	Year of maturity
2004	Ps 216,765	2014
2005	227,583	2015
2006	92,890	2016
2007	10,978	2017
2008	321,813	2018
2009	6,148	2019
2010	1,110	2020
2011	874,420	2021
2012	84,652	2022
	Ps 1,836,359	

Note 22 – Other current liabilities

	At December 31,	
	2013	2012
Taxes	Ps 516,251	Ps 401,406
Accumulated expenses	300,719	522,942
Accrued interest payable	139,093	148,433
Short-term employee benefits	324,416	295,497
Employees' profit sharing	7,108	32,710
Prepayments from costumers	15,231	6,943
Other	12,526	54,330
Total other current liabilities	Ps 1,315,344	Ps1,462,261

Note 23 - Stockholders' equity

At December 31, 2013 the capital stock is variable, with a fixed minimum of Ps 6,051,880 represented by 2,118,163,635 ordinary, nominative shares, "Class I" Series "A", with no par value, fully subscribed and paid in. The variable capital entitled to withdrawal will be represented, if issued, by registered "Class II" Series "A" shares without par value.

The net income of the year is subject to decisions made by the General Stockholders' Meeting, the Company's by-laws and the General Law of Mercantile Corporations. In accordance with the General Law of Mercantile Corporations, the legal reserve should be increased annually by 5% of the net annual income until it reaches 20% of the fully paid in capital stock.

The movements in other reserves for 2013 and 2012 are shown as follows:

	Effect from foreign currency translation	Effect of cash flow hedge derivative instruments	Total
At January 1, 2012	Ps 1,716,956	(Ps 196,985)	Ps 1,519,971
Gains on fair value	-	87,638	87,638
Deferred tax asset on fair value gains	-	(22,667)	(22,667)
Loss in translation of foreign entities	(1,406,694)	-	(1,406,694)
At December 31, 2012	Ps 310,262	(Ps 132,014)	Ps 178,248
Gains on fair value	-	282,016	282,016
Deferred tax asset on fair value gains	-	(85,085)	(85,085)
Loss in translation of foreign entities	27,918	-	27,918
At December 31, 2013	Ps 338,180	Ps 64,917	Ps 403,097

In the Ordinary General Meeting of Alpek, held on December 9, 2013, the stockholders agreed to declare dividends in cash for a total of Ps 1,487,603.

In the Ordinary General Meeting of Alpek, held on February 28, 2013, the stockholders agreed to declare dividends in cash for a total of Ps 1,471,852.

In the Ordinary General Meeting of Alpek, held on August 30, 2012, the stockholders agreed to declare dividends in cash for a total of Ps 910,810.

In the Ordinary General Meeting of Alpek, held on February 20, 2012, the stockholders agreed to declare dividends in cash for a total of Ps 641,470.

In the Ordinary General Meeting of Alpek, held on January 10, 2012, the stockholders agreed to declare dividends in cash for a total of Ps 139,973.

Dividends paid are not subject to income tax when arising from the net tax profit account (CUFIN). Any dividend paid in excess of this account will be subject to a tax equal to 42.86% if paid in 2013. The Company must pay the tax and it may be credited against the income tax of the Company during the year or in the immediately following two years or, when applicable, against the flat tax of the year. Dividends paid from retained earnings previously subject to taxes are not subject to tax withholding or payment.

In the event of a reduction in capital, the Income Tax Law provisions establish that any excess of stockholders' equity over capital contributions should be accorded the same tax treatment as dividends.

Note 24 - Sharebased payments

Alpek has a compensation scheme with reference to the value of shares of its holding company for executives of both, the Company and its subsidiaries. According to the terms of the plan, eligible executives will receive a cash payment subject to the achievement of certain quantitative and qualitative metrics based on the following financial measures:

- Improved share price
- Improvement in net income
- Permanence of the executives in the Company

The program consists in determining a number of shares which the executives will have a right to. The bonus will be paid in cash over the next five years; i.e., 20% every year at the average price of the share at the end of each year. The average price of the share in 2013 and 2012 was 38.86 and 27.8, respectively.

The short-term and long-term liability was analyzed as follows:

	December 31, 2013	December 31, 2012
Short-term	Ps 32,393	Ps 24,047
Long-term	23,170	63,410
Total carrying value	Ps 55,563	Ps 87,457

Note 25 - Expenses classified by their nature

The total cost of sales and selling and administrative expenses, classified by the nature of the expense, were as follows:

	2013	2012
Raw materials and others	(Ps 69,019,660)	(Ps 73,584,231)
Employee benefit expenses (Note 28)	(2,909,920)	(2,860,519)
Human resource expenses	(17,796)	(21,034)
Maintenance	(858,716)	(921,734)
Depreciation and amortization	(2,024,584)	(2,129,374)
Advertising expenses	(2,037)	(2,145)
Freight charges	(3,211,218)	(3,400,967)
Energy consumption and fuel (gas, electricity, etc.)	(3,115,816)	(2,861,575)
Travel expenses	(102,370)	(106,059)
Operating lease expenses	(371,723)	(263,785)
Technical assistance, professional fees and administrative services	(875,522)	(920,204)
Others	(2,096,935)	(1,926,252)
Total	(Ps 84,606,297)	(Ps 88,997,879)

Note 26 - Other (expenses) income, net

Other income and expenses for the years ended December 31, are comprised as follows:

	2013	2012
Loss on sale of wastes	(Ps 542)	Ps 1,136
Gain on sale of property, plant and equipment	2,505	375
Impairment of property, plant and equipment (See Note 11)	(170,276)	(4,798)
Valuation of derivative financial instruments	45,882	152,275
Indemnity from insurance recovery	-	6,009
Taxes and surcharges	-	9,204
Other income, net	14,575	146,635
Total	(Ps 107,856)	Ps 310,836

Note 27 - Financial cost, net

Financial cost, net for the years ended December 31, are comprised as follows:

	2013	2012
Financial income:		
Interest income on short-term bank deposits	Ps 95,245	Ps 133,569
Interest income on loans from related parties	37,313	49,144
Interest income on employees benefits	-	23,027
Others	4,245	8,958
Foreign exchange gain	-	141,224
Gain for changes in the fair value of financial assets at fair value through profit or loss	-	68,927
Total financial income	Ps 136,803	Ps 424,849
Financial expenses:		
Interest expense on bank loans	(Ps 212,820)	(Ps 751,306)
Interest expenses on loan to related parties	-	(56,362)
Non-bank interest expense	(735,068)	(619,700)
Interest cost on employees benefit	(40,086)	-
Other	(103,863)	(328,744)
Foreign exchange loss	(145,898)	-
Loss for changes in the fair value of financial assets at fair value through profit or loss	(71,002)	-
Total financial cost	(1,308,737)	(1,756,112)
Financial cost, net	(Ps 1,171,934)	(Ps 1,331,263)

Note 28 - Employee benefit expenses

Other employee benefit expenses for the years ended December 31, are integrated as follows:

	2013	2012
Salaries, wages and benefits	(Ps 2,122,757)	(Ps 2,091,768)
Social security contributions	(197,794)	(187,301)
Employee benefits (Note 20)	(5,183)	(18,461)
Other contributions	(584,186)	(562,989)
Total	(Ps 2,909,920)	(Ps 2,860,519)

Note 29 - Income tax expense

New Income Tax Law

On December 11, 2013 the decree for the new Income Tax Law was published (new LISR) becoming effective on January 1, 2014, repealing the LISR published as of January 1, 2002 (former LISR). The new LISR maintains the essence of the former LISR; however, it makes significant amendments among which the most important are:

i. Limiting deductions in contributions to pension and exempt salary funds, automobile leases, restaurant consumption and social security fees; it also eliminates the immediate deduction in fixed assets.

ii. Amending the mechanics to accumulate revenues derived from the term alienation and generalizing the procedure to determine the gain in alienation of shares.

iii. Amending the procedure to determine the taxable basis for the Employees' Profit Sharing (PTU), establishing the mechanics to determine the initial balance of the capital contribution account (CUCA) and the CUFIN and establishing new mechanics for the recovery of Asset Tax (IA).

iv. Establishing an ISR rate applicable for 2014 and the following years of 30%. In contrast to the LISR above that established a 30%, 29% and 28% rate for 2013, 2014 and 2015, respectively.

The Company has reviewed and adjusted the deferred tax balance at December 31, 2013, considering in the determination of temporary differences, the application of these new provisions, the impacts of which are detailed in the reconciliation of the effective rate as follows. However, the effects in deduction limitations and others indicated previously will be applied as from 2014 and will mainly affect the tax incurred as of such year.

Income tax for the years ended December 31, are integrated as follows:

	2013	2012
Total current income tax	(Ps 1,136,767)	(Ps1,458,257)
Adjustment to the provision of income tax from prior years	(44,149)	2,982
Total deferred tax	363,586	(268,018)
Income tax expense	(Ps 817,330)	(Ps1,723,293)

The reconciliation between the statutory and effective income tax rates for the years ended December 31, is as follows:

	2013	2012
Profit before income tax	Ps 1,723,460	Ps6,106,095
Statutory tax rate	30%	30%
Income tax at statutory rate	(517,038)	(1,831,829)
Add (deduct) effect of income tax on:		
Inflationary tax adjustment	(70,330)	(71,823)
Non-deductible expenses	(18,643)	(32,673)
Non-taxable income	5,511	30,392
Tax losses for which no deferred income tax assets were recognized	(10,274)	-
Effects of translation from functional currency to reporting currency	4,196	(105,801)
Effect of different tax rates of countries other than Mexico	84,814	(85,088)
Adjustment to the income tax liability of prior years	(44,149)	8,880
Effect from reactivation of tax losses	-	376,366
Effect in change of rate	(231,854)	-
Effect in deferred taxes for the non-deductibility of labor obligations	(10,489)	-
Share of losses of associates	(9,074)	(11,717)
Total income tax	(Ps 817,330)	(Ps1,723,293)
Effective tax rate	47%	28%

During the year, as a result of the change in income tax rate in Mexico of 30%, 29% and 28% for 2013, 2014 and 2015, respectively to 30%, enacted on December 11, 2013 and effective as from January 1, 2014, the deferred income tax balances have been remedied. Deferred tax that is expected to be reversed in the year ending December 31, 2013, has been measured using the rate to be applied in Mexico during such period (30%).

The charge (credit) to income tax related to other items of the comprehensive income for the years ending December 31, are as follows:

	2013			2012		
	Before taxes	Tax charge (in favor)	After taxes	Before taxes	Tax charge (in favor)	After taxes
Translation effect of foreign currency	Ps 27,918	Ps -	Ps 27,918	(Ps1,406,694)	Ps -	(Ps 1,406,694)
Remeasurement of obligations for employee benefits	598,160	(220,226)	377,934	(88,386)	26,233	(62,153)
Effect of derivative financial instruments for hedging purposes of cash flow	282,016	(85,085)	196,931	87,638	(22,667)	64,971
Other comprehensive income items	Ps 908,094	(Ps 305,311)	Ps 602,783	(Ps1,407,442)	Ps 3,566	(Ps 1,403,876)
Deferred tax		(Ps305,311)			Ps 3,566	

Note 30 - Segment reporting

Segment reporting is presented, consistently with the internal report provided to the Chief Operating Officer, who has been identified as the Company's Executive Director, and represents the highest authority in operational decision making, allocation of resources and performance assessment of operating segments.

An operating segment is defined as a component of an entity on which separate financial information is regularly being evaluated.

Management assesses its operations through two business segments: the Polyester business chain and the Plastics and Chemicals business. These segments are administered separately since its products vary and targeted markets are different. Their activities are performed through various subsidiaries.

The operations between operating segments are performed at market value and the accounting policies with which the financial information by segments is prepared, are consistent with those described in Note 3.

The Company evaluates the performance of each of the operating segments based on income before financial cost net, income taxes, depreciation, amortization, impairment of non-current assets and share in losses of associates (Adjusted EBITDA), considering that this indicator is a good metric to evaluate operating performance and the ability to meet principal and interest obligations with respect to indebtedness, and the ability to fund capital expenditures and working capital requirements. Nevertheless, Adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The Company has defined the Adjusted EBITDA as consolidated income (loss) before taxes after adding or deducting, accordingly: (1) depreciation, amortization and impairment of non-current assets; (2) the financial cost, net (including interest expense, interest income, exchange gains or losses, net and gains or losses from derivative financial instruments and (3) share in losses of associates.

Following is the condensed financial information of these operating segments (in millions of pesos):

For the year ended December 31, 2013

Statement of income:	Polyester	Plastics and Chemicals	Other	Total
Revenue by segment	Ps 68,704	Ps 21,600	(Ps 243)	Ps 90,061
Inter-segment revenue	(68)	(175)	243	-
Revenue from external costumers	Ps 68,636	Ps 21,425	Ps -	Ps 90,061
Operating profit	977	1,882	66	2,925
Depreciation, amortization and impairment of non-current assets	3,997[(1)]	422	-	4,419
Adjusted EBITDA	Ps 4,974	Ps 2,304	Ps 66	Ps 7,344
Capital investment (Capex)	Ps 1,845	Ps 431	Ps -	Ps 2,276

For the year ended December 31, 2012:

Statement of income:	Polyester	Plastics and Chemicals	Other	Total
Revenue by segment	Ps 75,249	Ps 21,068	(Ps 154)	Ps 96,163
Inter-segment revenue	(49)	(105)	154	-
Revenue from external costumers	Ps 75,200	Ps 20,963	-	Ps 96,163
Operating profit	5,319	2,161	(4)	7,476
Depreciation, amortization and impairment of non-current assets	1,689	446	-	2,135
Adjusted EBITDA	Ps 7,008	Ps 2,607	(Ps 4)	Ps 9,611
Capital investment (Capex)	Ps 1,400	Ps 122	Ps -	Ps 1,522

(1) In 2013, within the polyester segment is integrated the impairment effect of fixed assets related to the closing of the Cape Fear plant, see Notes 2 and 18.

The reconciliation between adjusted EBITDA and profit before taxes for the years ended December 31 is as follows:

	2013	2012
Adjusted EBITDA	Ps 7,344	Ps 9,611
Depreciation, amortization and impairment of non-current assets	(4,419)	(2,135)
Operating profit	2,925	7,476
Financial cost, net	(1,172)	(1,331)
Share of losses in associates	(30)	(39)
Income before taxes	Ps 1,723	Ps 6,106

Following is a summary of revenues per country of origin for the years ended December 31 (in millions of pesos):

	2013	2012
México	Ps 49,276	Ps 53,456
United States	36,331	38,609
Argentina	4,454	4,098
Revenues	Ps 90,061	Ps 96,163

The Company's main costumer generated revenue amounting to Ps 10,116 and Ps 10,121 for the years ended December 31, 2013 and 2012, respectively. This revenue is obtained from the Polycstcr reporting segment and represent 11% for both years of consolidated revenue with external costumers.

The following table shows the intangible assets and property, plant and equipment of the country of origin (in millions of Mexican pesos):

	At December 31,	
	2013	2012
Mexico	Ps 1,727	Ps 1,552
United States	1,179	690
Argentina	-	1
Total intangible assets	Ps 2,906	Ps 2,243

	At December 31,	
	2013	2012
México	Ps 18,818	Ps 18,439
United States	5,703	7,985
Argentina	185	271
Total property, plant and equipment	Ps 24,706	Ps 26,695

Note 31 - Contingencies and commitments

During 2013, the Company through its subsidiary Grupo Petrotemex, signed an agreement with M&G for the rights to supply the plant for 400 thousand tons of PET (manufactured with 336 thousand tons of PTA) a year, by which it is obliged to pay an amount of Ps 4,576,775 (US$350 million) during the construction of the plant. At December 31, 2013 Alpek had made a payment of Ps 454,650 (US$35 million), presented within goodwill and intangible assets, net. See Note 12.

At December 31, 2013 and 2012, the subsidiaries had entered into various agreements with suppliers and customers for purchases of raw materials used for production and the sale of finished goods, respectively. The term of these agreements varies between one and five years and generally contain price adjustment clauses.

Some of the subsidiaries use hazardous materials to manufacture polyester filaments and staple fibers, polyethylene terephthalate (PET), terephthalatic acid (PTA), Caprolactam (CPL), polypropylene (PP), chemical specialties and they generate waste, such as catalysts and glycols. These and other activities of the subsidiaries are subject to various federal, state and local laws and regulations governing the generation, handling, storage, treatment and disposal of hazardous substances and wastes. According to such laws, the owner or lessor of real estate property may be liable for, among other things, (i) the costs of removal or remediation of certain hazardous or toxic substances located on,in, or emanating from, such property, as well as the related cost of investigation and property damage and substantial penalties for violations of such law, and (ii) environmental contamination of facilities where its waste is or has been disposed of. Such laws often impose such liability without regard to whether the owner or lessee knew of, or was responsible for, the presence of such hazardous or toxic substances.

Although the subsidiaries estimate that there are no existing material liabilities relating to noncompliance with environmental laws and regulations, there can be no assurance that there are no undiscovered potential liabilities related to historic or current operations that will require investigation and/or remediation under environmental laws, or that future uses or conditions will not result in the imposition of an environmental liability or expose them to third-party or related parties actions, such as tort suits. Furthermore, there can be no assurance that changes in environmental regulations in the future will not require the subsidiaries to make significant capital expenditures to change methods of disposal of hazardous materials or otherwise alter aspects of their operations.

DAK Americas, L. L. C. provided corporate guarantees to Clear Path Recycling, L. L. C. in favor of Shaw Industries Group, Inc. At December 31, 2013 and 2012, this guarantee amounts to US$ 6,790 and US$ 5,928, respectively.

In September 2007, the subsidiary Indelpro renewed an agreement it had held with PEMEX Refinación to cover the supply of polypropylene for the chemical and refining area maturing in 2018. Acquisitions during the year ended December 31, 2013 and 2012 under this contract amounted Ps 4,379,430 and Ps 4,532,035, respectively and there are purchase commitments for approximately Ps 5,395,419 for the year 2014.

On February 1, 2005, the subsidiary Polioles and BASF Corporation (the other partner of the Affiliate) signed a licensing agreement in relation with the use of patents and technical information for the production of polystyrene pearl in the Altamira plant located in Tamaulipas. According to the aforementioned agreement, Polioles pays BASF Corporation the difference between the annual minimum of US$9 million and the gain before financing and taxes plus depreciation and amortization generated by the polystyrene pearl line. This agreement will be effective until Polioles has paid a consideration of US$15 million over an accumulated basis. For the years ended December 31, 2013 and 2012 the agreed parameter was not reached and therefore, a payment obligation was not generated.

The Company leases equipment under non-cancellable operating lease agreements, related mainly to transportation equipment for the PTA and PET businesses, which normally include renewal options. These renewal operations are generally under the same effective rental conditions.

Future payments under these operating lease agreements with non-cancellable terms greater than a year, are summarized below:

2014	Ps	168,325
2015		128,504
2016		101,066
2017		74,733
Onwards		296,071

Note 32 – Subsequent events:

In preparing the financial statements the Company has evaluated events and transactions for recognition or disclosure subsequent to December 31, 2013 and up to the date of issuance of the financial statements, and has concluded that there are no significant subsequent events to affect these.

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer