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

Consolidated and Combined Financial Statements

As of December 31, 2012 and 2011 and January 1, 2011

Alpek, S. A. B. de C. V. and subsidiaries
Content
As of December 31, 2012 and 2011 and January 1, 2011

Contents | Page

Report of the Independent Auditors

Monterrey, N. L, February 1, 2013

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

We have audited the accompanying consolidated and combined financial statements of Alpek, S. A. B. de C. V and subsidiaries, which comprise the consolidated and combined balance sheets as of December 31, 2012 and 2011, and January 1, 2011, and the consolidated and combined statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and combined 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 and combined 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 and combined 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 and combined financial statements are free from material misstatement.

An audit consists of examining, on a test basis, evidence supporting the figures and disclosures in the consolidated and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and combined 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 and combined 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 and combined financial statements.

PricewaterhouseCoopers, S. C., Avenida Rufino Tamayo No. 100, Colonia Valle Oriente, C.P. 66269 Garza García, Nuevo León
T: (81) 8152 2000 F: (81) 8152 2075 www.pwc.com/mx

pwc

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 and combined financial statements present fairly, in all material respects, the consolidated and combined financial position of Alpek, S. A. B. de C. V. and subsidiaries as of December 31, 2012 and 2011, and January 1, 2011, and their financial performance and their cash flows for the years ended December 31, 2012 and 2011, in accordance with International Financial Reporting Standards (IFRS).

PricewaterhouseCoopers, S. C.

Héctor Rábago Saldívar
Audit Partner

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

Consolidated and Combined Balance Sheets

As of December 31, 2012 and 2011 and January 1, 2011

(In thousands of Mexican pesos)

	Note	December 31, 2012	December 31, 2011	January 1, 2011
Assets				
Current Assets:				
Cash and cash equivalents	6	Ps 6,654,561	Ps 3,584,287	Ps 3,231,935
Restricted cash and cash equivalents	7	2,992	1,925	283,647
Trade and other receivables, net	8	13,368,995	13,281,161	9,262,717
Inventories	11	11,582,045	12,320,163	6,580,709
Derivative financial instruments	20	107,297	49,450	207,100
Other current assets	9	243,991	231,295	186,594
Total current assets		31,959,881	29,468,281	19,752,702
Non-current Assets:				
Derivative financial instruments	20	-	26,630	104,720
Property, plant and equipment, net	12	26,695,410	28,879,082	22,125,158
Goodwill and intangible assets, net	13	2,243,495	2,549,420	188,355
Deferred income tax	19	504,613	939,983	706,139
Other non-current assets	14	292,774	289,561	137,626
Total non-current assets		29,736,292	32,684,676	23,261,998
Total Assets		Ps 61,696,173	Ps 62,152,957	Ps 43,014,700
Liability and Equity				
Liabilities				
Current liabilities:				
Current debt	17	Ps 500,641	Ps 2,141,974	Ps 1,428,999
Trade and other payables	16	9,696,234	13,218,369	7,699,308
Derivative financial instruments	20	287,510	438,741	88,418
Income tax payable		101,807	301,293	279,849
Other current liabilities	21	1,462,261	2,578,872	1,696,129
Total current liabilities		12,048,453	18,679,249	11,192,703
Non-current liabilities:				
Non-current debt	17	13,939,767	17,544,786	7,786,884
Derivative financial instruments	20	208,218	743,063	1,150,668
Deferred income tax	19	4,718,445	5,125,673	4,638,388
Employees' benefits	18	1,130,128	1,261,062	572,432
Total non-current liabilities		19,996,558	24,674,584	14,148,372
Total Liability		32,045,011	43,353,833	25,341,075
Equity				
Controlling portion:				
Capital stock	22	6,051,880	4,968,187	2,917,204
Share premium	22	9,071,074	-	-
Retained earnings	22	11,006,758	9,139,157	11,617,447
Other reserves	22	50,264	1,147,204	49,584
Stockholders' equity controlling portion		26,179,976	15,254,548	14,584,235
Non-controlling portion	22	3,471,186	3,544,576	3,089,390
Total Equity		29,651,162	18,799,124	17,673,625
Total Liabilities and Equity		Ps 61,696,173	Ps 62,152,957	Ps 43,014,700

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

José de Jesús Valdez Simancas
Chief Executive Officer

Raúl Millares Neyra
Chief Financial Officer

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

Consolidated and Combined Statements of Income
For the years ended December 31, 2012 and 2011

(In thousands of Mexican pesos)

	Note	2012	2011
Net sales		Ps 96,163,456	Ps 90,666,561
Cost of sales	23	(86,766,710)	(80,653,169)
Gross profit		9,396,746	10,013,392
Selling expenses	23	(1,072,461)	(972,751)
Administrative expenses	23	(1,158,708)	(1,126,593)
Other income (expenses), net	24	310,836	(325,482)
Operating profit		7,476,413	7,588,566
Financial income (including foreign exchange gain)	25	565,716	224,508
Financial expenses (including foreign exchange loss)	25	(1,896,979)	(1,414,731)
Comprehensive financing expense, net		(1,331,263)	(1,190,223)
Share of losses of associates		(39,055)	(22,965)
Profit before income tax		6,106,095	6,375,378
Income tax	27	(1,723,293)	(1,947,625)
Profit for the year		Ps 4,382,802	Ps 4,427,753
Profit attributable to:			
Controlling portion		Ps 3,662,549	Ps 3,899,342
Non-controlling portion		720,253	528,411
		Ps 4,382,802	Ps 4,427,753
Basic and diluted earnings per share		Ps 1.83	Ps 2.24
Weighted average of outstanding shares (in thousands)		1,996,475	1,738,865

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

José de Jesús Valdez Simancas
Chief Executive Officer

Raúl Millares Neyra
Chief Financial Officer

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

Consolidated and Combined Statements of Comprehensive Income
For the years ended December 31, 2012 and 2011

(In thousands of Mexican pesos)

	Note	2012	2011
Profit for the year		Ps 4,382,802	Ps 4,427,753
Other comprehensive income for the year, net of taxes:			
Effect of derivative financial instruments designated as cash flows hedging	20	64,971	(239,535)
Actuarial losses of labor obligations	18	(62,153)	(242,128)
Translation effect of foreign entities	3c	(1,406,694)	1,716,956
Total items of the comprehensive income for the year, net of tax		(1,403,876)	1,235,293
Total comprehensive income for the year		Ps 2,978,926	Ps 5,663,046
Attributable to:			
Controlling portion		Ps 2,504,925	Ps 4,754,154
Non-controlling portion		474,001	908,892
Comprehensive income for the year		Ps 2,978,926	Ps 5,663,046

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

José de Jesús Valdez Simancas
Chief Executive Officer

Raúl Millares Neyra
Chief Financial Officer

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

Consolidated and Combined Statements of Changes in Equity
For the years ended December 31, 2012 and 2011

(In thousands of Mexican pesos)

	Note	Capital stock	Share premium	Retained earnings	Other reserves	Total attributable to controlling portion	Non-controlling portion	Total equity
Balance at January 1, 2011		Ps 2,917,204	Ps -	Ps 11,617,447	Ps 49,584	Ps 14,584,235	Ps 3,089,390	Ps 17,673,625
Profit for the year				3,899,342		3,899,342	528,411	4,427,753
Other comprehensive income for the period				(242,808)	1,097,620	854,812	380,481	1,235,293
Total comprehensive income for the period				3,656,534	1,097,620	4,754,154	908,892	5,663,046
Dividends declared	22			(1,225,133)		(1,225,133)	(453,706)	(1,678,839)
Corporate Reorganization (Note 1):								
Initial capital contribution	1	50				50	-	50
Increase in capital stock	1	4,968,137				4,968,137	-	4,968,137
Decrease in Alpek combined stockholders' equity	1	(2,917,204)		(12,081,574)		(14,998,778)	-	(14,998,778)
Corporate reorganization net effect	1			7,171,883		7,171,883	-	7,171,883
Balance at December 31, 2011		4,968,187	-	9,139,157	1,147,204	15,254,548	3,544,576	18,799,124
Profit for the year				3,662,549		3,662,549	720,253	4,382,802
Other comprehensive income for the period				(60,684)	(1,096,940)	(1,157,624)	(246,252)	(1,403,876)
Total comprehensive income for the period				3,601,865	(1,096,940)	2,504,925	474,001	2,978,926
Other				16,167		16,167	-	16,167
Dividends declared	22			(1,692,253)		(1,692,253)	(605,569)	(2,297,822)
Increase in capital stock	22	1,083,693	9,071,074			10,154,767	-	10,154,767
Movements in non-controlling portion	22			(58,178)		(58,178)	58,178	-
Balance at December 31, 2012		Ps 6,051,880	Ps 9,071,074	Ps 11,006,758	Ps 50,264	Ps 26,179,976	Ps 3,471,186	Ps 29,651,162

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

José de Jesús Valdez Simancas
Chief Executive Officer

Raúl Millares Neyra
Chief Financial Officer

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

Consolidated and Combined Statements of Cash Flows
For the years ended December 31, 2012 and 2011

(In thousands of Mexican pesos)

	Note	2012	2011
Cash flows from operating activities			
Profit before income tax		Ps 6,106,095	Ps 6,375,378
Depreciation and amortization	12, 13	2,129,374	1,818,776
Impairment of property, plant and equipment		4,798	137,897
Loss (gain) on the sale of property, plant and equipment		375	(3,034)
Gain on sale on available for sale investments	24	-	(88,531)
Share of losses of associates	14	39,055	22,965
Finance result, net		1,273,831	1,095,797
Gain on changes in the fair value of cash flow hedges		(221,202)	(3,833)
Employees' profit sharing		26,979	111,175
Subtotal		9,359,305	9,466,590
Increase in trade receivables		(108,926)	(191,368)
(Increase) decrease in trade receivables from related parties		(440,565)	162,786
Increase in other receivables		(720,176)	(87,489)
Decrease (increase) in inventories		117,939	(3,221,330)
(Decrease) increase in trade payables		(1,236,125)	1,089,932
Increase (decrease) in trade payables from related parties		454,186	(84,427)
Income tax paid		(1,709,084)	(2,278,334)
Employees' profit sharing paid		(103,136)	(39,101)
Net liability for retirement obligation		(130,014)	(155,106)
Net cash generated from operating activities		5,483,404	4,662,153
Cash flows from investing activities			
Interest received		137,152	24,668
Purchase of property, plant and equipment		(1,521,542)	(588,060)
Business acquisitions, net of cash acquired	2	-	(9,038,215)
(Acquisition) sale of shares on available for sale investments		(54,055)	88,557
Derivative financial instruments		(319,363)	(269,564)
Dividends received		-	632
Other		(47,419)	341,826
Net cash used in investing activities		(1,805,227)	(9,440,156)
Cash flows from financing activities			
Proceeds from loans and debt		9,888,096	9,778,060
Payments of loans and debt		(13,918,319)	(2,127,782)
Interest paid		(1,452,276)	(1,109,312)
Dividends paid		(2,297,822)	(1,678,839)
Increase in capital stock	2	10,154,767	51
Payments of loans to ultimate parent company	1	(2,654,568)	-
Net cash flows (used in) provided from financing activities		(280,122)	4,862,178
Increase in cash and cash equivalents		3,398,055	84,175
Foreign exchange on cash and cash equivalents		(327,781)	268,177
Cash and cash equivalents at the beginning of the period		3,584,287	3,231,935
Cash and cash equivalents at the end of the period		Ps 6,654,561	Ps 3,584,287

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

José de Jesús Valdez Simancas
Chief Executive Officer

Raúl Millares Neyra
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 and chemical 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, expandable polystyrene, polyurethanes, caprolactam, 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.

The address of Alpek's registered office is in Avenida Gomez Morin Sur No. 1111, Col. Carrizalejo, San Pedro Garza Garcia, Nuevo Leon, Mexico and operates plants located in Mexico, the United States of America 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 of America.

The financial statements and other financial information presented herein were prepared on a combined basis until June 15, 2011 and on a consolidated basis starting on June 16, 2011. Prior to June 15, 2011, Alfa operated in the petrochemical industry through several entities grouped into a business unit informally known as "Alpek" that did not constitute a legal group or entity. However, on April 18, 2011, the Company was incorporated as Alpek, S. A. de C. V. with an initial capital contribution of Ps 50 and on June 16, 2011, Alfa, S. A. B. de C. V. ("Alfa") transferred to Alpek, through direct or indirect transfers, in the following companies:

	Percentage of direct ownership by Alfa prior to the Corporate Reorganization	Percentage of direct and indirect ownership by Alpek post Corporate Reorganization
Grupo Petrotemex, S. A. de C. V. and its subsidiaries (Petrotemex)(1)	100%	100%
Akra Polyester, S. A. de C. V. and its subsidiary (Akra)(2)	51%	100%
Indelpro S. A. de C. V. and its subsidiary (Indelpro)(3)	51%	51%
Polioles, S. A. de C. V. and its subsidiary (Polioles)(4)	50% plus 1 share	50% plus 1 share
Unimor, S. A. de C. V. and its subsidiaries (Unimor)(5)	100%	100%
Copeq Trading Co. (Copeq)	100%	100%

(1) Alfa Corporativo, S. A. de C. V. (a wholly owned subsidiary of Alfa) owns 2,015 shares, which represents an approximately 0.0000666% share participation out of a total of 3,027,257,764 shares.
(2) Petrotemex owned the 49% remaining shares prior to the Corporate Reorganization. Immediately after the Corporate Reorganization, Petrotemex owned 100% and currently it owns approximately 93.35% of the shares and BP Amoco Chemical Company owns approximately 6.65% of shares.
(3) LyondellBasell Industries Holdings, B.V. ("LyondellBasell") owns the 49% remaining shares.
(4) BASF de México, S. A. de C. V. owns 50% of the shares, minus one share.
(5) Alfa Subsidiarias, S. A. de C. V. (a wholly owned subsidiary of Alfa) owns 50,000 shares, which represents an approximately 0.0006997% share participation out of a total of 7,146,015,147 shares
The transfers of the shares from Alfa to Alpek were completed as follows:

- Alfa increased Alpek's capital stock in the amount of Ps 4,968,137 through a contribution of its share ownership in Petrotemex and Indelpro (non-cash transactions). Upon such contribution, Alpek owns 100% and 51%, of the shares of these companies, respectively.

- Alfa sold its share ownership in Polioles, Unimor and Copeq to Alpek for Ps 2,220,504. As a result, Alpek recognized an account payable that was settled in 2012, and it owns 50% plus 1 share, 100% and 100% of the shares of these companies, respectively (see Note 10).

- Alpek assumed a liability of Petrotemex due to Alfa in the amount of Ps 638,254, derived from the sale that Alfa made to Petrotemex of its ownership interest of 51% in Akra. As a result, Petrotemex owned 100% of Akra's shares. The account payable assumed by Alpek was settled in 2012 (see Note 10).

Prior to the completion of the Corporate Reorganization on June 16, 2011, Petrotemex, Akra, Indelpro, Polioles, Unimor and Copeq were under common direct ownership and control of Alfa throughout the reporting periods. For comparative purposes the financial statements prior to June 16, 2011, are prepared on a combined basis, combined with the accounts of Petrotemex, Akra, Indelpro, Polioles, Unimor and Copeq (together the "Combined affiliates"). The Corporate Reorganization was completed on June 16, 2011; as of such date, Alpek assumed ownership and control of the Combined Affiliates and therefore, as of June 16, 2011, our financial information is prepared on a consolidated instead of combined basis.

The transfer of the shares from Alfa to Alpek was completed as follows:

	Capital Stock	Total
Contribution of share ownership in Petrotemex and Indelpro	Ps 4,968,137	Ps 4,968,137
Sale of share ownership in Polioles, Unimor and Copeq	-	2,220,504
Sale of share ownership in Akra	-	638,254
Purchase price of the net assets acquired on June 16, 2011	Ps 4,968,137	Ps 7,826,895

	Capital Stock	Retained Earnings	Total
Petrotemex and Indelpro combined stockholders' equity at June 16, 2011	Ps 1,856,862	Ps 10,052,963	Ps 11,909,825
Unimor, Polioles, Akra and Copeq combined stockholders' equity at June 16, 2011	1,060,342	2,028,611	3,088,953
Carrying amounts values of the net assets acquired at June 16, 2011	Ps 2,917,204	Ps 12,081,574	Ps 14,998,778
Corporate reorganization net effect	Ps 2,050,933	(Ps 12,081,574)	(Ps 7,171,883)

The transfer of the shares was accounted for, as a corporate reorganization of companies under common control, therefore, the net assets transferred were accounted by Alpek at its carrying amount (after adjustments for first adoption of IFRS) according to Alfa's consolidated financial statements (predecessor cost basis). The difference between the historical book values of the net assets acquired and the value of the contribution or purchase price, whichever is applicable, was considered a transaction between common shareholders and its effects were accounted in Alpek's equity; as a result, the book value of the net assets obtained by Alpek are equal to those Alfa had in its consolidated financial statements where no goodwill nor fair value adjustments were recognized for financial reporting purposes.

Note 2 – Significant events

2012

a) Debt issuance of Alpek 144A

During November 2012, Alpek, S. A. B. de C. V., (Alpek) completed an issuance of debt ("Senior Notes") for a nominal amount of US$650 million which mature on 2022. Interest relating to the Senior Notes will be payable every six months at an annual interest rate of 4.5% starting on May 20, 2013.

b) Public offering of Alpek's Capital

On April 26, 2012, Alpek, S. A. B. de C. V. performed an initial public offering (IPO) in Mexico and a private offering of shares in international markets (together "Global Offering"). The total amount of the Global Offering was Ps 9,082 million (330,259,322 shares at a placement price of Ps 27.50 per share).

On May 8, 2012, following the global offering, the underwriters, both in Mexico and abroad, exercised the overallotment option granted. The total amount of the overallotment was Ps 1,349 million (49,038,898 shares at the placement price of Ps 27.50 per share) so that the total resources Alpek obtained as a result of the Global Offering and the exercise of these options was Ps 10,155 million, net of issuance costs.

Resulting from the exercise of such public offering and overallotment options, the subscribed and paid capital of Alpek, S. A. B. de C.V. is represented by a total of 2,118,163,635 shares class I, Series A.

c) Incorporation of a new entity

Beginning in 2012 and over the next two years, Alpek plans to invest approximately US$130 million in an electrical and steam energy cogeneration project through its subsidiary Petrotemex. This cogeneration plant, which will supply its PTA and PET plants located in Cosoleacaque, Veracruz, Mexico, will generate approximately 95 megawatts of electricity as well as all the steam needed to cover the requirements of these plants. The cogeneration plant will also supply energy to other Alfa entities outside of Cosoleacaque.

In order to implement this project, on January 31, 2012, Petrotemex and its subsidiary Dak Resinas Americas Mexico, S. A. de C. V. (both subsidiaries of Alpek) formed a corporation named Cogeneración de Energía Limpia de Cosoleacaque, S. A. de C. V. ("Cogeneradora"). The project will increase the plant's efficiency by ensuring a supply of low cost energy with low emissions.

As of December 31, 2012, Cogeneradora is in the pre-operating stage.

2011

a) Acquisition of Eastman (Columbia)

On January 31, 2011, through its subsidiary DAK Americas, Alpek acquired the Purified Terephthalic Acid ("PTA") and Polyethylene Terephthalate ("PET") facilities located in the United States of America owned by Eastman Chemical Company ("Columbia Assets"). The acquisition of the Columbia Assets complied with the requirements of a business combination. As a result of this transaction the Company acquired a modern petrochemical complex which is comprised of three plants located in Columbia, South Carolina, with a combined total annual capacity of 1.26 million tons to produce PTA and PET. This acquisition also included working capital, patents and intellectual property rights relating to the IntegRex™ technology used in the production of PTA and PET. A total of 415 employees including administrative personnel, work in these plants. The consolidated and combined financial statements include the assets and results of operations of Columbia from February 1, 2011. This business acquisition is included in the Polyester segment. See Note 28.

The final allocation of the purchase price was determined during the fourth quarter of 2011 according to the fair value at the acquisition date, these adjustments were recognized retrospectively from the date of acquisition to December 31, 2011 in accordance with accounting guidance applicable under IFRS. The total consideration paid by the Company amounted to Ps 7,533,452 (US$ 621,572) in cash.

The purchase price allocation is as follows:

Current assets (1)	US$	226,123
Property, plant and equipment		271,196
Intangible assets (3)		156,300
Current liabilities (2)		(36,410)
Goodwill		4,363
	US$	621,572(4)

(1) Current assets mainly consist of accounts receivable and inventories amounting to US$121,799 and US$104,207, respectively.
(2) Current liabilities mainly consist of amounts payable to suppliers amounting to US$36,287.
(3) The information, classification and percentage of amortization are part of the assets described in Note 13.
(4) The purchase price allocation is presented in US dollars because that is the functional and recording currency of the subsidiary acquired, the exchange rate at the date of the transaction was Ps 12.12 pesos by dollar. Additionally, in Note 3.c the main exchange rates used in the translation processes are shown.

The goodwill is comprised primarily of the advantageous global market position obtained through the expanded capabilities of the Company's asset base. The registered goodwill is not deductible for tax purposes.

The acquisition was funded through a syndicated credit loan with several banks and HSBC Securities (USA) Inc. and Credit Suisse Securities (USA) L. L. C. as Administrative Agent, for a total of US$600,000. The loan agreement was signed on December 16, 2010 and fully disbursed on January 31, 2011.

The value of the acquired receivables approximates their fair value due to their short maturities. The receivables are expected to be recovered in the short term.

No contingent liability to be registered has arisen from this acquisition and there is not any contingent agreement. The Company is not responsible for environmental liabilities except for those that may have originated from the acquisition date.

Costs related to the acquisition were Ps 77,589 (US$ 6,401) and were recognized in the income statement in the item of other expenses.

Revenue contributed by Columbia Assets included in the consolidated and combined income statement from the date of acquisition to December 31, 2011 was Ps 12,995 million (US$ 1,046 million).

This transaction corresponds to an acquisition of assets, therefore the Company was unable to get financial information from the counterparty corresponding to these assets prior to the date of the acquisition to determine the amount of annual revenue and net income as if the acquisition had taken place on January 1, 2011.

b) Acquisition of Wellman

On August 31, 2011, Alpek acquired through its subsidiary DAK Americas L. L. C., 100% shares of Wellman, Inc. ("Wellman"). As a result of this transaction, Alpek acquired a plant located in Bay St. Louis, Mississippi, United States of America with an annual production capacity of 430,000 tons of PET. The plant employs 165 persons. The consolidated financial statements include the financial information of Wellman from September 1, 2011, this business acquisition is included in the Polyester segment. See Note 28.

The final allocation of the purchase price was determined during the fourth quarter of 2011 according to the fair value at the acquisition date; these adjustments were recognized retrospectively from the date of acquisition to December 31, 2011 in accordance with accounting guidance applicable under IFRS. The total consideration paid by the Company amounted to Ps 1,535,589 (US$ 123,044) in cash.

The purchase price allocation is as follows:

Current assets [1]	US$ 89,731
Property, plant and equipment	110,728
Intangible assets [3]	7,130
Other assets	11,796
Current liabilities [2]	(44,617)
Provision for labor obligations	(27,900)
Other non-current liabilities	(38,238)
Goodwill	14,414
	US$ 123,044[4]

(1) Current assets consist of cash and cash equivalents of US$1,402, accounts receivable of US$56,414 and inventories of US$31,915, respectively.

(2) Current liabilities consist of amount payable to suppliers and other accounts payable amounting to US$39,460 and US$5,157, respectively.

(3) The information, classification and percentage of amortization are part of the assets described in Note 13.

(4) The purchase price allocation is presented in US dollars because that is the functional and recording currency of the subsidiary acquired, the exchange rate at the date of the transaction was $12.48 pesos by dollar. Additionally, in Note 3.c the main exchange rates used in the translation processes are shown.

The goodwill is comprised primarily of the advantageous global market position obtained through the expanded capabilities of the Company's asset base. The registered goodwill is not deductible for tax purposes.

The value of the acquired receivables approximates their fair value due to their short maturities. The receivables are expected to be recovered in the short term.

No contingent liability to be registered has arisen from this acquisition and there is not any contingent agreement. The Company is not responsible for environmental liabilities except for those that may have originated from the acquisition date.

Costs related to the acquisition were Ps 30,760 (US$ 2,464) and were recognized in the income statement in the item of other expenses.

Revenue contributed by Wellman Mississippi included in the consolidated income statement from the date of acquisition to December 31, 2011 was Ps 1,858 million (US$ 149 million).

At the date of issuance of these financial statements, Alpek was unable to obtain the audited financial information before the date of the acquisition under the accounting standards used by Alpek in order to determine the amount of annual revenue and net income as if the acquisition had taken place on January 1, 2011.

Note 3 – Summary of significant accounting policies

These consolidated and consolidated financial statements and notes have been approved for issuance on February 1, 2013, by the officers with legal power to sign at the bottom of the basic financial statements and accompanying notes.

Following is a summary of the most significant accounting policies followed by the Company and its subsidiaries, which have been applied on a consistent basis in the preparation of their financial information for the periods presented, unless otherwise indicated:

a) Basis for preparation

The consolidated and combined 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 the effective International Accounting Standards ("IAS"), and the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), including those issued previously by the Standing Interpretations Committee ("SIC").

In accordance with the amendments to the regulations for Public Companies and Other Participants of the Mexicans Securities Market, issued by the National Banking and Securities Commission ("Comisión Nacional Bancaria y de Valores") ("CNBV") on January 27, 2009, the Company is required to prepare its financial statements starting from 2012, using the IFRS accounting policy framework.

For comparison purposes, the consolidated and combined financial statements as of December 31, 2011 and for the year then ended, and the consolidated and combined balance sheet as of January 1, 2011 have been prepared in accordance with IFRS.

The Company changed its accounting policies from Mexican Financial Reporting Standards ("MFRS") to comply with IFRS as of January 1, 2012. The transition from MFRS to IFRS has been registered in accordance with IFRS 1, setting January 1, 2011 as the transition date. Even though Alpek was formed until June 16, 2011, the transition date corresponds to the transition date of the combined entities that were previously consolidated in Alfa, who has also adopted IFRS starting from January 1, 2012. The reconciliation of the effects of the transition from MFRS to IFRS is disclosed in Note 30 on the consolidated and combined financial statements.

The consolidated and combined financial statements have been prepared under the historical cost basis, except for the exemptions applied for the Company disclosed in Note 30 and for the cash flow hedging financial instruments measured at fair value, and the financial assets at fair value through profit or loss and available for sale financial assets.

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

b) Consolidation

i. Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. When the interest of the Company in a subsidiary is less than 100%, the interest related to the external shareholders is reflected as non-controlling portion.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company, and until the date that control ceases.

The Company applies the acquisition method to account for business combinations. The Company defines a business combination as a transaction in which the Company obtains control of a business, which is defined as the application of inputs and processes that produce, or have the ability to produce products that have the ability to provide a return in the form of dividends, lower costs or other economic benefits directly to the investors.

The consideration transferred for the acquisition of a subsidiary is the fair values 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 assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling portion in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling portion's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The Company applies predecessor accounting for business combinations of an entity under common control. This consists of incorporating the carrying amounts of the acquired entity, which includes any goodwill recorded at the consolidated level in respect of the acquired entity. Any difference between the carrying amounts of the net assets acquired at a subsidiary level and their carrying amounts at the Company level are recognized in equity.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling portion over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

Inter-company transactions and balances, and unrealized gains between group companies are eliminated in the preparation of the consolidated and combined financial statements. Unrealized losses are eliminated unless the transaction provides evidence of impairment in the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

At December 31, 2012, the main subsidiaries that comprise the consolidation of the Company were as follows:

	Country [1]	Percentage of Ownership		Functional currency
Alpek, S. A. B. de C. V. (Holding)				Mexican Pesos
Grupo Petrotemex, S. A. de C. V.		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)	Spain		100	Euro
DAK Americas Argentina, S. A.	Argentina		100	Argentinean 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
Polioles, S. A. de C. V.		50		US Dollar
Univex, S. A.		100		Mexican Pesos

(1) Companies incorporated in Mexico, except were otherwise 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 merge, 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 companies, reflecting an increase or decrease in the percentage of control, is recorded in stockholders' equity, directly in the retained earnings account, 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 in shares based on the equity before the absorption (dilution) of control against the book value after the relevant event. In the event of a loss of control the related effect is included in income.

iii. Sale or disposal of subsidiaries

When the Company ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, and the change in its carrying amount is recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

iv. Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and recognized initially at cost. The Company's investment in associates includes goodwill identified on acquisition, net of any accrued impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognized in the income statement, and its share of post acquisition movements in other comprehensive income is recognized in other comprehensive income. The accrued movements after the acquisition will be adjusted against the carrying value of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Unrealized gains on transactions between the Company and its associates are eliminated in function of the interest in them. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. When the Company ceases to have significant influence over an associate, any difference between the fair value and the retained interest is recognized in the income statement, including any consideration received for the disposal of part of the interest and the carrying amount of the investment.

c) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and combined 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 in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gain and losses resulted 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 the item has been designated as cash flow hedging or net investment hedge.

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

Inclusion of subsidiaries with a functional currency different from its transaction currency

The financial statements of foreign subsidiaries with a transaction currency different than the functional currency were converted to the functional currency in accordance with the following procedures:

a. The balances of monetary assets and liabilities expressed in the transaction currency were converted using the exchange rates at closing period.

b. For non-monetary assets and liabilities and stockholders' equity which were already converted to the functional currency the changes during the period were added, the changes were converted using the historical exchange rate. In the case of changes in the non-monetary items recorded at their fair value, occurred during the period expressed at the transaction currency, were converted using the actual exchange rates as of the date in which such fair values were determined.

c. Revenues, costs and expenses expressed in the transaction currency were translated using historical exchange rates at the date the transactions occurred and were recorded in the statement of income, except if the amounts related to nonmonetary items, in which case the historical exchange rates related to the non-monetary items were used

d. The differences in changes originated from the conversion of the transaction currency to the functional currency were recorded as income or expense in the income statement in the period in which they were originated.

Inclusion of subsidiaries with a functional currency different from its presentation currency

The results and financial position of all the company entities (none of which has the currency of a hyper-inflationary economy) 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, 2012 and 2011 and January 1, 2011 were translated at the closing exchange rates of Ps 13.01, Ps 13.98 and to Ps 12.36 to U.S. dollars, respectively.

b. The equity of each statement of financial position is presented translated at its historical rate.

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 Ps 13.21 and Ps 12.42 for the years ended December 31, 2012 and 2011, respectively.

d. All resulting translation adjustments are recognized in other comprehensive income.

   Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Translation adjustments arising are recognized in equity.

d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts, all of these are subject to a low significant risk in changes in value. Bank overdrafts are presented as other current liabilities.

e) Restricted cash and cash equivalents

Cash and cash equivalents which restrictions originate to not meet the definition of cash and cash equivalents described above, are presented in a separate line in the statement of financial position and are excluded from cash and cash equivalents in the statement of cash flow.

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, held to maturity investments and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the settlement date.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership and the 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. Derivatives are also categorized as held for trading unless they are designated as hedges.

Financial assets carried 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 arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement in the period in which they arise.

ii. Loans and trade receivables

Trade 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 end of the reporting period. These are classified as non-current assets.

Loans and trade receivables are measured initially 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 by the amounts originally agreed or will be in a different period, the trade receivables are impaired.

iii. Held to maturity investments

If the Company has demonstrable intention and 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 are classified as noncurrent. Initially, are recognized at fair value plus any directly attributable transaction costs, are subsequently are measured at amortized cost using the effective interest method. Investments held to maturity are recognized or derecognized on the day they are transferred to, or from the Company.

iv. Financial assets available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures in a period less than 12 months or Management intends to dispose of it within the following 12 months after the date of the balance sheet.

Available for sale financial assets are recognized initially at its fair value plus any directly attributable transaction costs. Subsequently, these assets are measured at its fair value (unless it cannot be measured by its price in an active market and the fair value cannot be measured reliably, in which case they are recognized at cost less impairment).

Changes in the fair value of monetary and non-monetary financial assets classified as available for sale are recognized in other comprehensive income.

When securities 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 measured at amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities if are expected to be settled within the next 12 months; otherwise, they are classified as non-current.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently recognized at amortized cost, any difference between the amounts 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 instruments

Financial assets and liabilities are offset and the net amount reported 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 realize the asset and settle the liability simultaneously.

Impairment of financial instruments

a. Assets carried at amortized cost

   The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only 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 that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

   - Significant financial difficulty of the issuer or debtor.
   - Default of contract, such as late 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 being considered in other circumstances.
   - There is likelihood that the issuer or debtor is declared in bankruptcy or other type of financial reorganization.
   - Disappearance of an active market for the financial asset due to financial difficulties.
   - Verifiable information indicates that a measurable decrease exists 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 debtors of the group of assets.
     (ii) National or local conditions that correlate with defaults of the issuers or debtors of the asset group.

Based in the aspects mentioned above, the Company assesses if objective evidence of impairment exists. For loans and receivables category, if impairment exists, the amount of the 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 financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement in the line administrative expenses. If a loan or 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 may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

The calculations for the accounts receivables impairment are described in Note 8.

b. Assets classified as available for sale

In the case of debt financial instruments, the Company also uses the previously listed criteria to identify whether there is objective evidence of impairment. In the case of equity financial instruments, a significant or prolonged decrease 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 the difference between the acquisition cost and the current fair value of the asset, less any impairment loss previously recognized is reclassified from the accounts of other comprehensive income and is registered in the income statement. Impairment losses recognized in the consolidated income statement on equity 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 any subsequent events.

g) Derivative financial instruments and hedging activities

All derivative financial instruments entered into and identified are classified as fair value hedges or cash flow hedges, are included in the balance sheet as assets and/or liabilities at fair value and are measured subsequently at its fair value. The fair value is determined based on the prices in recognized markets; when no quoted market prices are available, it is determined based on valuation techniques accepted in the financial sector.

The fair value of financial instruments hedging derivatives 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.

The changes in the fair value of derivative financial instruments are recognized in financing income or expense, except for changes in the fair value of derivative financial instruments associated to cash flow hedging, in such case, the changes are recognized in equity. These derivative financial instruments for hedging are entered to hedge against an existing risk and they comply with the related hedge accounting requirements, its designation as a hedge is documented at the inception of the transaction, specifying the related objective, initial position, risks to be hedged, type of hedge relationship, characteristics, accounting recognition and how their effectiveness will be assessed. Fair value hedges are stated at fair value and changes in valuation are recorded in income under the same caption as the hedged item. In the case of cash flow hedges, the effective portion is temporarily included in other comprehensive income in stockholders' equity and is reclassified to income when the hedged item affects income; the ineffective portion is recognized immediately in income.

The Company suspends accounting for hedge transactions when the derivative instrument has expired, been cancelled or been exercised, when it has not reached a high degree of effectiveness to offset the changes in the fair value or cash flow of the hedged item, or when its designation as a hedge is cancelled.

When suspending accounting for hedge transactions, in the case of fair value hedges, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to income statement over the period to maturity, in the case of cash flow hedges, the amounts accumulated in stockholders' equity forming part of other comprehensive income, remain in stockholders' equity until the effect of the forecasted transaction affects income. In the case the forecasted transaction seems unlikely to occur, the gains or losses accumulated in other comprehensive income are recognized immediately in income. When the hedge of a forecasted transaction is effective but later does not comply with the effectiveness test, the effects accumulated in other comprehensive income in stockholders' equity are reclassified to income in proportion as the forecasted asset or liability affects income.

The derivative financial instruments were privately negotiated with various financial institutions whose strong financial condition was supported by high ratings assigned by securities and credit risk rating agencies. The documentation used to formalize the operations entered into was that commonly used; in general terms, it follows the "Master Agreement" generated by the "International Swaps & Derivatives Association" ("ISDA"), and is accompanied by the annexes commonly known as "Schedule", "Credit Support Annex" and "Confirmation".

The fair values of the financial derivative instruments reflected in the Company's financial statements represent a mathematical estimate of their fair values. The fair values are determined using models which belong to independent experts and involve the use of assumptions based on, past and current market conditions, and future expectations at the corresponding closing 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 comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges purchases of raw materials.

i) Property, plant and equipment

Items of property, plant and equipment are recognized at cost less accumulated depreciation and any accumulated impairment losses in its value. The cost includes expenses directly attributable to the acquisition of the asset.

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 flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Significant improvements are depreciated over the remaining useful life of the related asset.

Depreciation is determined using the straight line method, considering each of the components of the asset separately. The useful life of the classes of depreciable assets is as follows:

Building and constructions	40 to 50 years
Machinery and equipments	10 to 40 years
Rail road equipments	15 years
Furniture and laboratory and IT equipment	2 to 13 years

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

Borrowing costs related to financing of property, plant and equipment whose acquisition or construction requires a substantial period, are capitalized as part of the acquisition cost of such qualifying assets, until they are ready for the use to which they are intended or for its 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 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 value in use.

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

In case that the carrying value is greater than the estimated recoverable amount, a decrease in the carrying amount of the asset is recognized immediately to its recoverable amount.

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

j) Leases

The classification as finance or operating leases depends on the substance of the transaction rather than the form of the contract.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Leases where the Company has substantially all the risks and rewards of the property are classified as finance leases. Finance leases are capitalized at the beginning of the lease at the lower of fair value of the leased property and the present value of the minimum lease payments. If its determination is practical, for discounting to present value the minimum lease payments, the implicit interest rate in the lease is used; otherwise, the incremental borrowing rate of the lessee should be used. Any initial direct cost of the lessee will be added to the original amount recognized as an asset.

Each lease payment is allocated between the liability and finance charges until reach a constant rate in the actual amount. The corresponding rental obligations are included in long term debt. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

k) Intangible assets

Goodwill represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets acquired determined at the acquisition date. Goodwill is presented in the caption of goodwill and intangible assets, and is recognized at its cost less accumulated impairment losses, which are not reversed. Gains or losses in the disposition of an entity include the carrying amount of the goodwill related to the entity disposed.

Intangible assets are recognized when complying with the following characteristics: the asset is identifiable, will generate 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 impairment tests annually. No circumstances that might affect their useful lives have been identified.

ii) Finite useful life. - These intangible assets are recognized at cost less the accumulated amortization and the recognized impairment losses. These assets are amortized using the straight line method based on their estimated useful lives, determined in accordance with the expected generation of future economic benefits, and are also subject to impairment tests, if triggering events are identified.

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

Development costs	15.5 years
Trademarks	10 years
Non-compete agreements	10 years
Customer relationships	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 measured reliably, the product or process is technically and commercially feasible, the asset will generate potentially future economic benefits and the Company intends to and has sufficient resources to complete the development and to use or sell the asset. The amortization is recognized in income based on 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.

l) Impairment of non financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to depreciation or amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever 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 an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

m) Income taxes

The income tax reflected in the consolidated income statement, represents the tax incurred in the year, and the effects of deferred income tax determined in each subsidiary using the asset and liability method, applying the rate established by the enacted legislation or substantially enacted at the balance date where the Company and its subsidiaries operate and generate taxable income to the total temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and that are expected to apply when the deferred tax asset is realized or deferred tax liability is settled, considering in any case, the tax loss carry forwards to be recoverable. The effect of a change in income tax rates is recognized in income in the period in determining the exchange rate.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right and when the taxes are levied by the same tax authority.

n) 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 employee service in the current and prior periods. The contributions are recognized as employee benefit expense when the Company has the obligation of the contribution.

Defined benefit plans:

A defined benefit plans is defined as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past service costs. 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 interest rates according to the NIC 19 that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. The discount rate reflects the value of money over time but not the actuarial or investment risk. Additionally, the discount rate does not reflect the credit risk of the entity, nor does it reflect the risk that future experience may differ from actuarial assumptions.

Actuarial gains and losses arising from employee benefits are recognized directly in the other comprehensive income.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight line basis over the vesting period.

ii. Other post employment obligations

The Company provides help benefits after concluded the labor relationship to its retired employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used 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 whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

iv. Short term benefits

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

v. Profit sharing and bonus plans

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

o) Provisions

Liability provisions represent a present legal obligation or constructive obligation as a result of past events where it is probable an outflow of resources to comply with the obligation and where the amount has been reliably estimated. Provisions are not recognized for future operating losses.

p) Shared based payments

The Company has established a payment option plan based on shares of its holding entity in favor of certain directors of the Company. The conditions for its granting to the eligible executives include, among other things, the achievement of certain financial performance metrics, such as the level of income achieved, continuous employment, etc. The Board of Directors has designated a Technical Committee for the plan's Management, which reviews the estimate of the payment of this compensation by the end of the year. Adjustments to such estimate are charged or credited to 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 updated 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.

q) Shares held in treasury

The maximum limit for the acquisition of the Company's own shares is determined through the stockholders' resolutions. In the case of a repurchase of own shares, shares acquired are held in treasury and their acquisition cost is charged to stockholders' equity at its acquisition cost, as follows: a portion is charged to capital stock at restated theoretical value and the difference to retained earnings. These amounts are stated at historical cost.

r) Common Stock

Common stock is classified as equity. Incremental costs directly attributable to the issuance of new common stock or options are shown in equity as a deduction, net of tax, from the proceeds.

s) Comprehensive income

Comprehensive income is composed of net income plus other capital reserves, net of taxes, which are integrated by the effects of translation of foreign subsidiaries, the effects of derivative financial instruments for cash flow hedges, the actuarial gains or losses, the effects of the change in fair value of financial instruments available for sale, the participation in other comprehensive income items of associates and other items that for specific requirements are reflected in stockholders' equity and are not contributions, reductions and distribution of capital.

t) Information by segments

Segment information is presented in a manner consistent with the internal reporting provided to the chief executive, who is the highest authority in the operational decision making, resource allocation and performance assessment of the operating segments.

u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the normal course of operations. Revenues are presented net of discounts, returns, and value added taxes, and after eliminate the intercompany sales.

Revenue is recognized when the following conditions have been satisfied:

- The risks and rewards of ownership are transferred
- The amount of revenue can be reliably measured
- It is probable that future economic benefits will flow to the entity
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue recognition criteria depend on contractual conditions with its customers. In some cases depending of the agreements with each customer the risks and rewards of ownership are transferred when the goods are taken from customers on the plant of the Company, in other cases the risks and rewards of ownership are transferred when the good are delivered in the plant of the customers.

The Company bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

v) Earnings per share

Earnings (losses) per share are computed by dividing the net income (loss) by the weighted average of common shares outstanding during the year. There are no effects arising from potentially dilutive shares.

w) Changes in accounting policy and disclosures

New pronouncements and amendments issued but not yet effective for periods starting January 1, 2012 and have not been adopted by the company.

- IFRS 7, "Financial Instruments"

  In October 2010 the IASB amended IFRS 7, "Financial instruments: Disclosures". The standard amends the required disclosures to enable users of the financial statements to evaluate risk exposure related to transfers of financial assets and the effect of these risks on the financial position of the entity. For the Company, this amendment is effective on January 1, 2013.

- IAS 1, "Presentation of Financial Statements"

  In June 2011 the IASB amended IAS 1, "Presentation of financial statements". The main change resulting from this modification is the requirement to group items presented in other comprehensive income, on the basis of whether they are potentially reclassified to the income statement in later years. The amendments do not consider which items are presented in other comprehensive income. For the Company, this amendment is effective on January 1, 2013.

- IFRS 9, "Financial Instruments"

  IFRS 9, "Financial Instruments" was issued in November 2009 and contained requirements for classification and measurement of financial assets. Requirements for financial liabilities were included as part of IFRS 9 in October 2010. Most of the requirements for financial liabilities were taken from IAS 39 without making any changes. However, some amendments were made to the fair value option for financial liabilities to include own credit risk. In December 2011, the IASB made amendments to IFRS 9 to require its application for annual periods beginning on or after January 1, 2015.

- IFRS 10, "Consolidated Financial Statements"

  In May 2011 the IASB issued IFRS 10, "Consolidated Financial Statements". This standard outlines the principles for the presentation of consolidated financial statements when an entity controls one or more entities. IFRS 10 defines the principle of control and establishes control as the basis for determining the entities to be consolidated in the financial statements. The standard also includes the accounting requirements for the preparation of the consolidated financial statements, as well as the requirements for application of the principle of control. IFRS 10 replaces IAS 27, "Consolidated and separate financial statements" and SIC 12 "Consolidation Special purpose entities" and for the Company this amendment is effective on January 1, 2013.

- IFRS 11, "Joint Arrangements"

  In May 2011 the IASB issued IFRS 11 "Joint Arrangements". IFRS 11 classifies joint arrangements into two types: joint operations and joint ventures. The entity determines the type of joint arrangement in which it participates considering their rights and obligations. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. In a joint venture an investment is recognized and recorded using the equity method. For the Company, IFRS 11 is effective on January 1, 2013.

- IFRS 12, "Disclosure of Interest in Other Entities"

  The IASB issued IFRS 12, "Disclosure of Interests in Other Entities" in May 2011. IFRS 12 requires an entity to disclose information to evaluate the nature and risks associated with its interests in other entities, including joint arrangements, associates and special purpose entities. For the Company, IFRS 12 is effective on January 1, 2013.

- IFRS 13, "Fair Value Measurement"

  In May 2011 the IASB issued 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 IFRSs. For the Company, IFRS 13 is effective on January 1, 2013.

- IAS 19, "Employee Benefits"

  In June 2011 the IASB amended IAS 19, "Employee Benefits". The amendments eliminate the corridor method and show the calculation of interest expense on a net basis. For the Company this amendment is effective on January 1, 2013.

- IAS 27, "Separate Financial Statements"

  In May 2011 the IASB amended IAS 27 under a new title "Separate Financial Statements". This standard includes guidelines for separate financial statements that remained in place after the control provisions were included in IFRS 10. For the Company, this standard is effective on January 1, 2013.

- IAS 28, "Investments in Associates and Joint Ventures"

  In May 2011 the IASB amended IAS 28 under a new heading "Investments in Associates and Joint Ventures". The new standard includes requirements for joint ventures and associates for recognition in accordance with the equity method. For the Company, this standard is effective on January 1, 2013.

The Company's Management believes that the adoption of new standards and amendments outlined above, will have no significant impact on its financial statements.

Note 4 – Financial risk management

4.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, interest rate risk on cash flows, and interest rate risk on fair values), credit risk and liquidity risk. The overall risk management program of the Company focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company uses derivative financial instruments to hedge certain risk exposures.

The objective is to protect the financial health of the business considering the volatility associated to exchange rates and interest rates. Additionally, by the nature of the industries in which it participates, the Company has entered into commodity prices derivative hedge.

The parent company of Alpek has a Risk Management Committee (RMC), constituted by the Committee's Chairman, the General Director, the Financial Director of the parent company and a top Risk Management officer of the parent company acting as technical secretary. The RMC supervises derivative transactions proposed by the parent's subsidiaries, in which a worst case scenario analysis surpasses US$1,000. This committee supports both the Chairman and the President of the parent company. All new derivative transactions which the Company propose to enter into, as well as the renewal or cancellation of derivative arrangements, are required to be approved both by the Company and the parent company according to the following schedule of authorizations:.

	Maximum Possible Loss US$ millions	
	Individual Transaction	Annual Cumulative Transactions
Company's Chief Executive Officer	1	5
Parent's Risk Management Committee	30	100
Finance Committee	100	300
Parent's Board of Directors	>100	>300

Proposed transactions must satisfy certain criteria, including that hedge should be lower than speculations, should be product of a fundamental analysis and should be properly documented. Sensitivity analysis and other risk analyses should be performed before the transaction is entered into.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk, primarily with respect to Mexican Pesos and Euros. The Company is exposed to foreign exchange risk arising from future commercial transactions in foreign currency assets and liabilities in foreign currencies.

The respective exchange rates of the Mexican Pesos, the U.S. dollar, are very important factors for Alpek by the effect they have on their performance. Moreover, in its determination, Alpek has no interference. Moreover, Alpek estimated that its revenues are denominated in foreign currency, either because they come from products that are exported from Mexico, or because the products that are manufactured and sold abroad, or because even 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, Alpek profit margins have been reduced. On the other hand, when the Mexican Peso has lost value, Alpek profit margins have been increased. However, although this factor correlation has appeared on several occasions in the close past, there is no assurance that it will happen again if the exchange rate between the Mexican Peso and other currencies fluctuate again.

The Company participates in operations of derivative financial instruments on exchange rates with the purpose of controlling the total comprehensive cost of their financing and the volatility associated with exchange rates. Additionally, it is important to note the high "dollarization" of the Company's revenues, since most of its sales are performed abroad, providing a natural hedging to the obligations in dollars and as counterparty to their income level is affected in the event exchange rate appreciation. Based on the exchange rate exposure, generally at December 31, 2012 and 2011, a hypothetical variation of 5% in the exchange rate MXN/USD and holding all other variables constant, would result in an effect on the income statement by Ps 7,061 and Ps 4,579 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, mainly.

In recent years, the price of some inputs have observed volatility, especially those from the 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 such 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 their products.

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 of South Texas, USA, which has experienced the same volatility. For its part, the CFE is a decentralized public company in charge of producing and distributing electricity in Mexico. Electricity rates have been influenced also by the volatility of natural gas, as it is used to generate it.

The Company entered into various derivative agreements with various counterparties to protect the Company 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 of volatility having positions that provide stable cash flow expectations, and avoid the uncertainty in prices. The reference market price for natural gas is the Henry Hub is the "New York Mercantile Exchange" (NYMEX). The average price per MMBTU for 2012 and 2011 were 2.79 and 4.04 respectively.

At December 31, 2012, the Company had hedging of natural gas prices for a portion of consumption needs expected in Mexico and the United States. Based on the general input exposure at December 31, 2012 and 2011, and an 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 for the year ended at December 31, 2011 and 2012 to the income statement.

(iii) Interest rate and cash flow risk

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

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

At December 31, 2012 and 2011, if interest rates on variable rate loans were increased or decreased by 10%, in interest expense would change results in Ps 1,540 and Ps 6,575 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 clients are independent qualified wholesaling, these scores are used. If there is no independent rating, risk control of the Company 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. Sales to retail customers are using cash or credit cards.

During 2012 and 2011, the credit limits were not exceeded and Management does not expect impairment losses recognized in excess of 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, requires significant estimates. 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 adequate time for recognition and the amount of reserves, including historical collection experience, customer base, current economic trends and the age of the accounts receivable portfolio.

(c) Liquidity risk

Historically, the Company has generated and expects to continue to generate positive cash flow from operations. Cash flow from operations primarily represents inflows from net earnings (adjusted for depreciation and other non-cash items) and outflows from increases in working capital needed to grow the business. Cash flow used in investing activities, represents investment in property and capital equipment required for growth, as well as acquisition activity. Cash flow from financing activities is primarily related to changes in indebtedness borrowed, to grow the business or indebtedness repaid with cash from operations or refinancing transactions as well as dividends paid.

The Company's principal capital needs are for working capital, capital expenditures related to maintenance, expansion and acquisitions and debt service. The Company's ability to fund capital needs depends on the ongoing ability to generate cash from operations, overall capacity and terms of financing arrangements and access to the capital markets. The Company believes that future cash from operations together with access to funds available under such financing arrangements and the capital markets will provide adequate resources to fund foreseeable operating requirements, capital expenditures, acquisitions and new business development activities.

The table below analyzes the Company's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 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	-	-	-
Accrued interest payable	148,433	-	-	-
Affiliated companies	464,527	-	-	-
Suppliers	9,231,707	-	-	-
Other accounts payables and accrued expenses	1,313,828	-	-	-
Debt (excluding debt issuance costs)	-	-	4,023,048	-
Senior notes (excluding debt issuance costs)	-	1,563,979	-	8,432,510

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2011				
Current portion of long-term debt	Ps 491,251	Ps -	Ps -	Ps -
Short-term bank loans	1,645,698	-	-	-
Notes payable	5,025	-	-	-
Accrued interest payable	246,259	-	-	-
Affiliated companies	3,602,314	-	-	-
Suppliers	9,616,055	-	-	-
Other accounts payables and accrued expenses	2,332,613	-	-	-
Debt (excluding debt issuance costs)	-	2,367,732	8,891,851	2,236,592
Senior notes (excluding debt issuance costs)	-	229,650	4,072,986	-

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At January 1, 2011				
Current portion of long-term debt	Ps 1,181,853	Ps -	Ps -	Ps -
Short-term bank loans	247,146	-	-	
Notes payable	-	-	-	-
Accrued interest payable	177,698	-	-	-
Affiliated companies	387,772	-	-	-
Suppliers	7,311,536	-	-	-
Other accounts payables and accrued expenses	1,518,431	-	-	-
Debt (excluding debt issuance costs)	-	625,254	1,110,903	1,977,136
Senior notes (excluding debt issuance costs)	-	335,407	3,803,061	-

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

4.2 Capital Management

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

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

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

The total liabilities / total capital ratio (expressed in times multiple) amounts to 1.08, 2.31 and 1.43 as of December 31, 2012 and 2011 and January 1, 2011, respectively.

4.3 Estimation of Fair Value

Below is an analysis of financial instruments measured at fair value by the valuation method. Three different levels were used as presented below:

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

- Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and valuations through models where all significant inputs are observable in active markets.

- Level 3: Valuations made through techniques in which one or more of its significant data are not observable.

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

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
- Trading derivatives	Ps 29,494	Ps 5,659	Ps -	Ps 35,153
Derivatives used for hedging	29,645	42,499	-	72,144
Available for sale financial assets	-	-	92,208	92,208
Total assets	Ps 59,139	Ps 48,158	Ps 92,208	Ps 199,505

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial assets at fair value through profit or loss:				
- Trading derivatives	Ps 240,923	Ps 36,000	Ps -	Ps 276,923
Derivatives used for hedging	-	218,805	-	218,805
Total liabilities	Ps 240,923	Ps 254,805	Ps -	Ps 495,728

The following table presents the assets and liabilities that are measured at fair value at December 31, 2011:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
- Trading derivatives	Ps 6,997	Ps 59,777	Ps -	Ps 66,774
Derivatives used for hedging	-	9,306	-	9,306
Available for sale financial assets	-	-	40,249	40,249
Total assets	Ps 6,997	Ps 69,083	Ps 40,249	Ps 116,329

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial assets at fair value through profit or loss:				
- Trading derivatives	Ps 671,447	Ps 286,924	Ps -	Ps 958,371
Derivatives used for hedging	30,092	193,341	-	223,433
Total liabilities	Ps 701,539	Ps 480,265	Ps -	Ps 1,181,804

The following table presents the assets and liabilities that are measured at fair value at January 1, 2011:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
- Trading derivatives	Ps 119,986	Ps 71,793	Ps -	Ps 191,779
Derivatives used for hedging	-	120,041	-	120,041
Available for sale financial assets	-	-	40,249	40,249
Total assets	Ps 119,986	Ps 191,834	Ps 40,249	Ps 352,069

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial assets at fair value through profit or loss:				
- Trading derivatives	Ps 728,795	Ps 508,196	Ps -	Ps 1,236,991
Derivatives used for hedging	-	2,095	-	2,095
Total liabilities	Ps 728,795	Ps 510,291	Ps -	Ps 1,239,086

Level 1

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

Valuation techniques and data used in the financial statements of the Company to measure fair value include quoted market prices of ethylene, natural gas, ethane and gasoline listed on the "New York Mercantile Exchange" (NYMEX).

Level 2

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

Level 3

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

Specific valuation techniques used to value financial instruments include:

- Rates of market traders or quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.
- The fair value of forward exchange contracts is determined using the exchange rates at the balance sheet date, with the resulting value discounted to present value.
- Other techniques, such as the analysis of discounted cash flows, which is used to determine fair value for the remaining financial instruments.

Note 5 - Critical accounting estimates and judgments

The Company has identified certain key accounting estimates on which its financial condition and results of operations are dependent. These key accounting estimates most often involve complex matters or are based on subjective judgments or decisions that require Management to make estimates and assumptions which affected the amounts reported in these financial statements. The Company's estimates are based on historical information, where applicable and other assumptions that they believe are reasonable under the circumstances.

Actual results may differ from estimates under different assumptions or conditions. In addition, estimates routinely require adjustments based on changing circumstances and the receipt of new or more accurate information.

The Company's most critical accounting estimates under IFRS are those that require Management to make estimates and assumptions that affect the reported amounts related to the accounting for fair value for financial instruments, valuation of non-current assets, goodwill and other indefinite-lived intangible assets as a result of a business acquisition, deferred taxes and pension benefits.

The estimates and assumptions that have a risk of causing material adjustments to the values in the financial statements are as follows:

a) Non-current assets

The Company estimates the useful lives of long-lived assets in order to determine depreciation and amortization expense to be recorded during any reporting period. The useful life of an asset is estimated at the time the asset is acquired and is based on historical experience with similar assets, taking into account anticipated technological or other changes. If technological changes were to occur more rapidly than anticipated, or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened. This would result in the recognition of increased depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of an impairment charge to reflect the write-down in asset's value. The Company review assets for impairment annually, or when events or circumstances indicate that the carrying amount may not be recoverable over the remaining lives of the assets.

In assessing impairments, the Company uses discounted cash flows, which take into account Management's assumptions and estimates regarding matters that are inherently uncertain, such as estimating the remaining useful life of an asset and the possible impact that inflation may have on its ability to generate cash flow, as well as customer growth and the appropriate discount rate.

Although the Company believes that their estimates are reasonable, different assumptions regarding such remaining useful life or future cash flows could materially affect the valuation of its long-lived assets. The Company also evaluates the useful life used to depreciate long-lived assets, periodically considering their operating and use conditions. As of December 31, 2012 and 2011, and January 1, 2011 there were no indicators of impairment; therefore the Company did not undertake any study to determine the value in use of such assets.

b) Basis for Consolidation and Combination

The Financial Statements include the assets, liabilities and results of all entities in which the Company has a controlling portion after the Corporate Reorganization. The significant outstanding balances and transactions between companies have been eliminated in the combination and consolidation. To determine control, the Company analyze whether or not it has the power to govern the strategic financial and operating policies of the respective entity, and not only power over the portion of the equity the Company owned. As a result of this analysis, the Company has exercised critical judgment in determining whether to combine or consolidate the financial statements of Polioles, as applicable, where the determination of control is not straightforward. Management has reached the conclusion that there are factors and circumstances described in the by-laws of Polioles and applicable law that allow the Company to carry out the daily operations of Polioles and therefore to demonstrate control. The Company will continue assessing these circumstances at each balance sheet date to determine whether or not this critical judgment will continue to be appropriate. If the Company determines that it no longer controls Polioles, would need to be deconsolidated and accounted for under the equity method. The significant outstanding balances and transactions between companies have been eliminated in the consolidation and combination.

c) Estimated impairment of other intangible assets with indefinite useful life

The identification and measurement of impairment to intangible assets with indefinite lives involves the estimation of fair values. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. The Company performs valuation analyses with the assistance of third parties and consider relevant internal data, as well as other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows and market comparisons. These approaches use significant estimates and assumptions, including projected future cash flows (including timing), discount rate reflecting the inherent risk in future cash flows, perpetual growth rate, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Inherent in these estimates and assumptions is a certain level of risk, which the Company believes has considered in their valuations. Nevertheless, if future actual results differ from estimates, a possible impairment charge may be recognized in future periods related to the write-down of the carrying value of other intangibles in addition to the amounts recognized previously.

d) Business combinations and acquisitions – purchase price allocations

For business a combination, IFRS requires that a fair value exercise is undertaken allocating the purchase price (cost) to the fair value of the acquired identifiable assets and liabilities. Any difference between the cost of acquiring the interest and the fair value of the acquired net assets is recognized as acquired goodwill. The fair value exercise is performed at the date of acquisition.

As a result of the nature of fair value assessments, the purchase price allocation exercise and acquisition-date fair value determinations require subjective judgments based on a wide range of complex variables at a point in time. Management uses all available information to make the fair value determinations.

e) Income taxes

As part of the process of preparing these financial statements, the Company is required to estimate income taxes. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing item treatment, such as impairment on trade receivables, deferred assets, inventories, property, machinery and equipment, accrued expenses and tax loss carryforwards, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheet. The Company then assesses the likelihood that their deferred tax assets will be recovered.

f) Fair value of derivatives and other financial instruments

The fair value of financial instruments is determined based upon liquid market prices evidenced by exchange traded prices, broker-dealer quotations or prices of other transactions with similarly rated counterparties. If available, quoted market prices provide the best indication of value. If quoted market prices are not available for fixed maturity securities and derivatives, the Company discounts expected cash flows using market interest rates commensurate with the credit quality and maturity of the investment.

Derivative financial instruments used for hedging are designated either as cash-flow hedges or fair value hedges. The changes in the fair value of cash flow hedges are reported in other comprehensive income, while the changes in the fair value of fair value hedges (along with the change in the fair value of the hedged item) are recorded in earnings. Fair value amounts are based on either quoted market prices or estimated values derived utilizing dealer quotes or internally generated modeling techniques.
As market conditions change, adjustments to the fair value of these derivatives are made to reflect those conditions. In addition, hedging effectiveness needs to be evaluated on a periodic basis and to the extent the hedge is not deemed effective, hedge accounting ceases to be applied. Actual settlements of these derivatives will reflect the market conditions at the time and may differ significantly from the estimated fair market value reflected on the balance sheet.

The degree of Management's judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices. When observable market prices and parameters do not exist, Management's judgment is necessary to estimate fair value, in terms of estimating the future cash flows, based on variable terms of the instruments and the credit risk and in defining the applicable interest rate to discount those cash flows.

g) Pension Benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the cost (income) for pensions include the net discount rate. Any changes in these assumptions will impact the carrying value of the pension obligations.

The Company determines the appropriate discount rate at the end of each year. This interest rate should be used to determine the present value of cash outflows required to settle expected future pension obligations. In determining the appropriate discount rate, the Company considers the discount interest rate in accordance with IAS 19 "Employee benefits" that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Note 6 – Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Cash at bank and on hand	Ps 1,851,076	Ps 2,967,476	Ps 2,659,240
Short term bank deposits	4,803,485	616,811	572,695
Cash and cash equivalents (excluding bank overdrafts)	Ps 6,654,561	Ps 3,584,287	Ps 3,231,935

Note 7 – Restricted cash and cash equivalents

The Company had restricted cash approximately Ps 2,992, Ps 1,925 and Ps 283,647, at December 31, 2012 and 2011 and January 1, 2011, respectively. The balances were required to be held in escrow by the Company's workers compensation service administrator. The restricted cash balance is classified as a current asset on the Company's balance sheets based on the expiration date of the restriction.

Note 8 – Trade and other receivables, net

Trade and other receivables are comprised as follows:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Trade receivables	Ps 10,707,247	Ps 11,059,356	Ps 7,341,813
Provision for impairment of trade receivables	(241,897)	(248,135)	(225,255)
Trade receivables, net	10,465,350	10,811,221	7,116,558
Accounts receivables from related parties (Note 10)	1,292,387	1,550,920	1,497,005
Recoverable taxes	517,316	464,540	150,705
Interest receivable	27	2	-
Other debtors	1,386,689	744,039	647,274
Less: non-current portion (1)	(292,774)	(289,561)	(137,626)
Current portion	Ps 13,368,995	Ps 13,281,161	Ps 9,262,717

(1) The portion of non-current receivables corresponds to trade receivable, and are presented within other non-current assets. See Note 14.

Trade and other receivables include past due but not impaired balances amounting to Ps 1,981,667, Ps 2,049,094, Ps 1,966,864 at December 31, 2012 and 2011 and January 1, 2011, respectively.

The aging analysis of balances due from trade and other receivables not impaired is as follows:

	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 receivables	Ps 1,218,072	Ps 182,733	Ps 180,568	Ps 400,294

	At December 31, 2011			
	Past due			
	1 to 30 days	30 to 90 days	90 to 180 days	More than 180 days
Trade and other receivables	Ps 1,237,140	Ps 209,370	Ps 115,710	Ps 486,874

	At January 1, 2011			
	Past due			
	1 to 30 days	30 to 90 days	90 to 180 days	More than 180 days
Trade and other receivables	Ps 1,146,493	Ps 184,219	Ps 22,250	Ps 613,902

The movements of the provision for impairment of trade receivables are analyzed as follows:

	2012	2011
Opening balance (January 1)	(Ps 248,135)	(Ps 225,255)
Provisions for impairment of trade receivables	(99,647)	(70,061)
Write-offs of trade receivables	49,110	-
Cancel of provision for impairment not used	56,775	47,181
Ending balance (December 31)	(Ps 241,897)	(Ps 248,135)

Note 9 – Other current assets

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Prepaid expenses	Ps 243,991	Ps 231,295	Ps 186,594
Total other current assets	Ps 243,991	Ps 231,295	Ps 186,594

Note 10 – Transactions with related parties

Related party transactions were carried out at market values.

December 31, 2012

		Loans granted to related parties					Loans received from related parties			
	Accounts receivable	Amount	Currency	Maturity date DD/MM/YY	Interest rate	Accounts payable	Amount	Currency	Maturity date DD/MM/YY	Interest rate
Parent	Ps 196,094	Ps 310,983	USD	27/12/2013	7.33%	Ps -	Ps -			
		69,499	USD			-	-			
Affiliates	227,164	4,589	USD	26/06/2013	5.15%	40,700	103,586	MXN		
		52,040	USD	26/06/2013	5.15%					
		319,941	USD	16/12/2013	5.15%					
		13,010	USD	16/12/2013	3.59%					
		13,000	MXN	21/01/2013	7.30%					
		579	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			

December 31, 2011

		Loans granted to related parties					Loans received from related parties			
	Accounts receivable	Amount	Currency	Maturity date DD/MM/YY	Interest rate	Accounts payable	Amount	Currency	Maturity date DD/MM/YY	Interest rate
Parent	Ps 189,776	Ps 383,909	USD	28/12/12	7.33%	Ps -	Ps 2,908,004[(1)]	MXN		4.89%
Affiliates	472,400	392,951	USD	30/12/12	7.12%	52,277	219,630	MXN		-
Partners with significant influence over certain subsidiaries	111,884	-				422,403	-			
Total	Ps 774,060	Ps 776,860				Ps 474,680	Ps 3,127,634			

	January 1, 2011									
		Loans granted to related parties					Loans received from related parties			
	Accounts receivable	Amount	Currency	Maturity date DD/MM/YY	Interest rate	Accounts payable	Amount	Currency	Maturity date DD/MM/YY	Interest rate
Parent	Ps 189,776	Ps 317,422	USD	29/12/2011	7.28%	Ps -	Ps -			
		11,199	USD	28/08/2011	7.12%					
Affiliates	474,551	182,955	USD	23/02/2011	7.12%		129,999			
		182,955	USD	23/08/2011	7.12%					
		23,558	USD	23/02/2011	7.12%					
		13,071	MXN	25/05/2011	5.62%					
		12,472	USD	25/05/2011	9.29%					
Partners with significant influence over certain subsidiaries	89,046	-				-	257,773			
Total	Ps 753,373	Ps 743,632				Ps -	Ps 387,772			

(1) Includes accounts payable to Alfa amounting to Ps 2,858,758 related to the acquisition of the shares of Polioles, Unimor, Akra and Copeq (see Note 1) and the related accrued interest.

Sales of good and other income with related parties

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

	Year ended December 31, 2011					
	Finished goods	Raw materials	Interest	Administrative services	Leases	Other
Parent	Ps -	Ps -	Ps 32,279	Ps -	Ps -	Ps -
Affiliates	285,789	23	24,529	24,351	-	5,508
Partners with significant influence over certain subsidiaries	1,531,478	9,122	-	5,196	-	896
Total	Ps 1,817,627	Ps 9,145	Ps 56,808	Ps 29,547	Ps -	Ps 6,404

Cost of sales and other expenses with related parties

	Year ended December 31, 2012								
	Finished goods	Raw materials	Interest	Administrative services	Technical assistance	Electricity	Leases	Other	Fees
Parent	Ps -	Ps -	Ps 56,362	Ps 122,121	Ps -	Ps -	Ps -	Ps -	Ps -
Affiliates	-	14,135	-	125,042	-	93,323		808	
Partners with significant influence over certain 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 808	Ps 26,985

	Year ended December 31, 2011								
	Finished goods	Raw materials	Interest	Administrative services	Technical assistance	Electricity	Leases	Other	Fees
Parent	Ps -	Ps -	Ps 49,246	Ps 108,295	Ps -	Ps -	Ps -	Ps -	Ps -
Affiliates		12,177		117,194		51,831		1,610	
Partners with significant influence over certain subsidiaries	1,171,345	295,112	-	135,648	55,059	-	2,259	-	21,927
Total	Ps 1,171,345	Ps 307,289	Ps 49,246	Ps 361,137	Ps 55,059	Ps 51,831	Ps 2,259	Ps 1,610	Ps 21,927

For the years ended December 31, 2012, salaries and benefits received by senior officers of the Company amounted to Ps 179,858 (Ps 187,612 in 2011), 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 declared that neither they have significant transactions with related parties nor conflicts of interest to disclose.

Note 11 – Inventories

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Finished goods	Ps 5,969,149	Ps 6,370,557	Ps 3,237,748
Raw material and other consumables	4,452,073	4,848,218	2,632,347
Materials and spare parts	719,237	658,771	485,344
Work in process	441,586	442,617	225,270
	Ps 11,582,045	Ps 12,320,163	Ps 6,580,709

For the years ended December 31, 2012 and 2011, the cost of raw materials consumed and the changes in inventories of work in progress and finished goods recorded in the cost of sale were Ps 86,766,710 and Ps 80,653,169, respectively.

For the years ended December 31, 2012 and 2011, the Company recognized as an expense Ps 9,260 and Ps 3,913, respectively, corresponding to inventory that was damaged, slow-moving and obsolete.

Note 12 – Property, plant and equipment, net

	Land	Buildings and construction	Machinery and equipment	Transportation equipment	Furniture, lab and information technology equipment	Construction in progress	Other fixed assets	Total
At January 1, 2011								
Deemed cost	Ps 3,017,704	Ps 4,123,393	Ps 31,879,620	Ps 162,396	Ps 858,697	Ps 642,651	Ps 456,550	Ps 41,141,011
Accumulated depreciation	(235,809)	(1,850,804)	(16,047,193)	(107,009)	(667,963)	-	(107,075)	(19,015,853)
Carrying value at January 1, 2011	2,781,895	2,272,589	15,832,427	55,387	190,734	642,651	349,475	22,125,158
For the year ended December 31, 2011								
Translation adjustments	152,075	343,281	2,298,711	14,050	26,138	107,914	34,409	2,976,578
Additions	20,202	58,947	295,617	3,969	34,692	437,374	20,628	871,429
Additions due to business combinations	180,141	698,182	3,510,309	32,906	25,389	167,672	20,895	4,635,494
Disposals	(17,961)	(10)	(6,305)	(819)	(125)	(11,532)	(11,997)	(48,749)
Depreciation charge recognized in the year	(24,005)	(106,040)	(1,472,254)	(17,645)	(53,047)	-	(2,926)	(1,675,917)
Transfers	1,016	14,725	375,480	4,565	16,989	(426,350)	8,664	(4,911)
Balance at December 31, 2011	3,093,363	3,281,674	20,833,985	92,413	240,770	917,729	419,148	28,879,082
At December 31, 2011								
Cost	3,924,535	7,797,879	43,136,307	251,324	1,058,022	917,729	529,149	57,614,945
Accumulated depreciation	(831,172)	(4,516,205)	(22,302,322)	(158,911)	(817,252)	-	(110,001)	(28,735,863)
Carrying value at December 31, 2011	3,093,363	3,281,674	20,833,985	92,413	240,770	917,729	419,148	28,879,082
For the year ended December 31, 2012								
Translation adjustments	(96,466)	(207,677)	(1,389,292)	(6,650)	(16,972)	(59,494)	(24,086)	1,800,637)
Additions	2,567	3,495	57,781	1,932	2,906	1,502,862	42,107	1,613,650
Additions due to business combinations								
Disposals	(7,406)	(213)	(15,306)	(175)	(135)	(20)	(25,314)	(48,569)
Depreciation charge recognized in the year	(11,344)	(118,710)	(1,726,550)	(22,852)	(78,722)	-	(1,789)	(1,959,967)
Transfers	5,952	60,984	878,957	32,568	68,163	(1,030,571)	(4,202)	11,851
Balance at December 31, 2012	2,986,666	3,019,553	18,639,575	97,236	216,010	1,330,506	405,864	26,695,410
At December 31, 2012								
Cost	3,777,881	7,414,917	41,281,791	265,114	947,776	1,330,506	433,733	55,451,718
Accumulated depreciation	(791,215)	(4,395,364)	(22,642,216)	(167,878)	(731,766)	-	(27,869)	(28,756,308)
Carrying value at December 31, 2012	Ps 2,986,666	Ps 3,019,553	Ps 18,639,575	Ps 97,236	Ps 216,010	Ps 1,330,506	Ps 405,864	Ps 26,695,410

Depreciation expense of Ps 1,942,073 and Ps 1,649,277, has been charged in cost of sales, Ps 2,306 and Ps 1,864, in selling expenses and Ps 15,588 and Ps 24,775, in administrative expenses, for the years ended December 31, 2012 and 2011, respectively.

The Company has capitalized financing costs amounting to Ps 2,853 and Ps 2,679 for the year ended December 31, 2012 and 2011, respectively. Financing costs were capitalized at a weighted average rate of approximately 2.26% of its loans.

Note 13 – Goodwill and intangible assets, net

	Finite life						Indefinite life		
	Development costs	Trademarks	Non-compete agreements	Customer relationships	Software and licenses	Intellectual property rights	Goodwill	Other	Total
Cost									
At January 1, 2011	Ps 274,231	Ps 381	Ps -	Ps -	Ps 30,822	Ps -	Ps -	Ps 2,946	Ps 308,380
Amortization at January 1, 2011	(96,602)	(259)	-	-	(23,164)	-	-	-	(120,025)
Total January 1, 2011	177,629	122	-	-	7,658	-	-	2,946	188,355
At January 1, 2011	274,231	381	-	-	30,822	-	-	2,946	308,380
Translation adjustments	37,040	50	-	-	3,220	234,185	391	387	275,273
Additions	5,092	-	-	-	-	-	236,784	983	242,859
Additions due to business combinations	-	-	65,700	508,126	-	1,440,463	-	-	2,014,289
At December 31, 2011	316,363	431	65,700	508,126	34,042	1,674,648	237,175	4,316	2,840,801
Translation adjustments	(22,100)	(30)	(4,552)	(35,217)	(2,041)	(123,682)	(16,434)	(302)	(204,358)
Additions	5,284	-	-	528	33,415	7,644	-	167	47,038
At December 31, 2012	299,547	401	61,148	473,437	65,417	1,558,610	220,741	4,181	2,683,483
Accumulated amortization and impairment									
At January 1, 2011	(96,602)	(259)	-	-	(23,164)	-	-	-	(120,025)
Amortization	(28,384)	(108)	(14,704)	(28,629)	(2,699)	(68,336)	-	-	(142,860)
Transfers	126	-	-	-	2	-	-	-	128
Exchange differences	(16,212)	(48)	(352)	(657)	(2,937)	(8,418)	-	-	(28,624)
At December 31 2011	(141,072)	(415)	(15,056)	(29,286)	(28,798)	(76,754)	-	-	(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 adjustments	5,024	22	1,275	2,584	1,121	6,524	-	-	16,550
At December 31, 2012	(160,540)	(402)	(29,300)	(66,133)	(34,246)	(149,367)	-	-	(439,988)
Net book value									
Cost	316,363	431	65,700	508,126	34,042	1,674,648	237,175	4,316	2,840,801
Accumulated amortization and impairment	(141,072)	(415)	(15,056)	(29,285)	(28,798)	(76,755)	-	-	(291,381)
At December 31, 2011	175,291	16	50,644	478,841	5,244	1,597,893	237,175	4,316	2,549,420
Cost	299,548	401	61,147	473,438	65,417	1,558,610	220,741	4,181	2,683,483
Accumulated amortization and impairment	(160,540)	(401)	(29,300)	(66,135)	(34,246)	(149,367)	-	-	(439,988)
At December 31, 2012	Ps 139,008	Ps -	Ps 31,847	Ps 407,303	Ps 31,171	Ps1,409,243	Ps 220,741	Ps 4,181	Ps 2,243,495

Amortization for the years ended December 31, 2012 and 2011 amounting to (Ps 162,198) and (Ps 139,218), has been recorded in cost of sales, (Ps 7,071) and (Ps 193) in selling expenses and (Ps 138) and (Ps 3,449) in administrative expenses, respectively.

Research and development expenses incurred and recorded in the income statement for the years ended December 31, 2012 and 2011 were Ps 40,744 and Ps 37,294, respectively.

Management evaluates its operations in two business segments: polyester chain business and plastics and chemicals business. Management also assesses goodwill at the operating segment level and has allocated the entire amount to the polyester segment. See Note 28.

Note 14 – Other non-current assets

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Other receivables, net	Ps 190,523	Ps 195,045	Ps 24,737
Available for sale financial assets [(1)]	92,208	40,249	40,249
Investment is associate [(2)]	1,528	42,914	61,441
Other non-current assets	8,515	11,353	11,199
Total other non-current assets	Ps 292,774	Ps 289,561	Ps 137,626

(1) Available for sale financial assets include the following:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Unquoted shares:			
- Share investments in third parties	Ps 92,208	Ps 40,249	Ps 40,249

The movement of available for sale financial assets is the following:

	2012	2011
Opening balance at January 1	Ps 40,249	Ps 40,249
Translation effect	(2,015)	-
Additions	54,055	-
Impairment	(81)	-
Balance as of December 31	Ps 92,208	Ps 40,249

Available for sale financial assets are denominated in the following currencies:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
USD	Ps 52,040	Ps -	Ps -
MXN	40,168	40,249	40,249
Total	Ps 92,208	Ps 40,249	Ps 40,249

None of the available for sale financial assets are past due or impaired.

(2) The movement of investments in associates is the following:

	2012	2011
Balance at January 1	Ps 42,914	Ps 61,441
Share of losses	(39,055)	(22,965)
Translation effect	(2,331)	5,182
Other	-	(744)
Balance at December 31	Ps 1,528	Ps 42,914

The participation of the Company in the results of its main associates, as well as their assets and liabilities, are presented as follows:

	Country of Incorporation	Assets	Liabilities	Revenues	Gain (Loss)	Interest % held
At December 31, 2012						
Terminal Petroquímica de Altamira, S.A. de C.V.	México	Ps 52,857	Ps 24,982	Ps 27,511	Ps 5,948	21.07%
Clear Path Recycling, L. L. C.	USA	Ps 575,543	Ps 491,780	Ps 479,598	(Ps 161,232)	25.00%
At December 31, 2011						
Terminal Petroquímica de Altamira, S.A. de C.V.	México	Ps 50,185	Ps 27,329	Ps 27,674	Ps 9,603	21.07%
Clear Path Recycling, L. L. C.	USA	Ps 598,297	Ps 337,452	Ps 516,417	(Ps 99,952)	25.00%

Note 15 – Financial Instruments

a. Financial instruments by category

	At December 31, 2012			
	Accounts receivable and liabilities at amortized cost	Investments available for sale	Derivative financial instruments	Total
Financial assets:				
Cash and cash equivalents	Ps 6,654,561	Ps -	Ps -	Ps 6,654,561
Restricted cash and cash equivalents	2,992	-	-	2,992
Trade and other receivables excluding prepayments	13,368,995	-	-	13,368,995
Financial assets at fair value through profit or loss	-	-	35,153	35,153
Derivatives used for hedging	-	-	72,144	72,144
Financial assets available for sale	-	92,208	-	92,208
	Ps 20,026,548	Ps 92,208	Ps 107,297	Ps 20,226,053

Financial liabilities:				
Debt	Ps 14,440,408	Ps -	Ps -	Ps 14,440,408
Trade and other payables	9,696,234	-	-	9,696,234
Derivatives used for hedging	-	-	218,805	218,805
Financial liabilities at fair value through profit or loss	-	-	276,923	276,923
	Ps 24,136,642	Ps -	Ps 495,728	Ps 24,632,370

At December 31, 2011

	Accounts receivable and liabilities at amortized cost	Investments available for sale	Derivative financial instruments	Total
Financial assets:				
Cash and cash equivalents	Ps 3,584,287	Ps -	Ps -	Ps 3,584,287
Restricted cash and cash equivalents	1,925	-	-	1,925
Trade and other receivables excluding prepayments	13,281,161	-	-	13,281,161
Financial assets at fair value through profit or loss	-	-	66,774	66,774
Derivatives used for hedging			9,306	9,306
Financial assets available for sale	-	40,249	-	40,249
	Ps 16,867,373	Ps 40,249	Ps 76,080	Ps 16,983,702
Financial liabilities:				
Debt	Ps 19,686,760	Ps -	Ps -	Ps 19,686,760
Trade and other payables	13,218,369	-	-	13,218,369
Derivatives used for hedging	-	-	223,433	223,433
Financial liabilities at fair value through profit or loss	-	-	958,371	958,371
	Ps 32,905,129	Ps -	Ps 1,181,804	Ps 34,086,933

At January 1, 2011

	Accounts receivable and liabilities at amortized cost	Investments available for sale	Derivative financial instruments	Total
Financial assets:				
Cash and cash equivalents	Ps 3,231,935	Ps -	Ps -	Ps 3,231,935
Restricted cash and cash equivalents	283,647	-	-	283,647
Trade and other receivables excluding prepayments	9,262,717	-	-	9,262,717
Financial assets at fair value through profit or loss	-	-	191,779	191,779
Derivatives used for hedging			120,041	120,041
Financial assets available for sale	-	40,249	-	40,249
	Ps 12,778,299	Ps 40,249	Ps 311,820	Ps 13,130,368

Financial liabilities:				
Debt	Ps 9,215,883	Ps -	Ps -	Ps 9,215,883
Trade and other payables	7,699,308	-	-	7,699,308
Derivatives used for hedging	-	-	2,095	2,095
Financial liabilities at fair value through profit or loss	-	-	1,236,991	1,236,991
	Ps 16,915,191	Ps -	Ps 1,239,086	Ps 18,154,277

b. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed either by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Trade and other receivables, Excluding prepayments			
Counterparties with external credit rating			
"A"	Ps 43,796	Ps 620	Ps 1,117
Other categories	827,617	980,243	435,477
	871,413	980,863	436,594
Counterparties without external credit rating			
Type of clients X	10,819,011	11,425,031	7,974,325
Type of clients Y	1,147,847	1,146,032	1,072,194
Type of clients Z	13,382	43,264	66,320
	11,980,240	12,614,327	9,112,839
Total receivables not impaired	Ps 12,851,653	Ps 13,595,190	Ps 9,549,433
Cash and cash equivalents, with and without restriction, except cash in hand			
"A"	Ps 842,263	Ps 679,381	Ps 783,467
Other categories	5,814,631	2,900,172	2,711,236
	6,656,894	3,579,553	3,494,703
Derivative financial instruments			
"A"	Ps 35,847	Ps 44,978	Ps 106,802
Other categories	71,451	31,102	205,018
	Ps 107,298	Ps 76,080	Ps 311,820

Group X - new customers / related parties (less than 6 months).

Group Y - clients / current related parties (more than 6 months) without default in the past.

Group Z - clients / current related parties (more than 6 months) with defaults in the past. All defaults were fully recovered.

c. Fair value of financial assets and liabilities

The amount of cash and cash equivalents, restricted cash and cash equivalents, trade and other receivables, trade and other payables, current debt and other current liabilities approximate their fair value due to their short maturity date. The carrying value of these accounts represents the expected cash flow.

The carrying value and estimated fair value of other financial assets and liabilities are presented below:

	At December 31, 2012		At December 31, 2011		At January 1, 2011	
	Book Value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Non-current trade receivables	Ps 190,523	Ps 184,521	Ps 195,045	Ps 194,921	Ps 24,737	Ps 24,721
Financial liabilities						
Non-current debt	14,019,537	14,809,233	17,798,811	18,193,828	7,851,761	8,486,588

The estimated fair values are based on discounted cash flows. These fair values consider the non-current portion of financial assets and liabilities since the current portion approximates its fair value.

Note 16 – Trade and other payables

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Trade payables	Ps 9,231,707	Ps 9,616,055	Ps 7,311,536
Balances due to related parties (Note 10)	464,527	3,602,314	387,772
	Ps 9,696,234	Ps 13,218,369	Ps 7,699,308

Note 17 – Debt

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Current:			
Bank loans (1)	Ps 358,274	Ps 1,645,698	Ps 247,146
Current portion of non-current debt	140,184	491,251	1,181,853
Notes payable (1)	2,183	5,025	-
Current debt	Ps 500,641	Ps 2,141,974	Ps 1,428,999
Non-current:			
Senior Notes (2)	Ps 9,996,489	Ps 4,682,058	Ps 4,473,875
Secured bank loans (2)	-	495,984	-
Unsecured bank loans (2)	4,163,232	13,112,020	4,559,739
Debt issuance costs	(79,770)	(254,025)	(64,877)
Total	14,079,951	18,036,037	8,968,737
Less: current portion of non-current debt	(140,184)	(491,251)	(1,181,853)
Non-current debt	Ps 13,939,767	Ps 17,544,786	Ps 7,786,884

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

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

	Currency	Balance at December 31, 2012	Balance December 31, 2011	Balance at January 1, 2011	Maturity date DD/MM/YY	Interest rate
Private placement Senior Notes bearing interest at an annual rate of 8.31%, maturing in October 2012, in one annual installment. Guaranteed by its subsidiaries Temex, Ptal, Dak Resinas, Dak Argentina and DAK Americas.	USD	Ps -	Ps 149,772	Ps 264,795	30-Oct-12	8.31%
Private Placement Senior Notes issued by DAK Americas bearing interest at an annual rate of 6.85%, maturing on June 2014, in three annual installments. Guaranteed by Petrotemex and its subsidiaries Temex, Ptal, Dak Resinas and Dak Argentina.	USD	-	688,950	812,038	24-Jun-14	6.85%
Senior Notes 144-A/Reg. S bearing interest at an annual rate of 9.50%, maturing on August 2014. Guaranteed by Temex, Akra, DAK Americas and Dak Resinas.	USD	1,563,979	3,843,336	3,397,042	19-Aug-14	9.50%
Senior Notes 144A/Reg. S bearing an interest at an annual rate of 4.50%, maturing on November, 2022. Guaranteed by Petrotemex, Temex, Akra, DAK Americas and Dak Resinas.	USD	8,432,510	-	-	20-Nov-22	4.50%
Total Senior Notes		Ps 9,996,489	Ps 4,682,058	Ps 4,473,875		

	Currency	Balance at December 31, 2012	Balance December 31, 2011	Balance at January 1, 2011	Maturity date DD/MM/YY	Interest rate
Committed credit line bearing interest at an annual rate of Libor+3.5%, maturing on November 2013 and guaranteed by Wellman Holdings and Fiber Ind.	USD	Ps -	Ps 495,984	Ps -	02-Nov-13	4.03%
Total secured bank loans		**Ps -**	**Ps 495,984**	**Ps -**		
Syndicated loan with annual interest at Libor+2.25%, maturing on December 2016. Guaranteed by Temex, Akra, Dak Resinas, DAK Americas and Dak Mississippi.	USD	Ps -	Ps 8,387,220	Ps -	08-Dec-16	2.79%

	Currency	Balance at December 31, 2012	Balance December 31, 2011	Balance at January 1, 2011	Maturity date DD/MM/YY	Interest rate
Syndicated loan bearing interest at an annual rate of TIIE + 0.20% maturing in December 2012, in four semiannual installments. Guaranteed by its subsidiaries Temex, Ptal, Dak Resinas, Dak Argentina and DAK Americas.	MXN	-	-	117,912	11-Dec-12	5.10%
Syndicated loan bearing interest at an annual rate of Libor + 0.40%, maturing on December 2012, in four semiannual installments. Guaranteed by Temex, Ptal, Dak Resinas, Dak Argentina and DAK Americas.	USD	-	-	383,323	11-Dec-12	0.86%
Bank loan with annual interest at Libor + 3.07%, maturing on August 2017. Guaranteed by its subsidiaries Temex, Akra, Dak Resinas and DAK Americas.	USD	2,081,616	2,236,592	1,977,136	23-Aug-17	3.79%
Committed credit line bearing annual interest rate of Libor + 2.0%, maturing on September 2015. Guaranteed by Petrotemex, Temex, Akra y Dak Resinas.	USD	65,050	-	-	24-Sep-15	2.31%
Committed credit line bearing annual interest rate of Libor + 1.60%, maturing on July 2016. Guaranteed by Temex, Akra and Dak Resinas.	USD	-	419,361	-	22-Jul-16	2.05%
Committed credit line bearing annual interest rate of Libor + 0.50%, maturing on September 2012.	USD	-		54,804	30-Sep-12	1.14%
Syndicated loan with annual interest rate of Libor + 0.60% to be paid on April 2011.	USD	-	-	222,428	25-Apr-11	1.05%
Bank loan with annual interest rate of Libor + 3.0% to be paid on January 2012.	USD	-	-	308,927	30-Jan-12	3.30%
Bank loan with annual interest rate of Libor + 0.50% to be paid on August 2012.	USD	-	111,829	197,714	17-Aug-12	1.00%
Bank loan with annual interest rate of Libor + 2.70% to be paid on April 2016.	USD	-	-	308,927	21-Apr-16	2.99%
Bank loan with annual interest rate of Libor + 1.80% to be paid on April 2016.	USD	780,606	838,722	-	01-Apr-16	2.16%
Bank loan with annual interest rate of Libor + 1.60% to be paid on August 2016.	USD	650,505	698,935	-	16-Aug-16	1.98%
Bank loan with annual interest rate of Libor + 0.50% to be paid on August 2012.	USD	-	-	494,284	21-Aug-12	1.06%

	Currency	Balance at December 31, 2012	Balance December 31, 2011	Balance at January 1, 2011	Maturity date DD/MM/YY	Interest rate
Bank loan with annual interest rate of Libor + 2.15% to be paid on August 2012. Guaranteed by its subsidiaries Univex and Nyltek	USD	390,303	419,361	494,284	20-Sep-15	2.46%
Bank loan with annual interest rate of Libor + 2.50% to be paid on February 2017. Guaranteed by its subsidiaries Univex and Nyltek	USD	195,152	-	-	28-Feb-17	2.81%
Total unsecured bank loans		Ps 4,163,232	Ps 13,112,020	Ps 4,559,739		
TOTAL		Ps 14,159,721	Ps 18,290,062	Ps 9,033,614		

At December 31, 2012, the annual maturities of non-current debt are as follows:

	2014	2015	2016	2017 onwards	Total
Bank loans	Ps 449,499	Ps 508,044	Ps 959,495	Ps 2,106,010	Ps 4,023,048
Senior notes	1,563,979	-	-	8,432,510	9,996,489
Less. debt issuance costs	-	-	-	-	(79,770)
	Ps 2,013,478	Ps 508,044	Ps 959,495	Ps 10,538,520	Ps 13,939,767

At December 31, 2011, the annual maturities of non-current debt are as follows:

	2013	2014	2015	2016 onwards	Total
Bank loans	Ps 2,367,732	Ps 1,478,946	Ps 3,568,762	Ps 6,080,735	Ps 13,496,175
Senior notes	229,650	4,072,986	-	-	4,302,636
Less: debt issuance costs	-	-	-	-	(254,025)
	Ps 2,597,382	Ps5,551,932	Ps 3,568,762	Ps 6,080,735	Ps 17,544,786

At January 1, 2011, the annual maturities of non-current debt are as follows:

	2012	2013	2014	2015 onwards	Total
Bank loans	Ps 1,070,110	Ps 205,698	Ps 213,303	Ps 2,224,183	Ps 3,713,294
Senior notes	335,407	203,009	3,600,051	-	4,138,467
Less: debt issuance costs	-	-	-	-	(64,877)
	Ps 1,405,517	Ps 408,707	Ps 3,813,354	Ps 2,224,183	Ps 7,786,884

Covenants:

The majority of existing banking debt agreements contains restrictions of the Company, principally for compliance with certain financial ratios, among they mainly include:

a) Interest coverage ratio: which is defined as the ratio of consolidated EBITDA to consolidated net interest charges for the period of the four consecutive fiscal quarters ending on such date, which may not be less than 3.0 times.

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

Additionally, there are other restrictions on incurring additional debt or taking loans that require mortgage assets, dividend payments and submission of financial information, which is not fulfilled or remedied within a specific period to the satisfaction of creditors, may require immediate early maturity. During 2012 and 2011, financial ratios were calculated according to formulas set out in loan agreements. At December 31, 2012, and the date of issuance of these financial statements, the Company and its subsidiaries complied with such covenants and restrictions.

Relevant debt transactions:

(a) On August 13, 2012, Grupo Petrotemex acquired US$154.2 million ("Tender Offer") of the principal amount of the "Senior Notes" 144A/Reg. S issued in 2009, remaining a balance at December 31, 2012 of US$120.8 million maturing on 2014. Additionally, after the Tender Offer, Grupo Petrotemex obtained the consent of the majority 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 were not included into the tender offer remain effective but without the effect of the financial covenants.

(b) On November 20, 2012, the Company completed an issuance of debt ("Senior Notes") for a nominal amount of US$650 million maturing on November 20, 2022. Interests on the Senior Notes will be payable semiannually at 4.50% from May 20, 2013. The "Senior Notes" were issued through a private placement under the Rule 144A of the "Securities Act" of 1933 of the United States of America and are unconditionally guaranteed, unsubordinated, by joint obligation of certain subsidiaries of the Company.

In addition, the issuance of the "Senior Notes" resulted in emission costs and expenses in the amount of US$ 6 million. The costs and expenses of the issuance, including the discount on the placement of the Senior Notes, are presented net of debt and are amortized along with the loan based on the effective interest rate method.

The net proceeds of the issuance of the Senior Notes, were used primarily to make debt prepayments of certain subsidiaries of the Company.

Note 18 – Employee Benefits

The valuation of retirement plan employee benefits, formal (covering approximately 65% of workers in 2012 and 66% of workers in 2011) and informal, covers all employees and is based primarily on years of service completed by them, their current age and estimated salary at retirement date.
Certain entities of the Company have defined contribution plans. In accordance with the structure of these plans, the reduction in labor liabilities is reflected progressively.

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 2012 amounted to Ps 114,579 (Ps 114,115 in 2011).

Following is a summary of the principal consolidated financial data relative to these obligations:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Obligation in the balance sheet:			
Pension benefits	Ps 927,679	Ps 1,001,711	Ps 349,426
Post-employment medical benefits	202,450	259,351	223,006
Liability in balance sheet	Ps 1,130,129	Ps 1,261,062	Ps 572,432

	2012	2011
Charge in the income statement:		
Pension benefits	Ps 15,717	Ps 27,640
Post-employment medical benefits	(10,619)	(12,273)
	5,098	15,367
Actuarial losses recognized in the statement of other comprehensive income for the period	Ps (88,387)	(Ps 393,583)
Cumulative actuarial losses recognized in other comprehensive income	(Ps 481,970)	(Ps 393,583)

The total recognized expenses for the years ended December 31, were distributed as follows:

	2012	2011
Cost of sales	(Ps 15,072)	Ps 7,398
Selling expenses	(1,646)	(1,888)
Administrative expenses	(1,743)	(3,417)
Total	(Ps 18,461)	Ps 2,093

Pension Benefits

The Company operates defined benefits pension plan based on employee 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 trustees (or equivalent) and their composition.

The amounts recognized in the balance sheet are determined as follows:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Present value of defined benefit obligations	Ps 3,150,577	Ps 3,130,999	Ps 1,761,152
Fair value of plan assets	(2,195,740)	(2,098,529)	(1,375,579)
Defined benefit liability, net	954,837	1,032,470	385,573
Unrecognized past service costs	(27,158)	(30,759)	(36,147)
Liability in the balance sheet	Ps 927,679	Ps 1,001,711	Ps 349,426

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

	2012	2011
At January 1	Ps 3,131,000	Ps 1,761,153
Current service costs	15,565	16,462
Interest cost	134,263	111,454
Actuarial losses	239,477	214,516
Translation adjustments	(192,768)	291,587
Benefits paid	(176,960)	(91,872)
Liabilities acquired in a business combination	-	853,686
Curtailments	-	(25,987)
At December 31	Ps 3,150,577	Ps 3,130,999

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

	2012	2011
At January 1	(Ps 2,098,529)	(Ps 1,375,579)
Expected return on plan assets	(167,479)	(134,957)
Actuarial gain (losses)	(107,842)	171,716
Translation adjustments	122,239	(219,895)
Contributions	(114,579)	(114,115)
Benefits paid	170,450	83,214
Plan assets acquired in a business combination	-	(508,913)
At December 31	(Ps 2,195,740)	(Ps 2,098,529)

The amounts recognized in the income statement for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Current service cost	(Ps 15,565)	(Ps 16,462)
Interest cost	(134,263)	(111,454)
Expected return on plan assets	167,479	134,957
Effect of curtailments and/or settlements	-	22,730
Past service cost	(1,934)	(2,131)
Total, included in staff costs	Ps 15,717	Ps 27,640

The principal actuarial assumptions were as follows:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Discount rate			
	MX 5.50%	MX 8.25%	MX 7.50%
	US 3.80%	US 4.48%	US 5.81%
Inflation rate	3.57%	3.82%	4.40%
Growth rate of wages	5.25%	5.25%	5.25%
Expected return on plan assets	MX 9.75%	MX 10.25%	MX 10.50%
	US 8.25%	US 8.25%	US 8.50%
Future salary increases	5.25%	5.25%	5.25%

Post employment medical benefits

The Company operates a number of 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 unfunded.

In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs annually 9.00% and 9.50% in 2012 and 2011, respectively.

The amounts recognized in the balance sheet were determined as follows:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Present value of defined benefit obligations	Ps 202,450	Ps 259,351	Ps 218,467
Fair value of plan assets	-	-	-
Defined benefit liability, net	202,450	259,351	218,467
Past service costs not recognized	-	-	4,539
Liability in balance sheet	Ps 202,450	Ps 259,351	Ps 223,006

Movement in defined benefit obligation is as follows:

	2012	2011
At January 1	Ps 259,351	Ps 218,467
Current service costs	2,542	2,044
Interest cost	7,152	10,229
Contributions	9,657	-
Actuarial (gain) losses	(43,248)	7,351
Translation adjustments	(17,991)	29,209
Benefits paid	(15,013)	(7,949)
At December 31	(Ps 202,450)	Ps 259,351

The amounts recognized in the income statement for the years ended December 31, were as follows:

	2012	2011
Current service cost	(Ps 2,542)	(Ps 2,044)
Interest cost	(9,657)	(10,229)
Expected return on plan assets	1,580	-
Total, included in staff costs	(Ps 10,619)	(Ps 12,273)

At December 31, 2012 the effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	Ps 4,385	(Ps 4,895)
Effect on the defined benefit obligation	18,019	(21,737)

At December 31, 2011 the effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	Ps 35,758	(Ps 42,775)
Effect on the defined benefit obligation	110,306	(130,938)

Post employment benefits

Plan assets are comprised as follows:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Equity instruments	Ps 1,036,816	Ps 1,389,042	Ps 751,074
Cash and cash equivalents	1,158,924	709,487	624,505

Note 19 – Deferred Income Tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	At December, 31, 2012	At December 31, 2011	At January 1, 2011
Deferred tax asset:			
- To be recovered after more than 12 months	Ps 700,264	Ps 1,081,711	Ps 633,186
- To be recovered within 12 months	418,243	257,862	186,233
	1,118,507	1,339,573	819,419
Deferred tax liabilities			
- To be recovered after more than 12 months	(3,787,918)	(4,843,538)	(4,297,626)
- To be recovered within 12 months	(1,544,421)	(681,725)	(454,042)
	(5,332,339)	(5,525,263)	(4,751,668)
Deferred tax, net	(Ps 4,213,832)	(Ps 4,185,690)	(Ps 3,932,249)

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

	2012	2011
At January 1	(Ps 4,185,690)	(Ps 3,932,249)
Translation Effect	236,309	(507,188)
Acquisition of subsidiary	-	37,370
Income state charge:	(268,017)	(39,785)
Tax charged (credit) relating to components of other comprehensive income	3,566	256,162
At December 31	(Ps 4,213,832)	(Ps 4,185,690)

Temporary differences requiring recognition of deferred income tax for the year ended December 31, 2012 is as follows:

	2012	2011
Assets:		
Inventories	(Ps 18,659)	Ps 38,744
Trade accounts receivable	(89,453)	69,478
Property, plant and equipment	(3,787,918)	(4,843,538)
Valuation of derivative instruments	122,266	315,745
Tax loss carryforwards	635,022	562,509
Total	(Ps 3,138,742)	(Ps 3,857,062)
Liabilities:		
Accrued expenses	(Ps 914,092)	(Ps 328,628)
Other temporary differences, net	(160,998)	-
Total	(Ps 1,075,090)	(Ps 328,628)
Deferred income tax liability	(Ps 4,213,832)	(Ps 4,185,690)

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realizations of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred income tax assets of Ps 372,170 for December 31, 2011, in respect of losses amounting to Ps 1,329,179 that can be carried forward against future taxable income. On September 2012, Akra Polyester recognized a deferred income tax asset of Ps 351,166 in respect of losses amounting to Ps 1,254,165 because of the merge with PTAL.

At December 31, 2012, the subsidiaries have cumulative tax loss carry forwards for a total of Ps 2,267,933 which expire as shown below:

Year loss incurred	Tax loss carryforwards	Year of expiration
2003	Ps 273,323	2013
2004	55,886	2014
2005	268,295	2015
2006	74,562	2016
2007	15,868	2017
2008	350,466	2018
2009	5,685	2019
2010	133,545	2020
2011	1,090,303	2021
	Ps 2,267,933	

Note 20 - Derivative Financial Instruments

The effectiveness of derivative financial instruments classified as hedge instruments is assessed on a periodic basis. At December 31, 2012 and 2011 and January 1, 2011 the subsidiaries' management had assessed the effectiveness of its hedges and have considered that they were highly effective.

The notional amounts related to derivative financial instruments reflect the reference volume contracted, but do not reflect the amounts at risk in regard to future cash flows. The amounts at risk are generally limited to the unrealized gain or loss on market valuation of these instruments, which may vary according to changes in market value of the underlying asset, its volatility and the credit quality of counterparties.

The principal obligations to which the subsidiaries are subject depend on the contracting mechanics and terms of each derivative financial instrument existing at December 31, 2012 and 2011 and January 1, 2011.

Derivatives held for trading are classified as current assets or liabilities. The total fair value of a hedging derivative is classified as 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 maturity of the hedged item is less than 12 months.

a) Exchange rate derivatives

The positions of exchange rate derivatives held for trading purposes were as follows (millions of Mexican Pesos):

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 -

At December 31, 2011

Type of derivative, value or contract	Notional amount	Underlying asset: Unit	Underlying asset: Reference	Fair value	Maturity: 2012	Maturity: 2013	Maturity: 2014+	Collateral/ guarantee
US$/MXN (CCS[1])	(Ps 76)	Pesos / Dollar	13.98	(Ps 16)	(Ps 16)	Ps -	Ps -	Ps -
US$/MXN	(349)	Pesos / Dollar	13.98	(7)	(7)	-	-	-
Euro / US$	(288)	Dollars / Euro	1.30	14	14	-	-	-
Euro /MXN	(82)	Pesos / Euro	18.14	(4)	(4)	-	-	-
				(Ps 13)	(Ps 13)	Ps -	Ps -	Ps -

At January 1, 2011

Type of derivative, value or contract	Notional amount	Underlying asset: Unit	Underlying asset: Reference	Fair value	Maturity: 2011	Maturity: 2012	Maturity: 2013+	Collateral/ guarantee
US$/MXN (CCS[1])	(Ps 134)	Pesos / Dollar	12.36	(Ps 16)	(Ps 6)	(Ps 10)	Ps -	Ps -

1 Cross currency swaps

b) Interest rate swaps

The positions of derivative financial instruments of interest rate swaps were as follows (millions of Mexican pesos):

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
Hedging purposes:								
Over Libor [1]	Ps 2,862	% per year	0.39	(Ps 200)	(Ps 42)	(Ps 56)	(Ps 102)	Ps -
Trading purposes:								
Over Libor	1,008	% per year	0.39	(36)	(36)	-	-	-
				(Ps 236)	(Ps 78)	(Ps 56)	(Ps 102)	Ps -

At December 31, 2011

Type of derivative, value or contract	Notional amount	Underlying asset Unit	Underlying asset Reference	Fair value	Maturity 2012	Maturity 2013	Maturity 2014+	Collateral/ guarantee
Hedging purposes:								
Over Libor [1]	Ps 3,075	% per year	0.73	(Ps 176)	(Ps 41)	(Ps 50)	(Ps 85)	Ps -
Trading purposes:								
Over Libor	2,761	% per year	0.73	(210)	(192)	(23)	5	-
				(Ps 386)	(Ps 233)	(Ps 73)	(Ps 80)	Ps -

At January 1, 2011

Type of derivative, value or contract	Notional amount	Underlying asset Unit	Underlying asset Reference	Fair value	Maturity 2011	Maturity 2012	Maturity 2013+	Collateral/ guarantee
Hedging purposes:								
Over Libor [1]	Ps 1,977	% per year	0.80	Ps 49	(Ps 2)	(Ps 30)	Ps 81	Ps -
Trading purposes:								
Over Libor	5,565	% per year	0.80	(421)	(242)	(159)	(20)	-
				(Ps 372)	(Ps244)	(Ps189)	Ps 61	Ps -

1 Cash flows hedge

c) Energy

The positions of derivative financial instruments for natural gas, gasoline and ethylene were as follows (millions of Mexican Pesos):

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
Hedging purposes.								
Ethylene [1]	Ps 476	Cent Dollar/lb	55.1	Ps 40	Ps 42	(Ps 2)	Ps -	Ps -
Natural gas [1]	606	Dollar / MBTU	3.60	30	30	-	-	-
Ethane [1]	55	Cent Dollar/Gallon	23.9	(16)	(16)	-	-	-
Trading purposes:								
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 -

At December 31, 2011

Type of derivative, value or contract	Notional amount	Underlying asset Unit	Underlying asset Reference	Fair value	Maturity 2012	Maturity 2013	Maturity 2014+	Collateral/ guarantee
Hedging purposes:								
Ethylene [1]	Ps 601	Cent Dollar/lb	51.7	(Ps 8)	(Ps 8)	Ps -	Ps -	Ps -
Natural gas [1]	706	Dollar / MBTU	3.25	(30)	(30)	-	-	-
Trading purposes:								
Ethylene	51	Cent Dollar/lb	51.7	(4)	(4)	-	-	-
Natural gas	67	Dollar / MBTU	3.25	(536)	(279)	(257)	-	-
Gasoline	1,348	Dollar / Gallon	2.60	(129)	(113)	(16)	-	-
				(Ps 707)	(Ps 434)	(Ps 273)	Ps -	Ps -

At January 1, 2011

Type of derivative, Value or contract	Notional amount	Underlying asset Unit	Underlying asset Reference	Fair value	Maturity 2011	Maturity 2012	Maturity 2013+	Collateral/ guarantee
Hedging purposes:								
Ethylene [1]	Ps 473	Cent Dollar / lb	45.5	Ps 69	Ps 65	Ps 4	Ps	Ps -
Trading purposes:								
Natural gas	257	Dollar / MBTU	4.09	(728)	-	(397)	(331)	283
Gasoline	928	Dollar / Gallon	2.36	120	113	7	-	-
				(Ps 539)	Ps 178	(Ps 386)	(Ps 331)	Ps 283

1 Cash flows hedge

The principal obligations to which the subsidiaries are subject depend on the contracting mechanics and terms of each derivative financial instrument existing at December 31, 2012 and 2011 and January 1, 2011.

At December 31, 2012 and 2011 and January 1, 2011 the net fair value position liability of the aforementioned derivative financial instruments amounted to (Ps 388,431), (Ps 1,105,724) and (Ps 927,266), respectively, it is included in the consolidated statement of financial position as follows:

	Fair value at: December 31, 2012	Fair value at: December 31, 2011	Fair value at: January 1, 2011
Current assets	Ps 107,297	Ps 49,450	Ps 207,100
Non-current assets	-	26,630	104,720
Current liabilities	(287,510)	(438,741)	(88,418)
Non-current liabilities	(208,218)	(743,063)	(1,150,668)
Net position	(Ps 388,431)	(Ps 1,105,724)	(Ps 927,266)

At January 1, 2011, the collateral required in derivative financial instruments described above were Ps 283,406, and were represented by cash, which is included under the caption "Restricted cash" in current assets. At December 31, 2012 and 2011 there are no collaterals required in derivative financial instruments.

Note 21 – Other current liabilities

	At December 31, 2012	At December 31, 2011	At January 1, 2011
Taxes	Ps 401,406	Ps 689,666	Ps 485,888
Accrued expenses	522,942	1,124,324	807,790
Accrued interest payable	148,433	246,259	177,698
Short-term employee benefits	295,497	207,442	95,071
Employees' profit sharing	32,710	108,867	36,794
Deferred revenue	-	80,980	-
Advances from customers	6,943	3,734	928
Other	54,330	117,600	91,960
Total other current liabilities	Ps 1,462,261	Ps 2,578,872	Ps 1,696,129

Note 22 - Stockholders' equity

At December 31, 2012, the common stock is variable, with a fixed minimum of Ps 50 retired, represented by 5,000 Series "A" shares, with par value of 10 Mexican Pesos, fully subscribed and paid. The variable capital withdrawal rights will be represented, if any, with registered shares without par value, Series "B".

Net income for the year is subject to the decisions taken at the general stockholders' meeting, to the Company's by-laws and to the General Law of Mercantile Corporations. In accordance with the General Law of Mercantile Corporations, the legal reserve must be increased annually by 5% of annual net profits until it reaches 20% of the fully paid capital stock amount.

The movements of the other reserve items for 2012 and 2011 are as follows:

	Effect of foreign currency translation	Effect of derivative financial instruments designated as cash flow hedges	Total
At January 1, 2011	Ps -	Ps 49,584	Ps 49,584
Fair value losses	-	(344,241)	(344,241)
Tax on fair value losses	-	104,706	104,706
Gains on foreign currency translation	1,716,956	-	1,716,956
At December 31, 2011	Ps 1,716,956	Ps (239,535)	Ps 1,477,421
Fair value gains	-	87,638	87,638
Tax on fair value gains	-	(22,667)	(22,667)
Losses on foreign currency translation	(1,406,694)	-	(1,406,694)
At December 31, 2012	(Ps 1,406,694)	Ps 64,971	(Ps 1,341,723)

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

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

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

In Alpek's General Ordinary Meeting held on September 26, 2011, the stockholders agreed to declare dividends in cash for a total amount of Ps 263,667.

In Alpek's General Ordinary Meeting held on December 6, 2011, the stockholders agreed to declare dividends in cash for a total amount of Ps 131,319.

For the years ended December 31, 2012 and 2011, the contributed capital of the subsidiaries had the following changes:

a) Petrotemex:

The capital stock at January 1, 2011 was composed for ordinary nominative shares with par value of 1 Mexican Peso each totally subscribed and paid in as follows: 255,301,000 of shares type: Series "A" representing the fixed portion of Ps 255,301 of the capital stock and 2,133,702,581 of shares type: Series "B" representing the variable portion of Ps 2,133,702 of the capital stock.

b) Indelpro:

At January 1, 2011, the capital stock is variable with a fixed minimum of Ps 200 and unlimited maximum represented by 368,765,200 common shares, nominative, without par value expression fully subscribed and paid, and divided into Series "A" shares (51%) restricted to Mexican investors and Series "B" shares (49%) without ownership restrictions.

c) Polioles:

At January 1, 2011, the capital stock is variable is represented by 34,800,000 common shares nominative, without par value expression fully subscribed and paid, and divided into Series "B-1" composed of 17,400,001 and Series "B-2" shares composed of 17,399,999 without ownership restrictions.

d) Unimor:

The capital stock fully subscribed and paid of Ps 714,602 is composed of common shares with a par value of ten cents of Mexican Pesos and is divided into 500,000 shares series "A" representing the fixed part and Series "B" shares composed of 7,145,515,147 that represents the variable portion.

In General Ordinary Meetings held on June 15, 2009 the stockholders of Unimor agreed to increase the capital stock by Ps 102,282, through a contribution in cash, therefore, at January 1, 2011, the capital stock is variable with a fixed minimum of Ps 50 and unlimited maximum.

e) Copeq:

At January 1, 2011, the capital stock issued and authorized was 1,000 shares at US$1 par value per share.

At December 31, 2012 and 2011, the stockholders equity has the following changes:

a) Petrotemex:

In Petrotemex's General Ordinary Meeting held on February 20, 2012, the stockholders declared and paid dividends in cash for a total amount of Ps 24,596 to the non-controlling portion.

In Petrotemex's General Ordinary Meeting held on September 5, 2012, the stockholders declared and paid dividends in cash for a total amount of Ps 25,290 to the non-controlling portion.

In Petrotemex's General Ordinary Meeting held on April 13, 2011, the stockholders declared and paid dividends in cash for a total amount of Ps 571,381.

b)_ Indelpro:

In Indelpro's General Ordinary Meeting held on January 6, 2012, the stockholders declared and paid dividends in cash for a total amount of Ps 134,483 to the non-controlling portion.

In Indelpro's General Ordinary Meeting held on August 3, 2012, the stockholders declared and paid dividends in cash for a total amount of Ps 128,094 to the non-controlling portion.

In Indelpro's General Ordinary Meeting held on August 8, 2011, the stockholders declared and paid dividends in cash for a total amount of Ps 120,532 to the non-controlling portion.

In Indelpro's General Ordinary Meeting held on April 04, 2011, the stockholders declared and paid dividends in cash for a total amount of Ps 237,066.

In Indelpro's General Ordinary Meeting held on January 7, 2011, the stockholders declared and paid dividends in cash for a total amount of Ps 122,369.

c) Polioles:

In Polioles' General Ordinary Meeting held on February 20, 2012, the stockholders declared and paid dividends in cash for a total amount of Ps 128,294 to the non-controlling portion.

In Polioles' General Ordinary Meeting held on August 30, 2012, the stockholders declared and paid dividends in cash for a total amount of Ps 164,809 to the non-controlling portion.

In Polioles' General Ordinary Meeting held on April 26, 2011, the stockholders declared and paid dividends in cash for a total amount of Ps 232,504.

d) Unimor:

In Unimor's General Ordinary Meeting held on February 20, 2012, the stockholders declared and paid dividends in cash for a total amount of Ps 1 to the non-controlling portion.

In Unimor's General Ordinary Meeting held on July 31, 2012, the stockholders declared and paid dividends in cash for a total amount of Ps 1 to the non-controlling portion.

In Unimor's General Ordinary Meeting held on September 23, 2011, the stockholders declared and paid dividends in cash for a total amount of Ps 1 to the non-controlling portion.

In Unimor's General Ordinary Meeting held on November 23, 2011, the stockholders declared and paid dividends in cash for a total amount of Ps 1 to the non-controlling portion.

In accordance with the General Law of Mercantile Corporations, the income for the period is subject to the legal provision, requiring that at least 5% of the income for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock paid. The legal reserve is presented within retained earnings. As the legal reserve reached 20% of the capital stock, no additional increases were required in December 31, 2012 and 2011 and January 1, 2011.

Dividends paid are not subject to income tax if they are paid from the after-tax earnings account (CUFIN for its Spanish acronym). Dividends paid in excess of this account are subject to a tax equivalent to 42.86% if paid in 2012. The tax is payable by the Company and may be credited against the income tax payable by the Company in the present year or in the following two immediate years or, if applicable, against the flat tax of the year. Dividends paid from retained earnings previously taxed are not subject to any tax withholding or payment.

In the case of capital stock reductions and in accordance with the provisions of the Mexican Income Tax Law, any excess of stockholders' equity over capital contributions, receives the same tax treatment as dividends.

Note 23 – Expenses by nature

Cost of sales and expenses classified by nature are as follows:

	December 31,	
	2012	2011
Raw material and other	(Ps 73,584,231)	(Ps 69,203,340)
Employee benefits expenses (Note 26)	(2,860,519)	(2,461,808)
Human resources expense	(21,034)	(50,031)
Maintenance	(921,734)	(974,954)
Depreciation and amortization	(2,129,374)	(1,818,776)
Advertising expenses	(2,145)	(3,417)
Freight expenses	(3,400,967)	(2,518,165)
Energy and combustible consumption (gas, electricity, etc.)	(2,861,575)	(2,777,807)
Traveling expenses	(106,059)	(87,756)
Operating lease expenses	(263,785)	(206,678)
Technical assistance, professional fees and administrative services	(920,204)	(970,714)
Other	(1,926,252)	(1,679,067)
Total	(Ps 88,997,879)	(Ps 82,752,513)

Note 24 – Other income (expenses), net

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

	2012	2011
Gain on sale of waste	Ps 1,136	Ps 7,424
Reorganization expenses (*)	-	(313,900)
Expenses related to potential acquisition projects	-	(161,873)
Gain on sale of property, plant and equipment	375	3,034
Impairment of property, plant and equipment	(4,798)	(137,897)
Valuation of derivative financial instruments	152,275	-
Indemnity insurance recovery	6,009	8,888
taxes and surcharges	9,204	6,030
Gain on sale of investments available for sale (**)	-	88,531
Other income, net	146,635	174,281
Total	Ps 310,836	(Ps 325,482)

(*) The expenses refer to an organizational restructure occurred during 2011 in which part of the personnel were dismissed.

(**) This income mainly corresponds to the gain from the sale of shares of Enka de Colombia, S.A. carried out during 2011.

Note 25 – Finance income (expenses)

Finance income (expenses) for the years ended on December 31, are as follows:

	2012	2011
Finance income:		
Interest income in short-term bank deposits	Ps 133,569	Ps 21,883
Interest income in loans to related parties	49,151	56,808
Other	172,845	141,984
Exchange rate gains	141,224	-
Gains for changes in the fair value of financial assets at fair value through profit or loss	68,927	3,833
Total finance income	Ps 565,716	Ps 224,508

	2012	2011
Finance expenses:		
Interest expense in bank borrowings	(Ps 751,306)	(Ps 539,905)
Interest expense with related parties	(56,362)	(49,246)
Interest expense in non banking borrowings	(619,700)	(347,852)
Finance cost on employee benefits	(140,868)	(122,722)
Other	(328,743)	(263,418)
Exchange rate losses	-	(91,588)
Total finance expenses	(1,896,979)	(1,414,731)
Finance expenses, net	(Ps 1,331,263)	(Ps 1,190,223)

Note 26 – Employee benefits expenses

Employee benefits expenses for the years ended on December 31, are as follows:

	2012	2011
Salaries, wages and benefits	(Ps 2,091,768)	(Ps 1,852,883)
Social security contributions	(187,301)	(168,328)
Employee benefits (Note 18)	(18,461)	2,093
Other contributions	(562,989)	(442,690)
Total	(Ps 2,860,519)	(Ps 2,461,808)

Note 27 – Income tax

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

	2012	2011
Total current income tax	(Ps 1,458,257)	(Ps 1,908,211)
Adjustment to the provision of income tax from prior years	2,982	371
Total deferred tax	(268,018)	(39,785)
Income tax expense	(Ps 1,723,293)	(Ps 1,947,625)

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

	2012	2011
Income before income tax	Ps 6,106,095	Ps 6,375,378
Statutory tax rate	30%	30%
Income tax at statutory rate	(1,831,829)	(1,912,614)
Add (deduct) effect of income tax on:		
Inflationary tax adjustment	(71,823)	(139,365)
Non-deductible expenses	(32,673)	(35,266)
Non-taxable income	30,392	-
Tax losses for which no deferred income tax asset was recognized		
Translation effect from the functional	65,446	27,420
currency to the reporting currency	(171,247)	214,838
Effect of different tax rates in countries other than Mexico	(85,088)	(96,120)
Adjustment to the income tax liability from prior years	8,880	371
Effect for reactivation of tax losses	376,366	-
Share of losses of associates	(11,717)	(6,889)
Total income tax	(Ps 1,723,293)	(Ps 1,947,625)
Effective income tax rate	28%	31%

On December 9, 2012, the Income Law in Mexico was published for the year 2013, in which the income tax rate in Mexico (ISR) applicable for 2013 will be 30%, 29% for 2014 and from 2015 will be 28%.

At the end of 2012, the Senate of the United States of America approved and passed by the House of Representatives changes in the US Tax Act of that country, and were signed by the President at the beginning of January, 2013, these changes are considered as substantially enacted. As of December 31, 2012, this does not cause any impact in the current or deferred income tax determined by the Company.

The charge (credit) of the tax related to the components of other comprehensive income for the years ended December 31, are:

	2012			2011		
	Before Taxes	Tax charge (in favor)	After tax	Before taxes	Tax charge (in favor)	After tax
Foreign currency translation effect	(Ps 1,406,694)	Ps -	(Ps1,406,694)	Ps 1,716,956	Ps -	Ps 1,716,956
Actuarial losses	(88,386)	26,233	(62,153)	(393,583)	151,455	(242,128)
Effect of derivative financial Instruments designated as Cash flow hedging	87,638	(22,667)	64,971	(344,241)	104,706	(239,535)
Other comprehensive income	(Ps 1,407,442)	Ps 3,566	(Ps1,403,876)	Ps 979,132	Ps 256,161	Ps 1,235,293
Deferred tax		Ps 3,566			Ps 256,161	

Note 28 - Financial information by segments

Segment information is presented in a manner consistent with the internal reporting provided to the chief operating officer, which has been identified as the Company's Chief Executive Officer, who is the highest authority in the operational decision making, resource allocation and performance assessment of the operating segments.

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

Alpek controls and evaluates its continuing operations through two business segments based on products: Polyester Chain Business and Plastics & Chemicals Business. These segments are managed independently because their products mix and the markets they attend are different. Their activities are carried out through various subsidiaries.

Transactions between operating segments are carried out at market value and the accounting policies which prepares segment information are consistent with those described in Note 3.

The Company evaluates the performance of each of the operating segments based on income before financial income, taxes, depreciation and amortization (EBITDA), this indicator represents a good measure to evaluate operating performance and ability to meet obligations principal and interest in respect of the indebtedness, and the ability to fund capital expenditures and working capital requirements. Nevertheless, 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 adjusted EBITDA as consolidated and combined profit (loss) before tax after adding back or subtracting, as the case may be: (1) depreciation, amortization and impairment of non-current assets; (2) the financial result, net (which includes interest expense, interest income, foreign exchange gains (losses), net and gain (loss) of derivative financial instruments and (3) share of loss of associates.

Below is the consolidated financial information of the operating segments to report (million of Mexican Pesos):

For the year ended December 31, 2012:

	Polyester	Plastics and Chemicals	Segment total
Income statement:			
Sales by segment	Ps 75,249	Ps 21,068	Ps 96,317
Inter-segment sales	(49)	(105)	(154)
Sales to external clients	Ps 75,200	Ps 20,963	Ps 96,163
Operating income	5,319	2,161	7,480
Depreciation, amortization and impairment of fixed assets	1,689	445	2,134
Adjusted EBITDA	Ps 7,008	Ps 2,606	Ps 9,614
Capital expenditures (Capex)	Ps 1,400	Ps 122	Ps 1,522

For the year ended December 31, 2011:

	Polyester	Plastics and Chemicals	Segment total
Income statement			
Sales by segment	Ps 70,050	Ps 20,781	Ps 90,831
Inter-segment sales	(52)	(112)	(164)
Sales to external clients	Ps 69,998	Ps 20,669	Ps 90,667
Operating income	5,195	2,394	7,589
Depreciation, amortization and impairment of fixed assets	1,537	419	1,956
Adjusted EBITDA	Ps 6,732	Ps 2,813	Ps 9,545
Capital expenditures (Capex)	Ps 471	Ps 117	Ps 588

The reconciliation between "Adjusted EBITDA" and profit before tax for the years ended December 31 is as follows:

	2012	2011
Adjusted EBITDA	Ps 9,610	Ps 9,545
Depreciation and amortization	(2,134)	(1,956)
Operating profit	7,476	7,589
Financial result	(1,331)	(1,191)
Share of loss of associates	(39)	(23)
Profit before tax	Ps 6,106	Ps 6,375

The following table shows the net sales breakdown by country of origin for the years ended December 31, (in millions of Mexican Pesos):

		2012		2011
Mexico	Ps	53,456	Ps	53,142
United States		38,609		33,363
Argentina		4,098		4,162
Net sales	Ps	96,163	Ps	90,667

The Company's main customer generated revenues of Ps 10,121 and Ps 13,833 for the years ended December 31, 2012 and 2011, respectively, these revenues were generated in the reporting segment Polyester which represents 11% and 15% of consolidated revenues to external customers.

The following tables show the intangible assets and property plant and equipment by country of origin (in millions of Mexican Pesos):

		At December 31, 2012		At December 31, 2011		At January 1, 2011
Mexico	Ps	1,552	Ps	1,778	Ps	180
United States		690		768		3
Argentina		1		3		5
Total intangible assets	Ps	2,243	Ps	2,549	Ps	188

		At December 31, 2012		At December 31, 2011		At January 1, 2011
Mexico	Ps	18,439	Ps	19,397	Ps	17,867
United States		7,985		9,161		3,944
Argentina		271		321		314
Total Property, plant and equipment	Ps	26,695	Ps	28,879	Ps	22,125

Note 29 - Commitments and contingencies

At December 31, 2012 and 2011 and January 1, 2011, the subsidiaries had entered into various agreements with suppliers and customers for purchases of raw material used for production and the sale of finished goods, respectively. These agreements, with a term between one and five years, generally contain price adjustment clauses.

Some of the subsidiaries use hazardous materials to manufacture polyester staple fiber, polyethylene terephthalate ("PET") resin and terephthalic acid and generates and disposes of wastes, such as finishes and glycol. 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. Under such laws, an owner or lessee of real estate 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 believe 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 relating to noncompliance with environmental laws and regulations, that historic or current operations have not resulted in undiscovered conditions that will require investigation and/or remediation under environmental laws, or that future uses or conditions will not result in the imposition of environmental liability upon the subsidiaries or expose it to third-party 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 its operations.

DAK Americas, L. L. C. provided a corporate guarantee to Clear Path Recycling, L. L. C. in favor of Shaw Industries Group, Inc. At December 31, 2012 and 2011, this guarantee amounts to US$5,928 and US$3,400, respectively.

In September, 2007, the subsidiary Indelpro renewed the agreement it had entered into with "PEMEX Refinación" covering the supply of polypropylene at chemical and refining ending in 2018. Purchases for the year ended on December 31, 2012 and 2011 and January 1, 2011 under this agreement amounted to Ps 4,532,035, Ps 4,352,839 and Ps 3,989,666, respectively and there are purchase commitments of approximately Ps 5,015,005 for the year 2013.

In connection with the construction of its second production line of polypropylene, in 2008 the subsidiary Indelpro entered into an agreement with Basell Polyolefin Italia SPA, (subsidiary of the other partner in Indelpro S. A. de C. V.) related to engineering licenses, use of patents and technical information for the production of polypropylene by which Indelpro paid a down payment of US$9.5 million to use such licenses, patents and technical information to build the production line. This contract provides additional annual payments of royalties from 2013, which are determined on the basis of 1.22% of net sales value. As of December 31, 2012 there is no obligation for paying these royalties, the obligation will be generated when the sales of 2013 occur. The duration of royalty payments will be until Indelpro should have completed a cumulative US$11 million as compensation. Indelpro has the option to pay this obligation in advance.

On February 1, 2005, the subsidiary Polioles and BASF Corporation (the other partner of the Combined Affiliate) signed a license contract related to the use of patents and technical information for the production of polystyrene pearl in the Altamira plant, based in Tamaulipas. Under the mentioned contract, Polioles pays BASF Corporation the difference between an annual minimum of US$ 9 million and the gain before financing and taxes plus depreciation and amortization generated by the line of polystyrene pearl. The term of the present contract will be until Polioles had covered in an accrual basis US$ 15 million as consideration. For the year ended at December 31, 2012 and 2011 the threshold was not reached and therefore there is no payment obligation generated.

The Company leases equipment under non-cancelable operating leases, primarily related to transportation equipment for PTA and PET businesses, which normally include renewal options. These options are generally renewed under the same conditions of the existing leases.

Future payments under these operating leases with non-cancelable terms longer than one year are summarized below:

2013	US$ 12,414
2014	9,209
2015	6,867
2016	6,204
2017	4,200
Subsequent years	12,099

Note 30 - First time adoption of International Financial Reporting Standards

Until 2011, the Company issued its consolidated and combined financial statements in accordance with Mexican Financial Reporting Standards (MFRS). Since 2012, Alpek issued its consolidated and combined financial statements in accordance with IFRS issued by the International Accounting Standards Board (IASB).

According to IFRS 1 "First-time Adoption of IFRS" the Company considered January 1, 2011 as its transition date and January 1, 2012 as its date of adoption. The amounts included in the consolidated and combined financial statements for 2011 have been reconciled to be presented under the same standards and criteria in 2012.

For the transition, the Company identified and quantified the differences between MFRS and IFRS for purposes of its opening balance sheet at January 1, 2011 and its conversion to IFRS on its financial information systems.

In preparing its opening balance sheet, based on the IFRS 1, the Company has adjusted amounts reported previously in financial statements prepared under MFRS. An explanation of how the transition from MFRS to IFRS has affected the Company's financial position, its financial performance and cash flows shown in the following tables and notes:

1. Decisions on Adoption

1.1. IFRS optional exemptions

1.1.1. Exemption of fair value as assigned cost

IFRS 1 provides the option to measure the property, plant and equipment at fair value as well as certain intangible assets at the date of transition to IFRS and to use that fair value as its assigned cost at that date or to use an updated carrying amount determined under the previous GAAP (Generally Accepted Accounting Principles), if such updated carrying amount is comparable to: a) fair value or b) cost or depreciated cost in accordance with IFRS, adjusted to recognize changes in an inflation rate.

The Company chose, at its transition date, to reevaluate their land and property, plant and equipment at fair value. For smaller equipment, the Company chose to use their values recognized under MFRS as assigned cost under IFRS. The net effect on valuation is recognized against the opening balance of retained earnings under IFRS at the transition date. Thereafter, the Company uses the cost method for property, plant and equipment in accordance with IFRS.

1.1.2. Exemption for business combinations

IFRS 1 allows applying IFRS 3, "Business Combinations" ("IFRS 3"), prospectively as of the transition date or a specific date before the transition date. An entity that chooses to restore their purchases from a specific date before the transition date must include all acquisitions occurring in that period. This option allows avoiding retrospective application that would reset all business combinations that occurred before the transition date. The Company chose to prospectively apply IFRS 3 to business combinations occurring on or after the transition date. The business combinations before the transition date were not modified.

1.1.3. Exemption to remove a cumulative foreign currency translation

IFRS 1 allows canceling cumulative gains and losses in the foreign currency translation at the transition date. This exemption allows not calculating the cumulative translation effect in accordance with IAS 21, "The effects of changes in foreign exchange rates" ("IAS 21"), as of the date on which the subsidiary or investment accounted through the equity method was established or acquired. The Company chose to zero all cumulative gains and losses from translation against retained earnings under IFRS at the transition date.

1.1.4. Exemption for labor obligations

The IFRS 1 allows not applying IAS 19, "Employee Benefits" ("IAS 19") retrospectively, for the recognition of actuarial gains and losses. In line with this exemption, the Company chose to recognize all cumulative actuarial gains and losses that existed at the transition date against retained earnings under IFRS.

1.1.5. Exemption to capitalize borrowing costs

IFRS 1 allows entities to apply the transitional guidelines included in the revised IAS 23, "Capitalization of borrowing costs" ("IAS 23"), which interpret that the effective date of the rule is January 1, 2009 or the transition date to IFRS, whichever comes later.

For any cost by unfunded loan at the transition date, the Company chose to apply this exemption and begin to capitalize borrowing costs from the transition date prospectively.

1.2. Mandatory exceptions of IFRS

1.2.1. Exception of hedging accounting

Hedging accounting can only be applied prospectively from the transition date to transactions that meet the criteria of IAS 39 "Financial Instruments: Recognition and Measurement ", at that time. Hedging accounting can only be applied prospectively from the transition date and is not allowed to create retrospectively documentation supporting a hedging relationship. All hedging transactions contracted by the Company met the criteria for hedging accounting as of January 1, 2011 and, accordingly, are reflected as hedging in the statements of financial position of the Company under IFRS.

1.2.2. Exception for accounting estimates

Estimates under IFRS at the transition date are consistent with those made under MFRS around the same time .

Additionally, the Company prospectively applied the following mandatory exceptions from January 1, 2011: derecognition (disposal) of financial assets and financial liabilities and non-controlling portion, without significant impact.

2. Reconciliations from MFRS to IFRS

IFRS 1 require a reconciliation of equity, comprehensive income statement and cash flows for the prior periods. The first time adoption of the Company had no impact in the total operating, investing and financing operation. The following tables represent the reconciliations of MFRS to IFRS for the respective periods in equity, statement of comprehensive income and consolidated and combined.

A) Reconciliation of consolidated and combined Balance Sheets.
B) Reconciliation of consolidated and combined Statements of Income.
C) Reconciliation of consolidated and combined Statements of Comprehensive Income.
D) Description of the effects from the transition to IFRS.
E) Explanation of significant effects of transition to IFRS in the consolidated statement of cash flows for the year ended on December.

A) Reconciliation of consolidated and combined Balance Sheets:

	Note	December 31, 2011 MFRS	Adj.	IFRS	January 1, 2011 MFRS	Adj.	IFRS
Assets							
Current assets							
Cash and cash equivalents		Ps 3,584,287	Ps -	Ps 3,584,287	Ps 3,231,935	Ps -	Ps 3,231,935
Restricted cash and cash equivalents		1,925	-	1,925	283,647	-	283,647
Trade and other receivables, net	g)	13,347,056	(65,895)	13,281,161	9,328,612	(65,895)	9,262,717
Inventories	b)	12,324,968	(4,805)	12,320,163	6,895,565	(314,856)	6,580,709
Derivative financial instruments		49,450	-	49,450	207,100	-	207,100
Other current assets	c)	231,295	-	231,295	120,284	66,310	186,594
Total current assets		29,538,981	(70,700)	29,468,281	20,067,143	(314,441)	19,752,702
Non-current:							
Derivative financial instruments		26,630	-	26,630	104,720	-	104,720
Property, plant and equipment, net	b)	23,173,072	5,706,010	28,879,082	16,547,186	5,577,972	22,125,158
Goodwill and intangible assets, net	a) c) g)	2,762,591	(213,171)	2,549,420	355,349	(166,994)	188,355
Deferred income tax assets	e)	1,181,504	(241,521)	939,983	966,730	(260,591)	706,139
Other non-current assets	g)	278,206	11,355	289,561	137,626	-	137,626
Total non-current assets		27,422,003	5,262,673	32,684,676	18,111,611	5,150,387	23,261,998
Total Assets		Ps56,960,984	Ps 5,191,973	Ps62,152,957	Ps38,178,754	Ps4,835,946	Ps43,014,700

	Note	December 31, 2011 MFRS	December 31, 2011 Adj.	December 31, 2011 IFRS	January 1, 2011 MFRS	January 1, 2011 Adj.	January 1, 2011 IFRS
Liabilities and equity							
Liabilities:							
Current liabilities:							
Current debt		Ps 2,141,974	Ps -	Ps 2,141,974	Ps 1,428,999	Ps -	Ps 1,428,999
Trade and other payables	g)	13,215,063	3,306	13,218,369	7,696,002	3,306	7,699,308
Derivative financial instruments		438,741	-	438,741	88,418	-	88,418
Income tax payable		301,293	-	301,293	279,849	-	279,849
Other current liabilities	h)	2,558,450	20,422	2,578,872	1,717,916	(21,787)	1,696,129
Total current liabilities		18,655,521	23,728	18,679,249	11,211,184	(18,481)	11,192,703
Non-current liabilities:							
Non-current debt	c)	17,798,811	(254,025)	17,544,786	7,851,761	(64,877)	7,786,884
Derivative financial instruments		743,063	-	743,063	1,150,668	-	1,150,668
Deferred income tax liabilities	e)	4,000,064	1,125,609	5,125,673	3,507,086	1,131,302	4,638,388
Employee benefits	d)	345,983	915,079	1,261,062	36,469	535,963	572,432
Total non-current liabilities		22,887,921	1,786,663	24,674,584	12,545,984	1,602,388	14,148,372
Total Liabilities		41,543,442	1,810,391	43,353,833	23,757,168	1,583,907	25,341,075
Equity:							
Controlling portion:							
Common stock	a)	4,968,187	-	4,968,187	4,467,467	(1,550,263)	2,917,204
Retained earnings	a) b) d) e) h)	6,264,594	2,874,563	9,139,157	7,057,426	4,560,021	11,617,447
Other reserves	j)	1,176,887	(29,683)	1,147,204	250,185	(200,601)	49,584
Stockholders' equity controlling portion		12,409,668	2,844,880	15,254,548	11,775,078	2,809,157	14,584,235
Non- controlling portion		3,007,874	536,702	3,544,576	2,646,508	442,882	3,089,390
Total Equity		15,417,542	3,381,582	18,799,124	14,421,586	3,252,039	17,673,625
Total Liabilities and Equity		Ps56,960,984	Ps 5,191,973	Ps 62,152,957	Ps38,178,754	Ps 4,835,946	Ps 43,014,700

B) Reconciliation of consolidated and combined Statements of Income:

	Note	For the year ended December 31, 2011		
		MFRS	**Adj.**	**IFRS**
Net sales		Ps 90,666,561	Ps -	Ps90,666,561
Cost of sales	b) h)	(80,529,352)	(123,817)	(80,653,169)
Gross profit		10,137,209	(123,817)	10,013,392
Selling expenses	d)	(961,285)	(11,466)	(972,751)
Administrative expenses	d)	(1,131,129)	4,536	(1,126,593)
Other expenses, net	g)	(553,119)	227,637	(325,482)
Operating Profit		7,491,676	96,890	7,588,566
Financial income	d) i)	86,611	137,897	224,508
Financial expenses	i)	(1,185,998)	(137,145)	(1,323,143)
Foreign exchange loss	b)	(106,524)	14,936	(91,588)
Comprehensive financing expense, net		(1,205,911)	15,688	(1,190,223)
Share of losses of associates		(22,965)	-	(22,965)
Profit before income tax		6,262,800	112,578	6,375,378
Income tax	e)	(1,972,651)	25,026	(1,947,625)
Profit of the year		Ps 4,290,149	Ps 137,604	Ps 4,427,753
Attributable to:				
Controlling portion		Ps 3,791,728	Ps 107,614	Ps 3,899,342
Non- controlling portion		Ps 498,421	Ps 29,990	Ps 528,411

C) Reconciliation of consolidated and combined Statements of Comprehensive Income:

	Note	For the year ended December 31, 2011		
		MFRS	**Adj.**	**IFRS**
Profit for period		Ps 4,290,149	Ps 137,604	Ps 4,427,753
Other comprehensive income, net of taxes				
Effect of derivative financial instruments designated as cash flows hedging		(264,596)	25,061	(239,535)
Actuarial losses of labor obligations	d)	-	(242,128)	(242,128)
Translation effect of foreign entities	j)	1,507,950	209,006	1,716,956
Total items of the comprehensive income for the year		1,243,354	(8,061)	1,235,293
Total comprehensive income for the year		Ps 5,533,503	Ps 129,543	Ps 5,663,046
Attributable to:				
Controlling portion		Ps 4,718,430	Ps 35,724	Ps 4,754,154
Non-controlling portion		815,073	93,819	908,892
Total comprehensive income for the year		Ps 5,533,503	Ps 129,543	Ps 5,663,046

D) Description of the effects from the transition to IFRS

a) Recognition of effects of inflation

In accordance with IAS 29, "Financial reporting in hyper-inflationary economies", the effects of inflation in the financial information must be recognized for hyper-inflationary economies, when the accumulated inflation rate for the last three years is approaching, or exceeds 100%, whereas under MFRS, such threshold is met at 26% during the same period. Since the Company and its main subsidiaries are located in non-hyper-inflation economies such as United States of America and Mexico, the effects of inflation recognized under MFRS until 2007 were cancelled for the non-hyper-inflationary periods, except for "Property, plant and equipment (due to the deemed cost exception of IFRS 1) and for "Goodwill" (due to the business combinations exception).

b) Property, plant and equipment, net

The transition to IFRS adjustment made to property, plant and equipment has been the most important to the Company. At the transition date, the Company chose to revalue the most important items of property, plant and equipment (land, building and machinery) at fair value by an independent appraiser, and use the revalued amount as deemed cost at the transition date according to the options identified under IFRS 1, "First-time Adoption of IFRS"; for the rest of the assets that are part of the property, plant and equipment, the Company considered the values recorded in books as deemed cost at the transition date.

The previous carrying amounts and fair values of the assets revalued at the transition date are as follows:

	Carrying value	Adjustment	Fair Value
Land	Ps 777,832	Ps 2,004,063	Ps 2,781,895
Buildings	1,804,510	468,079	2,272,589
Machinery	13,964,845	3,105,829	17,070,674
Total	Ps 16,547,187	Ps 5,577,971	Ps 22,125,158

At January 1, 2011, some components of machinery and equipment were classified as inventories under MFRS. These components met the definition of property, plant and equipment in accordance with IAS 16 under IFRS, so that in its opening balance sheet, the Company reclassified them inventory under MFRS to property, plant and equipment under IFRS of Ps 314,856 to his historical cost.

c) Intangible assets, net

At the transition date, the cumulative update of intangible assets (including goodwill) that was generated after December 31, 1997 for companies in Mexico was eliminated. The debt issuance costs that meet the capitalization criteria must be submitted as part of net debt balance. The amortization and recognition of debt issuance costs will be based on the effective interest method. At the transition date, the Company reclassified the debt issuance costs recorded as intangible assets to non-current debt in the calculation of amortized cost.

d) Employee benefits

The MFRS D-3 "Employee's Benefits" all termination benefits, including those that are paid in the event of involuntary termination, are considered in the actuarial calculation to estimate the liability for labor obligations. For IAS 19 "Employees' Benefits", an entity recognizes termination benefits as a liability as long as the entity is required to:

(a) terminate the contract of an employee before the retirement date; or
(b) establish termination benefits as a result of offers made to encourage voluntary waiver. Therefore, the Company canceled the provision recorded at the transition date.

Under MFRS, the Company had a liability of transition, which is amortized over a maximum period of 5 years. Under IFRS, these liabilities had been recognized since the creation of plans and consequently there would be no transition liability and their respective amortization.

In accordance with IFRS 1, the Company recognized actuarial gains and losses accumulated in retained earnings at the transition date.

Additionally, in accordance with IAS 19 "Employee Benefits", the employees' statutory profit sharing (ESPS) is considered as a benefit given to employees who paid based on the service provided by the employee. No deferred ESPS is recognized based on the asset and liability method given that this method only applies to taxes on profits, so Alpek, as of the transition date, eliminated the deferred ESPS balance from the financial statements.

e) Deferred taxes

Derived from the exemptions applied as well as the differences described here, the accounting value of certain assets and liabilities were modified, so deferred taxes were recalculated using the guidelines of IAS 12 "Income Taxes".

f) Other income (expense), net

Under IFRS, "other expenses/income" should be presented as part of operating income previously presented under MFRS after operating income, because they are considered unusual or infrequent items. Alpek reclassified the other expenses/income to be part of operating income

g) IFRS reclassifications

Arising from the adoption of IFRS, the Company made certain reclassification to adjust the figures to the new presentation rules.

h) Sale and leaseback

Under MFRS, the gain from the sale of this type of lease is amortized over the life of the operating lease. Arising from the adoption of IFRS, the gain from the sale is immediately recognized in income.

i) Effective interest rate

In accordance with IFRS, financial liabilities are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method, which is based on the discount rate that equates to the cash flows estimated to pay over the expected life of the debt. The Company recognizes the value of its debt at amortized cost.

j) Cumulative translation adjustment

According to IFRS 1 "First-time Adoption of International Financial Reporting Standards", Alpek adopted the exemption applying the cumulative translation effect to retained earnings on the transition date and restart the calculation.

E) Description of significant effects from the transition to IFRS in the consolidated cash flow statement for the year ended December 31, 2011

The Company uses the indirect method to present the cash flow statement, both under Mexican FRS and IFRS, which do not differ significantly in their presentation.

Note 31 – Share-based payments

The Company has a compensation scheme based on the value of the share of its parent company for Directors of Alpek and its subsidiaries. According to the terms of the plan, eligible executives will receive a cash payment subject to achieve quantitative and qualitative milestones from the following financial measures:

- Improvement in the stock price
- Improvement in the net profit
- Permanence of the Directors in the Company

The program consists of determining a number of shares that the Directors shall have the right, which will be paid in cash in the next five years, therefore, 20% each year, and will be paid at the average price of the share at the end of each year. The average price of the share in 2012, 2011 and 2010 is Ps 28.23 pesos, Ps 15.77 pesos and Ps 11.67 pesos, respectively.

Note 32 – Subsequent Events

At the Annual General Meeting held on Indelpro on January 6, 2013, the stockholders declared and paid dividends in cash for a total amount of Ps 134,483 to the non-controlling portion.

José de Jesús Valdez Simancas
Chief Executive Officer

Raúl Millares Neyra
Chief Financial Officer