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

Consolidated Financial Statements

At December 31, 2015 and 2014

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

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## Report of the Independent Auditors

Monterrey, N. L., February 2, 2016

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

We have audited the accompanying consolidated financial statements of Alpek, S. A. B. de C. V and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alpek, S. A. B. de C.V. and subsidiaries as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers, S. C.

Héctor Rábago Saldívar
Audit Partner

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

## Consolidated Statements of Financial Position
## At December 31, 2015 and 2014

*(In thousands of Mexican pesos)*

| Asset | Note | At December 31, 2015 | At December 31, 2014 |
|---|---|---|---|
| CURRENT ASSET: | | | |
| Cash and cash equivalents | 6 | Ps 6,649,904 | Ps 5,743,816 |
| Restricted cash and cash equivalents | 7 | 2,753 | 3,185 |
| Trade and other receivables, net | 8 | 13,383,935 | 13,246,370 |
| Inventories | 10 | 12,086,117 | 11,485,908 |
| Derivative financial instruments | 16 | 203,356 | - |
| Prepayments and others | | 337,943 | 461,870 |
| **Total current asset** | | 32,664,008 | 30,941,149 |
| NON-CURRENT ASSET: | | | |
| Property, plant and equipment, net | 11 | 31,321,771 | 27,392,275 |
| Goodwill and intangible assets, net | 12 | 8,812,066 | 6,082,910 |
| Deferred income taxes | 21 | 361,187 | 256,997 |
| Other assets | 13 | 1,734,562 | 697,879 |
| **Total non-current asset** | | 42,229,586 | 34,430,061 |
| **Total asset** | | Ps 74,893,594 | Ps 65,371,210 |
| **Liability and Stockholders' equity** | | | |
| CURRENT LIABILITY: | | | |
| Debt | 19 | Ps 678,331 | Ps 487,604 |
| Suppliers and other accounts payable | 17 | 9,800,552 | 10,564,770 |
| Derivative financial instruments | 16 | 848,301 | 757,011 |
| Income tax payable | | 1,370,491 | 78,100 |
| Provisions | 18 | 338,411 | 761,652 |
| Other liabilities | 22 | 1,891,472 | 1,676,054 |
| **Total current liability** | | 14,927,558 | 14,325,191 |
| NON-CURRENT LIABILITY: | | | |
| Debt | 19 | 18,275,740 | 15,665,652 |
| Derivative financial instruments | 16 | 711,342 | 287,925 |
| Provisions | 18 | 184,748 | 28,243 |
| Deferred income taxes | 21 | 4,707,030 | 4,255,606 |
| Employee benefits | 20 | 1,108,066 | 963,983 |
| Deferred credits and others | | 480,353 | - |
| **Total non-current liability** | | 25,467,279 | 21,201,409 |
| **Total liability** | | 40,394,837 | 35,526,600 |
| STOCKHOLDERS' EQUITY: | | | |
| Controlling interest: | | | |
| Capital stock | 23 | 6,051,880 | 6,051,880 |
| Share premium | 23 | 9,071,074 | 9,071,074 |
| Retained earnings | 23 | 10,009,224 | 8,880,764 |
| Other reserves | 23 | 4,822,051 | 1,945,717 |
| **Total controlling interest** | | 29,954,229 | 25,949,435 |
| Non-controlling interest | 14 | 4,544,528 | 3,895,175 |
| **Total stockholders' equity** | | 34,498,757 | 29,844,610 |
| **Total liability and stockholders' equity** | | Ps 74,893,594 | Ps 65,371,210 |

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

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

# *Alpek, S. A. B. de C. V. and subsidiaries*
Consolidated Statements of Income
For the years ended December 31, 2015 and 2014

*(In thousands of Mexican pesos)*

| | Note | 2015 | 2014 |
|---|---|---|---|
| Revenue | 3.u | Ps83,590,460 | Ps86,072,058 |
| Cost of sales | 25 | (73,029,596) | (79,757,100) |
| Gross profit | | 10,560,864 | 6,314,958 |
| Selling expenses | 25 | (1,377,196) | (1,218,824) |
| Administrative expenses | 25 | (1,839,073) | (1,325,744) |
| Other income (expenses), net | 26 | 244,993 | (31,807) |
| Operating profit | | 7,589,588 | 3,738,583 |
| Finance income | 27 | 2,795,360 | 135,437 |
| Finance cost | 27 | (4,657,563) | (1,632,107) |
| Finance cost, net | | (1,862,203) | (1,496,670) |
| Share of losses of investments accounted for the equity method | | (22,976) | (44,779) |
| Profit before income taxes | | 5,704,409 | 2,197,134 |
| Income taxes | 29 | (2,039,745) | (883,032) |
| Net consolidated profit | | Ps 3,664,664 | Ps 1,314,102 |
| Profit attributable to: | | | |
| Controlling interest | | Ps 2,748,400 | Ps 800,901 |
| Non-controlling interest | | 916,264 | 513,201 |
| | | Ps 3,664,664 | Ps 1,314,102 |
| Basic and diluted earnings per share (in pesos) | | Ps 1.30 | Ps 0.38 |
| Weighted average of outstanding shares (in thousands of shares) | | 2,118,164 | 2,118,164 |

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

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

# *Alpek, S. A. B. de C. V. and subsidiaries*
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2015 and 2014

*(In thousands of Mexican pesos)*

| | Note | 2015 | 2014 |
|---|---|---|---|
| Net consolidated profit | | Ps 3,664,664 | Ps 1,314,102 |
| Other items of comprehensive income of the year: | | | |
| Items that will not be reclassified to the statement of income: | | | |
| Remeasurement of obligations for employee benefits, net of taxes | 20, 29 | (2,921) | (217,489) |
| Items that will be reclassified to the statement of income: | | | |
| Effect of derivative financial instruments designated as cash flow hedges, net of taxes | 16, 29 | (399,710) | (674,507) |
| Translation effect of foreing entities | 23, 29 | 3,843,118 | 2,416,988 |
| Share of other comprehensive results of associates | | - | 1,694 |
| Total other comprehensive income for the year | | 3,440,487 | 1,526,686 |
| Total comprehensive income for the year | | Ps 7,105,151 | Ps 2,840,788 |
| Attributable to: | | | |
| Controlling interest | | Ps 5,627,892 | Ps 1,931,557 |
| Non-controlling interest | | 1,477,259 | 909,231 |
| Total comprehensive income for the year | | Ps 7,105,151 | Ps 2,840,788 |

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

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

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

## Consolidated Statements of Changes in Stockholders' Equity

## For the years ended December 31, 2015 and 2014

*(In thousands of Mexican pesos)*

| | Note | Capital stock | Share premium | Retained earnings | Other reserves | Total attributable to controlling interest | Non-controlling interest | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|
| Balances at January 1, 2014 | | Ps 6,051,880 | Ps 9,071,074 | Ps 8,292,566 | Ps 602,358 | Ps 24,017,878 | Ps 3,069,786 | Ps 27,087,664 |
| Net profit | | | | 800,901 | - | 800,901 | 513,201 | 1,314,102 |
| Total other comprehensive income for the year | | | | (212,703) | 1,343,359 | 1,130,656 | 396,030 | 1,526,686 |
| Total comprehensive income for the year | | | | 588,198 | 1,343,359 | 1,931,557 | 909,231 | 2,840,788 |
| Dividends from subsidiaries to the non-controlling interest | 23 | | | | | - | (96,129) | (96,129) |
| Changes in the non-controlling interest | 23 | | | | | - | 12,287 | 12,287 |
| Balances at December 31, 2014 | | 6,051,880 | 9,071,074 | 8,880,764 | 1,945,717 | 25,949,435 | 3,895,175 | 29,844,610 |
| Net profit | | | | 2,748,400 | - | 2,748,400 | 916,264 | 3,664,664 |
| Total other comprehensive income for the year | | | | 3,158 | 2,876,334 | 2,879,492 | 560,995 | 3,440,487 |
| Total comprehensive income for the year | | | | 2,751,558 | 2,876,334 | 5,627,892 | 1,477,259 | 7,105,151 |
| Dividends declared | 23 | | | (1,472,825) | - | (1,472,825) | - | (1,472,825) |
| Dividends from subsidiaries to the non-controlling interest | | | | - | - | - | (978,179) | (978,179) |
| Effect of business transference under common control | 2 b) | | | (150,273) | - | (150,273) | 150,273 | - |
| Balances at December 31, 2015 | | Ps 6,051,880 | Ps 9,071,074 | Ps 10,009,224 | Ps 4,822,051 | Ps 29,954,229 | Ps 4,544,528 | Ps 34,498,757 |

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

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

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

## Consolidated Statements of Cash Flows
## For the years ended December 31, 2015 and 2014

*(In thousands of Mexican pesos)*

| Cash flows from operating activities | Note | 2015 | 2014 |
|---|---|---|---|
| Profit before income tax | | Ps 5,704,409 | Ps 2,197,134 |
| Depreciation and amortization | 11, 12 | 2,253,783 | 1,839,420 |
| Impairment of property, plant and equipment | 26 | 130,166 | 4,948 |
| Impairment of investment in joint ventures | | - | 126,906 |
| Impairment of doubtful trade receivables | | (272,552) | 48,575 |
| Gain on sale of property, plant and equipment | 2 b) | (381,585) | (286) |
| Share of losses of investments accounted for the equity method | 13 | 22,976 | 44,779 |
| Finance cost, net | | 1,907,772 | 1,293,363 |
| (Gain) loss on changes in the fair value of derivative financial instruments | | (178,004) | 95,366 |
| Employees' profit sharing and provisions | | (384,272) | (193,331) |
| **Subtotal** | | 8,802,693 | 5,456,874 |
| Decrease in trade receivables | | 2,765,126 | 930,188 |
| Decrease in accounts receivable from related parties | | 572,466 | 724,793 |
| Decrease in other accounts receivable | | 61,095 | 106,652 |
| (Increase) decrease in inventories | | (102,678) | 695,120 |
| (Decrease) increase in accounts payable | | (1,220,341) | 171,404 |
| Decrease in accounts payable to related parties | | (697,656) | (130,155) |
| Employees' profit sharing paid | | (3,927) | (6,528) |
| Net liability for retirement obligation | | (22,032) | (17,398) |
| Prepayment of inventory | | (1,101,666) | - |
| Income tax paid | | (874,804) | (1,337,962) |
| Net cash flows generated from operating activities | | 8,178,276 | 6,592,988 |
| **Cash flows from investing activities** | | | |
| Interest received | | 202,110 | 102,485 |
| Acquisition of property, plant and equipment | | (1,523,217) | (1,437,108) |
| Acquisition of intangible assets | 2 a) y 2 c) | (1,857,461) | (2,753,643) |
| Business acquisitions, net of cash acquired | 2 b) | (605,230) | (170,200) |
| Investment in joint ventures and associates | | (26,809) | (352,481) |
| Derivative financial instruments | | (167,137) | (23,346) |
| Dividends received | | - | 927 |
| Others | | (21,072) | 216,863 |
| Net cash flows used in investing activities | | (3,998,816) | (4,416,503) |
| **Cash flows from financing activities** | | | |
| Proceeds from debt | | 1,912,804 | 4,637,739 |
| Payments of debt | | (1,949,882) | (5,083,537) |
| Interest paid | | (1,016,769) | (870,239) |
| Dividends paid by Alpek, S. A. B. de C. V. | | (1,472,825) | - |
| Dividends paid to the non-controlling interest | | (978,179) | (96,129) |
| Changes in the non-controlling interest | 23 | - | 12,287 |
| Payment on loans to related parties | 9 | - | (103,586) |
| Net cash flows used in financing activities | | (3,504,851) | (1,503,465) |
| Increase in cash and cash equivalents | | 674,609 | 673,020 |
| Foreign exchange fluctuations on cash and cash equivalents | | 231,479 | 333,708 |
| Cash and cash equivalents at beginning of year | | 5,743,816 | 4,737,088 |
| Cash and cash equivalents at end of year | | Ps 6,649,904 | Ps 5,743,816 |

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

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

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

**Note 1 - General Information**

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

Alpek is the most important petrochemical company in Mexico and the second largest in Latin America, is the main integrated producer of polyester in North America. Besides, it operates the largest EPS plant in the continent, and one of the largest PP plants in North America and is the only producer of Caprolactam in Mexico.

The shares of Alpek, S. A. B. de C. V. are traded on the Mexican Stock Exchange, and has Alfa, S. A. B. de C. V. ("Alfa") as its main holding company.

Alpek, S. A. B. de C. V. is located in Avenida Gómez Morín Sur No. 1111, Col. Carrizalejo, San Pedro Garza García, Nuevo León, Mexico and operates plants located in Mexico, the United States of America, Argentina, Chile and Brazil.

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

**Note 2 - Significant events**

<u>2015</u>

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

During 2015, Alpek through its subsidiary Grupo Petrotemex held a licensing agreement for IntegRex® PTA technology and another PTA-PET supply agreement with Grupo M&G ("M&G"). These agreements will allow M&G to use the IntegRex® PTA technology in the PTA-PET integrated plant to be constructed in Corpus Christi, Texas in the United States (the Plant).

On the other hand, Grupo Petrotemex will pay US$ 435 million to M&G during the construction of the Plant according to an established calendar and in compliance with certain milestones, by which Grupo Petrotemex will obtain supply rights of the Plant for 500 thousand tons of PET (manufactured with 420,000 tons of PTA) per year for a period of five years starting from the first day of the month in which the plant is completed and ready to manufacture and sale their products. In accordance to the supply agreement, Grupo Petrotemex will supply raw materials for the manufacturing of its PTA-PET volume. It is estimated that the M&G plant in Corpus Christi will start operations at the beginning of 2017.

At December 31, 2015, Grupo Petrotemex has made payments amounting to US$ 371 million, of which US$ 307 million are recorded in the intangible assets caption and correspond to the before mentioned supply rights and will be amortized once the PET supply begins, and US $ 64 million as a prepayment of inventory within the non-current asset caption.

b) Agreements between Alpek and BASF for the expanded polystyrene (EPS) and polyurethane (PU) businesses

During July 2014, Alpek ("Alpek") and BASF ("BASF") signed the agreements related to the expanded polystyrene (EPS) and polyurethane (PU) businesses previously held through their joint venture Polioles, S.A de C.V. ("Polioles") in México, as well as the EPS business of BASF in North and South America, except for the Neopor ® (gray EPS) of BASF business.

Alpek acquired all EPS business activities from Polioles, including an EPS plant in Altamira, Mexico. Likewise, BASF acquired all PU business activities from Polioles, including certain assets located in Lerma, Mexico´s facility, as well as all marketing and sales rights for the PU, isocyanate and polyol systems. Once the transaction was completed, Polioles continued operating as a joint venture between Alpek and BASF, with a product portfolio comprising of industrial chemicals and specialties.

Alpek also acquired the EPS business of BASF in North and South America, including:

- EPS sales and distribution channels of BASF in North and South America
- The EPS plants of BASF in Guaratinguetá, Brazil and General Lagos, Argentina, and
- The EPS transformation business of BASF in Chile (Aislapol, S. A.)

The combined capacity of all EPS production units acquired by Alpek is approximately 230,000 tons a year. This figure includes 165,000 tons a year of Polioles plant in Altamira, Mexico. Approximately 440 employees work in the businesses subject to the agreements, 380 of them in the EPS businesses and 60 in the PU businesses. Most of them continue performing their roles under the new ownership framework.

Transactions included in this agreement were as follows:

*PU business sale to BASF*

In March 2015, through its subsidiary Polioles, Alpek completed the sale to BASF MEXICANA of all the polyurethane (PU) business activities, including assets selected in the Lerma, Mexico plant, as well as all marketing and sales rights of PU, isocyanate and polyol systems. From Alpek's standpoint, the PU business sold was not considered as a business line or segment; therefore, IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" dispositions respect to the presentation as a discontinued operation, are not applicable. Rather, the transaction was carried out through the sale of a group of assets at market terms, and the total consideration received was Ps 407,152, which it is outstanding at December 31, 2015 and the net book value transferred was Ps 26,428, this transaction resulted in a gain of Ps 380,724 and was recorded in the income statement as other income (expense), net.

*Mexico EPS business sale to Styropek*

On March 31, 2015, Alpek transferred all its EPS business activities of Polioles, including the EPS plant in Altamira, Mexico to its subsidiary Grupo Styropek, S. A. de C. V. (Styropek). Since BASF has 50% equity in Polioles, the transaction between stockholders for the EPS business resulted in a Ps 150,273 reduction in the controlling interest and an increase in the non-controlling interest for the same amount.

This transaction had no accounting effects over the financial statements of Alpek, since they were transactions among entities under common control, except for the increase in non-controlling interest of Ps 150,273.

*EPS business acquisition from BASF*

On March 31, 2015, through Styropek, Alpek finalized the acquisition of BASF´s EPS business in Argentina, Brazil, USA, Canada, and Chile. This acquisition included the working capital. A total of 450 employees work in the EPS line of business. The consolidated financial statements include the financial information of BASF's EPS business starting in March 31, 2015. This acquisition is included in the Plastics and Chemicals segment. See Note 30.

At December 31, 2015, provisional purchase price allocation to fair values of acquired assets and assumed liabilities is as follows:

| | |
|---|---|
| Current assets (1) | Ps622,520 |
| Property, plant and equipment | 424,940 |
| Current liabilities (2) | (183,078) |
| Other current liabilities | (140,002) |
| Deferred income tax | (88,867) |
| Other liabilities | (30,283) |
| Consideration paid | Ps605,230 |

(1) Current assets consist mainly of accounts receivable and inventories amounting to Ps 333,318 and Ps 289,202, respectively.
(2) Current liabilities consist mainly of suppliers in the amount of Ps 100,643.

Total purchase consideration was paid in cash.

Value of accounts receivable acquired approximates fair value due to its short-term maturity. Accounts receivable acquired are estimated to be recovered in the short term.

No contingent liability has resulted from this acquisition that requires recognition. Neither are there contingent consideration agreements.

Costs related to the acquisition amounted to Ps 22,153 and were recorded in income as "other expense, net".

Revenues contributed by BASF assets included in the consolidated statement of income since the acquisition date through December 31 amounted to Ps 5,482,042 and net income to Ps 731,952. If the acquisition had taken place on January 1, 2015, revenues would have increased by Ps 1,600,000 and net income by Ps 185,000, approximately.

At December 31, 2015, the Company is in the process of concluding the final purchase price allocation to fair values of acquired assets and assumed liabilities. This analysis will be concluded within a period not to exceed twelve months as of the acquisition date.

c) Monoethylene Glycol (MEG) manufacturing agreement

On December 15, 2014 the Company through its subsidiary DAK Americas LLC ("DAK") entered into a Toll Manufacturing Agreement with Huntsman Petrochemical LLC ("Huntsman") in which will obtain the supply rights of Monoethylene Glycol (MEG), which is used in the production of PET polyester, at a preferred toll rate. Huntsman will develop, own and operate the equipment for the production of MEG in its Port Neches, Texas plant and DAK will supply the raw materials for the production. The installation of equipment and beginning of production will take place in 2016.

On the other hand, DAK will pay Ps 1,118,422 (US$ 65 million) to Huntsman during the installation of the equipment according to a established calendar and in compliance with certain milestones; therefore, DAK will obtain the supply rights up to 28.8 million of pounds of product per year for a 15 years period commencing on the first day of the month in which the equipment is installed. At December 31, 2015, DAK has made payments amounting to Ps 568,589 (US$ 39 million), which are recorded under the intangible assets caption and will be amortized within the cost of sales once the MEG supply begins.

2014

d) Start-up of the operations of the cogeneration plant

On December 1, 2014, Cogeneración de Energía Limpia de Cosoleacaque, S. A. de C. V. ("Cogeneradora") began operations. 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.

e) Joint venture agreement

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

On December 6, 2013 the incorporation by-laws of JVC were signed. The JVC issued initial capital of €8,000 of which UPC has 51% (represented by Class A ordinary shares) acquired with a contribution of €4,080 and GPT has 49% (represented by Class B ordinary shares) acquired with a contribution of €3,920. During 2014, made payments amounting to Ps 121,014.

Due to particulars circumstances of UPC during the month of December 2014, Grupo Petrotemex decided to terminate the agreement with UPC and proceed to sell the shares of JVC. The Deed of settlement and termination establishes a selling price of the shares of approximately Ps 63,271 (€3,552). According to this, Management recorded an impairment of its joint venture amounting to

Ps 126,906 (see Note 26) and reclassified this investment, net of impairment, as an asset held for sale and it is presented in the consolidated statement of financial position within the line of prepayments and other. At December 31, 2015 this transaction was closed with the sale of this investment.

**Note 3 - Summary of significant accounting policies**

The accompanying consolidated financial statements and notes were authorized for issuance on February 2, 2016, by officials with the legal power to sign the basic financial statements and accompanying notes.

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

a. Basis for preparation

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

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

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

b. Consolidation

i. Subsidiaries

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

The subsidiaries are consolidated from the date on which control is transferred to the Company and until the date it loses that control.

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

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

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

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

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

If the business combination is achieved in stages, the value in books at the acquisition date of the equity previously held by the Company in the acquired entity is remeasured at its fair value at the acquisition date. Any loss or gain resulting from such remeasurement is recorded in income of the year.

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

At December 31, 2015 and 2014, the main companies that comprise the consolidated of the Company are as follows:

| | Country [1] | Percentage of Ownership [2] | Functional currency |
|---|---|---|---|
| Alpek, S. A. B. de C. V. (Holding company) | | | Mexican peso |
| Grupo Petrotemex, S. A. de C. V. (Holding company) | | 100 | US dollar |
| DAK Americas, L.L.C. | USA | 100 | US dollar |
| Dak Resinas Americas México, S. A. de C. V. | | 100 | US dollar |
| DAK Americas Exterior, S. L. (Holding company) | Spain | 100 | Euro |
| DAK Americas Argentina, S. A. | Argentina | 100 | Argentine peso |
| Tereftalatos Mexicanos, S. A. de C. V. | | 91 | US dollar |
| Akra Polyester, S. A. de C. V. | | 93 | US dollar |
| Cogeneración de Energía Limpia de Cosoleacaque, S. A. de C. V. | | 100 | Mexican peso |
| Indelpro, S. A. de C. V. (Indelpro) | | 51 | US dollar |
| Polioles, S. A. de C. V. (Polioles) | | 50 | US dollar |
| Grupo Styropek, S. A. de C. V. (Holding company) | | 100 | Mexican peso |
| Styropek México, S. A. de C. V. | | 100 | US dollar |
| Styropek, SA. [3] | Argentina | 100 | Argentine peso |
| Aislapol, SA. [3] | Chile | 100 | Chilean peso |
| Styropek do Brasil, LTD [3] | Brazil | 100 | Brazilian real |
| Unimor, S. A. de C. V. (Holding company) | | 100 | Mexican peso |
| Univex, S. A. | | 100 | Mexican peso |

(1) Companies incorporated in Mexico, except those indicated.
(2) Ownership percentage that Alpek has in the holding companies which in turn has in other companies. Ownership percentages and the voting rights are the same.
(3) Company acquired in 2015, See Note 2 b).

At December 2015 and 2014, there are no significant restrictions for the investment in shares of the subsidiaries companies above mentioned.

ii. Absorption (dilution) of control in subsidiaries

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

iii. Sale or disposal of subsidiaries

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

iv. Associates

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

If the equity in an associate is reduced but significant influence is maintained, only a portion of the amounts recognized in the comprehensive income are reclassified to income for the year, where appropriate.

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

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

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

v. Joint arrangements

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

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

c. <u>Foreign currency translation</u>

i. Functional and presentation currency

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

ii. Transactions and balances

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

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

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

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

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

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

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

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

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

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

a. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the balance sheet date;

b. The stockholders' equity of each statement of financial position presented is translated at historical exchanges rates.

c. Income and expenses for each income statement are translated at average exchange rate (when the average exchange rate is not a reasonable approximation of the cumulative effect of the rates of the transaction, to the exchange rate at the date of the transaction is used); and

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

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

Listed below are the principal exchange rates in the various translation processes:

| | | Local currency to Mexican pesos | | | |
|---|---|---|---|---|---|
| | | Closing exchange rate at December 31, | | Average exchange rate at December 31, | |
| Country | Functional currency | 2015 | 2014 | 2015 | 2014 |
| USA | US dollar | 17.21 | 14.71 | 15.85 | 13.30 |
| Argentina | Argentine peso | 1.33 | 1.74 | 1.72 | 1.64 |
| Brazil | Brazilian real | 4.34 | 5.55 | 4.80 | 5.66 |
| Chile | Chilean peso | 0.02 | 0.02 | 0.02 | 0.02 |

(*) This data is informative, for purposes of conversion monthly average exchange rates are used.

d. Cash and cash equivalents

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

e. Restricted cash and cash equivalents

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

f. Financial instruments

*Financial assets*

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

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

i. Financial assets at fair value through profit or loss

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

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

ii. Accounts receivable

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

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

iii. Investments held to maturity

If the Company intends and has the demonstrable ability to hold debt securities to maturity, they are classified as investments held to maturity. Assets in this category are classified as current assets if expected to be settled within the next 12 months, otherwise they are classified as non-current. Initially they are recognized at fair value plus any directly attributable transaction costs, and subsequently they are valued at amortized cost using the effective interest method. Investments held to maturity are recognized or derecognized on the day they are transferred to or by the Company. At December 31, 2015 and 2014 the Company had no such investments.

iv. Financial assets available for sale

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

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

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

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

*Financial liabilities*

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

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

*Offsetting financial assets and liabilities*

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

*Impairment of financial instruments*

a. Financial assets measured at amortized cost

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

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

- Significant financial difficulty of the issuer or debtor.
- Breach of contract, such as default in payments of interest or principal.
- Granting a concession to the issuer or debtor, by the Company, as a result of financial difficulties of the issuer or debtor and that otherwise would not be considered.
- There is likelihood that the issuer or debtor will enter bankruptcy or other financial reorganization.
- Disappearance of an active market for that financial asset due to financial difficulties.
- Verifiable information indicates that there is a measurable decrease in the estimated future cash flows related to a group of financial assets after initial recognition, although the decrease cannot yet be identified with the individual financial assets of the Company, including:

  i. Adverse changes in the payment status of borrowers in the group of assets
  ii. National or local conditions that correlate with default on the assets in the group

Based on the items listed above, the Company assesses whether there is objective evidence of impairment. Subsequently, for the category accounts receivable, when impairment exists, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The carrying amount of the asset is reduced by that amount, which is recognized in the income statement under administrative expenses.

If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Alternatively, the Company could determine the impairment of the asset given its fair value determined on the basis of a current observable market price.

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

Impairment amounts of accounts receivable are mentioned in Note 8.

b. Financial assets available for sale

In the case of debt financial instruments, the Company also uses the above-listed criteria to identify whether there is objective evidence of impairment. In the case of equity financial instruments, a significant reduction of approximately to 30%of the cost of the investment against its fair value or a reduction of the fair value against the cost for a period longer than 12 months is considered objective evidence of impairment.

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

g. Derivative financial instruments and hedging activities

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

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

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

Fair value hedges

Changes in the fair value of derivative financial instruments are recorded in the income statement. The change in fair value of the hedging instruments and the gain or loss on the hedged item attributable to the hedged risk are recorded in the income statement. At December 31, 2014 and 2013, the Company has no derivative financial instruments classified as fair value hedges.

Cash flow hedges

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

Net investment hedge

Net investment hedge in a foreign operation is recorded similarly to cash flow hedges. Any gain or loss of the hedged instrument related to the effective portion of the hedge is recorded in other comprehensive income. The gain or loss of the ineffective portion is recorded in the statement of income. Accumulated gains and losses in equity are transferred to the statement of income on the disposal or partial disposal of the foreign operation. At December 31, 2014 and 2013, the Company has no derivative financial instruments classified as net investment hedges.

Discontinuation of hedge accounting

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

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

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

h. Inventories

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

i. Property, plant and equipment

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

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

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

| | |
|---|---|
| Buildings and constructions | 40 to 50 years |
| Machinery and equipment | 10 to 40 years |
| Transportation equipment | 15 years |
| Furniture and laboratory equipment and information technology | 2 to 13 years |
| Others | 3 to 20 years |

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

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

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

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

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

j. Leases

The classification of leases as finance or operating 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 relating to the leased property are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received by the lessor) are recognized in the income statement based on the straight-line method over the lease period.

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

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the outstanding balance. The corresponding rental obligations are included in non-current debt, net of finance charges. The interest element of the finance cost is charged to the income for the year during the period of the lease, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

k. Goodwill and intangible assets

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

Intangible assets are classified as follows:

i) Indefinite useful life - These intangible assets are not amortized and are subject to annual impairment assessment. As of December 31, 2015 and 2014, no factors have been identified limiting the life of these intangible assets.

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

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

| | |
|---|---|
| Development costs | 15.5 years |
| Trademarks | 10 years |
| No competition agreements | 10 years |
| Customer relations | 6 to 7 years |
| Software and licenses | 3 to 7 years |
| Intellectual property rights | 20 to 25 years |
| Others | 20 years |

a) Goodwill

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

b) Development costs

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

c) Intangible assets acquired in a business combination

When an intangible asset is acquired in a business combination it is recognized at fair value at the acquisition date. Subsequently, such assets are as follows: trademarks, customer relations, intellectual property rights, no-competition agreements, among others, are carried at cost less accumulated depreciation and accumulated impairment losses.

l. Impairment of non-financial assets

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

m. Income taxes

The amount of income taxes in the income statement represents the sum of the current and deferred income taxes.

The amount of the income tax reflected in the consolidated income statement represents the current tax in the year, as well as the effects of deferred income tax, which is determined in each subsidiary using the asset and liability method, applying the tax rate established by legislation enacted or substantially enacted at the date of the statement of financial position to the total of the temporary differences resulting from comparing the carrying amounts and tax bases of assets and liabilities that are expected to be applied when the deferred asset tax is realized or the deferred liability tax is settled, considering the tax losses carry forward to be recoverable. The effect of a change in current tax rates is recognized in income of the period in which the rate change is enacted.

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right, and when the Company intends, either to settle on net basis or to realize the asset and settle the liability simultaneously.

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 their service in the current and past periods. The contributions are recognized as employee benefit expense when they are due.

Defined benefit plans:

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

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates according to IAS 19 that are denominated in the currency in which the benefits will be paid, and have maturities that approximate the terms of the pension liability.

Actuarial gains and losses from adjustments and changes in remeasurement of the net defined benefit liability (asset) are recognized directly in stockholders' equity in other items of the comprehensive income in the year they occur.

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

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

ii. Other post-employment benefits

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

iii. Termination benefits

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

iv. Short-term benefits

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

v. Employees' profit sharing and bonuses

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

o. Provisions

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

Provisions are measured at the present value of the expenses that are expected to be required to settle the obligation using a pre-tax rate that reflects current market value considerations, the time value of money and the specific risk of the obligation. The increase in the provision over the course of time is recognized as interest expense.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for legal claims are recognized when the Company has a present obligation (legal or assumed) as a result of past events, it is likely that an outflow of economic resources will be required to settle the obligation and the amount can be reasonably estimated.

A restructuring provision is recorded when the Company has developed a formal detailed plan for the restructure, and a valid expectation for the restructure has been created between the people affected, possibly for having started the plan implementation or for having announced its main characteristics to them.

p. Share-based payments

The Company's compensation plans are based on the market value of shares of the holding until December 31, 2014, from 1 January 2015 compensation refers to 50% to the value of the shares of its holding and 50% to the value of the shares of Alpek, S. A. B. de C. V., in favor of certain senior executives of ALFA and its subsidiaries. The conditions for granting such compensation to the eligible executives include among other things, compliance with certain metrics such as the level of profit achieved, permanence in the Company, etc. The Board of Directors has appointed a technical committee to manage the plan, and it reviews the estimated cash settlement of this compensation at the end of the year. Adjustments to this estimate are charged or credited to the income statement.

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

q. Treasury shares

The Shareholders' Meeting periodically authorizes a maximum amount for the acquisition of the Company's own shares. Upon the occurrence of a repurchase of its own shares, they become treasury shares and the amount is charged to stockholders' equity at purchase price: a portion to capital stock at its modified historical value, and the balance to retained earnings. These amounts are stated at their historical value. At December 31, 2015 and 2014, there aren't shares in treasury.

r. Capital stock

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

s. Comprehensive income

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

t. Segment reporting

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

u. Revenue recognition

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

Revenue from the sale of goods and products are recognized when all and each of the following conditions are met:

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

Revenues from services are recognized as follows:

- The amount of revenue can be reliably measured
- It is likely that future economic benefits will flow to the Company
- The stage of completion of the service, on the date of the statement of financial position can be measured reliably.
- The costs incurred or to be incurred in respect of the transaction can be measured reasonably.

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

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

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

v. Earnings per share

Earnings (losses) per share are calculated by dividing the profit (loss) attributable to the shareholders of the parent by the weighted average number of common shares outstanding during the year. At December 31, 2015 and 2014, there are no dilutive effects from financial instruments potentially convertible into shares.

w. Changes in accounting policies and disclosures

The following accounting policies were adopted by the Company beginning January 1, 2015 and did not have a material impact on the Company:

- Annual improvements to the IFRS - cycle 2010-2012 and cycle 2011-2013

- Defined benefit plans: Contributions - Changes to IAS 19

The adoption of these changes had no impact in the current period or any previous periods and it is not likely to affect future periods.

x. New accounting pronouncements not early adopted by the company

Following are the new pronouncements and amendments issued and effective for years subsequent to 2015 that have not been early adopted by the Company.

IFRS 9 - "Financial instruments ", addresses the classification, measurement and recognition of financial assets and liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made additional changes to the classification and measurement rules and also introduced a new impairment model. These last changes now comprise the entire new financial instruments standard. Following the approved changes, the Company no longer expects any impact from the new rules of classification, measurement and decrease of its financial assets or liabilities. There will be no impact on the Company's accounting from financial liabilities, since the new requirements only affect financial liabilities at fair value through income and the Company has no such liabilities. The new hedge rules pair up the Company's hedge accounting and risk management. As a general rule, the hedge accounting will be much easier to apply since the standard introduces an approach based on principles. The new standard introduces extensive disclosure requirements and changes in presentation, which will continue to be assessed by the Company. The new impairment model is a model of expected credit losses; therefore, it would result in advance recognition of credit losses. The Company continues assessing how its hedge agreements and impairment provisions are affected by the new rules. The standard is effective for the periods beginning on or after January 1, 2018. Early adoption is allowed.

IFRS 15 - "Revenue from contracts with customers", is a new standard issued by the IASB for revenue recognition. This standard replaces IAS 18 "Revenues", IAS 11 "Construction contracts", as well as the interpretations to the aforementioned standards. The new standard is based on the fact that revenue should be recorded when the control over the good or different service is transferred to the customer, so that this control notion replaces the existing notion of risks and benefits.

The standard allows for a complete retrospective approach and a modified retrospective approach for its adoption. The Company is assessing which of the two approaches it can use and to date, it considers that the modified retrospective approach might be used for adoption. Under this approach the entities will recognize adjustments from the effect of initial application (January 1, 2018) in retained earnings in the financial statements at December 2018 without restating comparative periods, by applying the new rules to contracts effective as of January 1, 2018 or those that even when held in prior years continue to be effective at the date of initial application.

For disclosure purposes in the financial statements at 2018, the amounts of affected items must be disclosed, considering the application of the current revenue standard, as well as an explanation of the reason for the significant changes made.

The main areas that are being reviewed are the transfer of control of the products and their obligations have with customers based on contracts and agreements made, and how they could impact revenue recognition based on the new guidelines of this rule. At this stage it is not possible for the Company to estimate the impact of this new standard on its financial statements. The Company will make a more detailed assessment of the impact in the next 12 months.

The standard is effective for periods beginning on or after January 1, 2018. Early adoption is permitted.

IFRS 16 - "Leases". The IASB issued in January 2016 a new standard for lease accounting. This standard will replace current standard IAS 17, which classifies leases into financial and operating. IAS 17 identifies leases as financial in nature when the risks and benefits of an asset are transferred, and identifies the rest as operating leases. IFRS 16 eliminates the classification between financial and operating leases and requires the recognition of a liability showing future payments and assets for "right of use" in most leases. The IASB has included some exceptions in short-term leases and in low-value assets. The aforementioned amendments are applicable to the lease accounting of the lessee, while the lessor maintains similar conditions to those currently available. The most significant effect of the new requirements is shown in an increase in leasing assets and liabilities, also affecting the statement of income in depreciation expenses and financing of recorded assets and liabilities, respectively, and decreasing expenses relative to leases previously recognized as operating leases. At the date of issuance of these financial statements, the Company has not quantified the impact of the new requirements. The standard is effective for periods starting on or after January 1, 2019, allowing for the advance adoption if the IFRS 15 is also adopted.

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

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

## Note 4 - Risk management

4.1 Financial risk factors

The Company's activities expose it to various financial risks: market risk (including foreign exchange risk, interest rate risk on cash flows and interest rate risk on fair value), credit risk and liquidity risk. The Company's risk management plan considers the unpredictability of the financial markets and seeks to minimize the potential negative effects on the financial performance of the Company. The Company uses derivative financial instruments to hedge some risk exposures. The objective is to protect the financial health of the business taking into account the volatility associated with exchange rates and interest rates. Additionally, due to the nature of the industries in which it participates, the Company has entered into derivative hedges of input prices.

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

| | Possible Maximum Loss US$ | |
|---|---|---|
| | Individual transactions | Cumulative annual transactions |
| Company's Chief Executive Officer | 1 | 5 |
| ALFA Risk Management Committee | 30 | 100 |
| Finance Committee | 100 | 300 |
| ALFA's Board of Directors | >100 | >300 |

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

a) Market risk

(i) Exchange rate risk

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

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

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

The Company participates in operations with derivative financial instruments on exchange rates for the purpose of controlling the total comprehensive cost of its financing and the volatility associated with exchange rates. Additionally, it is important to note the high "dollarization" of the Company's revenues, since a large proportion of its sales are made abroad, providing a natural hedge against its obligations in dollars, while at the same time its income level is affected in the event exchange rate appreciation. Based on the overall exchange rate exposure at December 31, 2014 and 2013, a hypothetical variation of 5% in the exchange rate MXN/USD, holding all other variables constant, would result in an effect on the income statement by Ps 55,696 and Ps 31,465, respectively. See Note 16.

(ii) Price risk

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

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

In order to fix the selling prices of certain of its products, the Company has entered into agreements with certain customers. The practice in the industry in North America has been to set prices on a cost plus margin basis, by reference to a price formula for transferring the variations in the costs of the main raw materials and energy to achieve a predictable margin. At the same time, the Company has entered into transactions involving derivatives on natural gas, gasoline, ethylene, ethane, paraxylene and brent crude seeking to reduce the volatility of prices of these inputs, the Company does not suffer fluctuations upward or downward.

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

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

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

The Company entered into various derivative agreements with various counterparties to protect it against increases in prices of natural gas and other raw materials. In the case of natural gas derivatives, hedging strategies for products were designed to mitigate the impact of potential increases in prices. The purpose is to protect the price from volatility by taking positions that provide stable cash flow expectations, and thus avoid price uncertainty. The reference market price for natural gas is the "Henry Hub New York Mercantile Exchange (NYMEX)". The average price per MMBTU for 2015 and 2014 was 2.6 and 4.32 US dollars, respectively.

At December 31, 2015, the Company had hedges of natural gas, gasoline, ethylene, ethane, paraxylene and brent crude prices for a portion expected of consumption needs in Mexico and the United States. Based on the general input exposure at December 31, 2015 and 2014, a hypothetical increase (decrease) of 10% in market prices applied to fair value and keeping all other variables constant, such as exchange rates, the increase (decrease) would result in an immaterial effect on the income statement for 2015 and 2014.

(iii) Interest rate risk and cash flow

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

At December 31, 2015 and 2014, if interest rates on variable rate loans were increased/decreased by 10%, interest expense, in the income statement, would increase/decrease by Ps 7,473 and Ps 3,920, respectively.

b) Credit risk

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

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

During 2015 and 2014, credit limits were not exceeded and Management does not expect losses in excess of the impairment recognized in the corresponding periods.

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

c) Liquidity risk

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

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

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

The detail of maturities of existing financial liabilities at December 31, 2015 and 2014, is as follows(1):

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|
| **At December 31, 2015** | | | | |
| Current portion of long-term debt | Ps 50,342 | Ps - | Ps - | Ps - |
| Short-term bank loans | 439,713 | - | - | - |
| Notes payable | 6,273 | - | - | - |
| Cumulative interest payable | 1,053,742 | 867,207 | 2,491,911 | 1,857,704 |
| Affiliated companies | 279,116 | - | - | - |
| Suppliers | 9,521,436 | - | - | - |
| Other accounts payable and accrued expenses | 1,885,523 | | | |
| Derivative financial instruments | 848,301 | 204,674 | 506,668 | - |
| Debt (excluding issuance expenses) | - | 367,628 | 1,699,395 | 5,267 |
| Senior notes (excluding issuance expenses) | - | - | - | 16,322,035 |

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|
| **At December 31, 2014** | | | | |
| Current portion of long-term debt | Ps 11,166 | Ps - | Ps - | Ps - |
| Short-term bank loans | 290,388 | - | - | - |
| Notes payable | 25,360 | - | - | - |
| Cumulative interest payable | 905,388 | 746,381 | 2,118,897 | 2,159,428 |
| Affiliated companies | 683,196 | - | - | - |
| Suppliers | 9,881,575 | - | - | - |
| Other accounts payable and accrued expenses | 1,676,055 | - | - | - |
| Derivative financial instruments | 796,283 | 100,271 | 134,152 | 14,230 |
| Debt (excluding issuance expenses) | - | 360,147 | 1,026,459 | 432,156 |
| Senior notes (excluding issuance expenses) | - | - | - | 13,959,263 |

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

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

At December 31, 2015 and 2014, the Company has unused committed credit lines for a total of 346 and 345 million US dollars, respectively.

4.2 Capital management

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

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

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

The financial ratio of total liabilities/total equity was 1.17 and 1.19 at December 31, 2015 and 2014, respectively.

4.3 Fair value estimation

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

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

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

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

The following table presents the Company's assets and liabilities that are measured at fair value at December 31, 2015:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Financial assets at fair value through profit or loss with trading accounting treatment | Ps - | Ps 203,236 | Ps - | Ps 203,236 |
| Derivative with hedge accounting treatment | - | 120 | - | 120 |
| Financial assets available for sale | - | - | 143,407 | 143,407 |
| Total | Ps - | Ps 203,356 | Ps143,407 | Ps 346,763 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss with trading accounting treatment | Ps - | Ps 17,166 | Ps - | Ps 17,166 |
| Employees' benefits based on shares | 54,700 | | | 54,700 |
| Derivative with hedge accounting treatment | - | 1,542,477 | - | 1,542,477 |
| Total | Ps54,700 | Ps1,559,643 | Ps - | Ps1,614,343 |

The following table presents the Company's assets and liabilities that are measured at fair value at December 31, 2014:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Financial assets at fair value through profit or loss with trading accounting treatment | Ps - | Ps - | Ps - | Ps - |
| Derivative with hedge accounting treatment | - | - | - | - |
| Financial assets available for sale | - | - | 128,475 | 128,475 |
| Total | Ps - | Ps - | Ps128,475 | Ps 128,475 |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss with trading accounting treatment | Ps - | Ps 85,113 | Ps - | Ps 85,113 |
| Employees' benefits based on shares | 59,506 | - | - | 59,506 |
| Financial assets available for sale | - | 959,823 | - | 959,823 |
| Total | Ps59,506 | Ps1,044,936 | Ps - | Ps 1,104,442 |

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

Level 1

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

Level 2

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

Level 3

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

Specific valuation techniques used to value financial instruments include:

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

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

## Note 5 - Critical accounting estimates and judgments

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

5.1 Critical accounting estimates and assumptions

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

a) Property, plant, equipment and finite life intangibles

The Company estimates the useful lives of its property, plant and equipment and finite life intangibles in order to determine the depreciation and amortization expense, respectively, to be recorded during the reporting period. The useful life of these assets is calculated when the asset is acquired and is based on the past experience with similar assets, considering advance technological changes or changes of other kind. If technological changes would occur faster than estimated, or differently from anticipated, the useful lives assigned to these assets may need to be reduced. This would result in the recognition in a greater depreciation and amortization expense in future periods. Alternatively, these types of technological changes may result in recognizing a charge for impairment to show the reduction in the value of assets. The Company reviews assets annually to know if they show signs of impairment, or when certain events or circumstances indicate that the carrying amount cannot be recovered during the remaining life of the assets, in case there are signs of impairment, the Company carries out a study to determine the value in use of assets. At December 31, 2015 and 2014, there were no signs of impairment.

b) Income taxes

The Company is subject to income taxes in numerous jurisdictions and critical judgment is required to determine the global income tax provisions. There are many transactions and calculations for which the ultimate tax determination could be uncertain. The Company recognizes liabilities in anticipation of a tax audit based on estimates of whether additional taxes will be paid. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. If income before taxes increases/decreases by 5%, income tax will be increased/decreased by
Ps 101,987.

c) The fair value of derivative financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using fair value hierarchies. The Company uses its judgment to select a variety of methods and make assumptions that are based mainly on market conditions existing at the end of each reporting period. If the fair value estimation varies by 5%, the effect on income would be modified by Ps 9,304 and the equity by Ps 77,118.

d) Pension benefits

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

The Company determines the adequate discount rate at year end. This interest rate should be used to determine the present value of future cash outflows expected required to settle pension obligations. In the determination of the appropriate discount rate, the Company considers the discount interest rate in conformity with IAS 19 (Revised) "Employee benefits" denominated in the currency used to pay benefits with terms at maturity that approximate the obligations terms of related pension obligations. Other key assumptions for pension obligations are based, in part, on the current market conditions. See analysis of sensibility in Note 20.

5.2 Critical judgments in applying the entity's accounting policies

a) Basis for Consolidation

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

## Note 6 - Cash and cash equivalents

The cash and cash equivalents are comprised as follows:

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Cash and bank accounts | Ps 3,225,765 | Ps1,792,869 |
| Short-term bank deposits | 3,424,139 | 3,950,947 |
| Cash and cash equivalents | Ps 6,649,904 | Ps5,743,816 |

**Note 7 - Restricted cash and cash equivalents**

The Company has restricted cash of approximately Ps 2,753 and Ps 3,185 at December 31, 2015 and 2014. The balances are required to be held in escrow as deposits related to workers compensation reserves. The restricted cash balance is classified as current assets in the statement of financial position based on the maturity date of the restriction.

**Note 8 - Trade and other receivables, net**

Trade and other accounts receivable are comprised as follows:

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Trade receivables | Ps 8,351,069 | Ps10,169,506 |
| Provision for impairment of trade receivables | (155,365) | (392,579) |
| Trade receivables, net | 8,195,704 | 9,776,927 |
| Accounts receivable from related parties (Note 9) | 2,954,039 | 1,389,713 |
| Recoverable taxes | 1,977,585 | 1,819,293 |
| Interest receivable | 13 | 15 |
| Other debtors | 256,594 | 260,422 |
| Current portion | Ps13,383,935 | Ps13,246,370 |

Trade receivables and other accounts receivable include past-due balances not impaired of Ps 1,433,439 and Ps 1,476,294 at December 31, 2015 and 2014, respectively.

As of December 31 2015 and 2014, the balance of other debtors, comprise primarily by travel expenses, customs expenses, reimbursements.

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

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| 1 to 30 days | Ps 586,939 | Ps 688,165 |
| 30 to 90 days | 183,297 | 154,115 |
| 90 to 180 days | 56,810 | 24,421 |
| More than 180 days | 606,393 | 609,593 |
| | Ps1,433,439 | Ps1,476,294 |

At December 31, 2015 and 2014, trade and other accounts receivable of Ps 155,365 and Ps 392,579 respectively were totally impaired. Trade and other accounts receivable impaired correspond mainly to companies going through difficult economic situations. Part of the impaired accounts is expected to be recovered.

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

| | 2015 | 2014 |
|---|---|---|
| Initial balance (January 1) | (Ps 392,579) | (Ps 332,601) |
| Provision for impairment in trade receivables | (22,714) | (87,495) |
| Receivables written off during the year | 259,928 | 23,928 |
| Provision for unused written off impairment | - | 3,589 |
| Final balance (December 31) | (Ps 155,365) | (Ps 392,579) |

The maximum risk in accounts receivable is the carrying amount at December 31, 2015 and 2014. Increases in the provision for impairment of trade and other receivables are recognized in the income statement under the caption selling expenses.

## Note 9 - Related party transactions

Related party transactions were carried out at market values.

At December 31, 2015

| | | Loans granted to related parties | | | | |
|---|---|---|---|---|---|---|
| | Accounts receivable[2] | Amount | Currency | Maturity date DD/MM/YY | Interest rate | Accounts payable [2] |
| Holding | Ps 189,781 | Ps 411,290 | USD | 22/12/2016 | 7.33%[3] | Ps 269 |
| | - | 183,615[1] | USD | - | | - |
| Affiliate | 141,634 | 423,137 | USD | 23/05/2016 | 1.79%[4] | 59,587 |
| | - | 6,883 | USD | 23/05/2016 | 1.79%[4] | - |
| | - | 792[1] | USD | | | - |
| | - | 28,000 | MXN | 23/05/2016 | 4.76%[4] | - |
| | - | 4,500 | MXN | 25/01/2016 | 4.61%[4] | - |
| | - | 2,500 | MXN | 27/05/2016 | 4.76%[4] | - |
| | - | 1,400 | MXN | 17/06/2016 | 4.86%[4] | - |
| | - | 240[1] | MXN | | | - |
| Partners with Significant influence over certain subsidiaries | 257,239 | 1,303,028 | USD | 31/03/2016 | 6.50%[4] | 219,260 |
| Total | Ps 588,654 | Ps 2,365,385 | | | | Ps 279,116 |

| | At December 31,2014 | | | | | |
|---|---|---|---|---|---|---|
| | | Loans granted to related parties | | | | |
| | Accounts receivable [2] | Amount | Currency | Maturity date DD/MM/YY | Interest rate | Accounts payable [2] |
| Holding | Ps 189,781 | Ps 351,807 | USD | 23/12/2015 | 7.33%[3] | Ps - |
| | - | 130,914[1] | USD | | | - |
| Affiliate | 228,051 | 361,941 | USD | 29/05/2015 | 1.61%[4] | 40,028 |
| | - | 5,887 | USD | 29/05/2015 | 1.61%[4] | - |
| | - | 16[1] | USD | | | - |
| Partners with Significant influence over certain subsidiaries | 121,316 | - | | | | 643,168 |
| Total | Ps 539,148 | Ps 850,565 | | | | Ps 683,196 |

[1] Are the interests accrued corresponding to the loans included.
[2] These balances correspond to the sale / purchase of products and / or services rendered that do not accrue interest.
[3] Loans bearing fixed interest rate.
[4] Loans bearing variable interest rate (libor).

## Revenue and other with related parties

| | Year ended December 31, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Finished goods | Raw materials | Interests | Dividends | Administrative services | Energetics | Leases | Others |
| Holding | Ps - | Ps - | Ps 28,377 | Ps - | Ps - | Ps - | Ps - | Ps - |
| Affiliate | 69,996 | 5,090 | 7,781 | - | 115,608 | 194,948 | 132 | 4,940 |
| Associated | - | - | - | - | - | - | - | - |
| Shareholders with significant influence over subsidiaries | 1,225,025 | - | 5,423 | - | - | - | 12,433 | 676,241[5] |
| Total | Ps 1,295,021 | Ps 5,090 | Ps 41,581 | Ps - | Ps 115,608 | Ps 194,948 | Ps 12,565 | Ps 681,181 |

| | Year ended December 31, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Finished goods | Raw materials | Interests | Dividends | Administrative services | Energetics | Leases | Others |
| Holding | Ps - | Ps - | Ps 23,731 | Ps - | Ps - | Ps - | Ps - | Ps - |
| Affiliate | 267,274 | 4,860 | 8,602 | - | 84,863 | 56,129 | - | - |
| Associate | - | - | 165 | 927 | - | - | - | - |
| Shareholders with significant influence over subsidiaries | 1,981,823 | | - | - | - | - | 9,009 | 144 |
| Total | Ps 2,249,097 | Ps 4,860 | Ps 32,498 | Ps 927 | Ps 84,863 | Ps 56,129 | Ps 9,009 | Ps 144 |

## Cost of sales and expenses with related parties

| | Year ended December 31, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Finished goods | Raw materials | Administrative services | Technical assistance | Energetics | Leases | Commissions | Others |
| Affiliate | Ps - | Ps 21,432 | Ps 197,977 | Ps - | Ps 4,205 | Ps - | Ps - | Ps - |
| Shareholders with significant influence over subsidiaries | 685,343 | 631,422 | 38,733 | 9,656 | | - | 5,817 | 297,919[5] |
| Total | Ps 685,343 | Ps 652,854 | Ps 236,710 | Ps 9,656 | Ps 4,205 | Ps - | Ps 5,817 | Ps 297,919 |

| | Year ended December 31, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Finished goods | Raw materials | Administrative services | Technical assistance | Energetics | Leases | Commissions | Others |
| Affiliate | Ps - | Ps 17,446 | Ps 174,206 | Ps - | Ps 167,667 | Ps - | Ps - | Ps |
| Shareholders with significant influence over subsidiaries | 1,580,553 | 685,610 | 106,947 | 69,087 | - | 2,433 | 25,905 | 68,696 |
| Total | Ps 1,580,553 | Ps 703,056 | Ps 281,153 | Ps 69,087 | Ps 167,667 | Ps 2,433 | Ps 25,905 | Ps 68,696 |

(5) In the area of others, the effects of the agreements between Alpek and business BASF Polyurethane (PU) See Note 2 b) are included.

For the year ended December 31, 2015, wages and benefits received by top officials of the Company were Ps 266,014 (Ps 250,921 in 2014), comprising of base salary and law benefits and supplemented by a variable compensation program that is basically based on the performance of the Company and by the market value of its stocks.

The Company and its subsidiaries report that they had no significant transactions with related parties or conflicts of interest to disclose at December 31, 2015 and 2014.

The conditions of the above considerations are equivalent to those of similar transactions with independent parties and the entity.

## Note 10 - Inventories

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Finished goods | Ps 5,794,742 | Ps 5,937,774 |
| Raw material and other consumables | 5,081,622 | 4,175,773 |
| Materials and tools | 792,721 | 877,025 |
| Work in process | 417,032 | 495,336 |
| | Ps12,086,117 | Ps11,485,908 |

For the years ended at December 31, 2015 and 2014, the cost of raw materials consumed and the changes in inventories of work in process and finished goods recognized in the cost of sales amounted to Ps 73,029,596 and Ps 79,757,100, respectively.

For the years ended December 31, 2015 and 2014 it was recognized in the Consolidated Statement of income a provision amounting to Ps 27,841 and Ps 18,894, respectively, related to damaged, slow-moving and obsolete inventory.

At December 31, 2015 and 2014 there were no inventories in guarantee.

## Note 11 - Property, plant and equipment, net

| | Land | Buildings and constructions | Machinery and equipment | Transportation equipment | Furniture, lab and information technology equipment | Construction in process | Other fixed assets | Total |
|---|---|---|---|---|---|---|---|---|
| Year ended December 31, 2014 | | | | | | | | |
| Beginning balance | Ps 2,750,382 | Ps2,904,570 | Ps 16,255,225 | Ps 61,990 | Ps 230,966 | Ps2,090,461 | Ps 412,295 | Ps 24,705,889 |
| Additions | 78,806 | 21,767 | 255,207 | 3,198 | 7,246 | 1,385,181 | 24,746 | 1,776,151 |
| Disposals | (1,907) | - | (217) | (3,301) | (52) | (4,905) | (15,950) | (26,332) |
| Impairment | - | - | (4,649) | (269) | (30) | - | - | (4,948) |
| Translation effect | 159,770 | 338,058 | 1,900,474 | 6,629 | 24,742 | 84,957 | 51,818 | 2,566,448 |
| Depreciation charge recognized in the year | - | (177,545) | (1,375,170) | (11,147) | (62,202) | - | - | (1,626,064) |
| Transfers | 1,153 | 536,758 | 2,029,669 | 12,014 | 36,999 | (2,636,933) | 21,471 | 1,131 |
| Carrying amount at December 31, 2014 | Ps2,988,204 | Ps3,623,608 | Ps19,060,539 | Ps 69,114 | Ps 237,669 | Ps 918,761 | Ps 494,380 | Ps27,392,275 |
| At December 31, 2014 | | | | | | | | |
| Cost | Ps 2,988,204 | Ps9,965,060 | Ps 47,019,030 | Ps 243,598 | Ps 1,131,484 | Ps 918,761 | Ps 494,380 | Ps 62,760,517 |
| Depreciation charge recognized in the year | - | (6,341,452) | (27,958,491) | (174,484) | (893,815) | - | - | (35,368,242) |
| Carrying amount at December 31, 2014 | Ps2,988,204 | Ps3,623,608 | Ps19,060,539 | Ps 69,114 | Ps 237,669 | Ps 918,761 | Ps 494,380 | Ps27,392,275 |
| Year ended December 31, 2015 | | | | | | | | |
| Beginning balance | Ps 2,988,204 | Ps3,623,608 | Ps 19,060,539 | Ps 69,114 | Ps 237,669 | Ps 918,761 | Ps 494,380 | Ps 27,392,275 |
| Additions | - | 7,077 | 47,493 | 3,157 | 6,596 | 1,477,320 | 36,465 | 1,578,108 |
| Additions through business acquisitions | 36,773 | 103,746 | 257,130 | 2,671 | 16,010 | 8,610 | - | 424,940 |
| Disposals | - | - | (27,911) | (1,280) | (303) | (994) | (10,717) | (41,205) |
| Impairment | - | - | (13,816) | - | (82) | (27,449) | (1,291) | (42,638) |
| Translation effect | 236,463 | 534,133 | 2,856,459 | 8,515 | 37,228 | 121,353 | 101,773 | 3,895,924 |
| Depreciation charge recognized in the year | - | (221,908) | (1,696,600) | (11,958) | (76,078) | - | - | (2,006,544) |
| Transfers | 2,740 | 88,872 | 661,134 | 4,518 | 67,082 | (850,178) | 146,743 | 120,911 |
| Carrying amount at December 31, 2015 | Ps3,264,180 | Ps4,135,528 | Ps21,144,428 | Ps 74,737 | Ps 288,122 | Ps1,647,423 | Ps 767,353 | Ps31,321,771 |
| At December 31, 2015 | | | | | | | | |
| Cost | Ps 3,264,180 | Ps11,763,540 | Ps 55,398,958 | Ps 283,283 | Ps 1,410,940 | Ps 1,647,423 | Ps 767,353 | Ps 74,535,677 |
| Accumulated depreciation | - | (7,628,012) | (34,254,530) | (208,546) | (1,122,818) | - | - | (43,213,906) |
| Carrying amount at December 31, 2015 | Ps3,264,180 | Ps4,135,528 | Ps21,144,428 | Ps 74,737 | Ps 288,122 | Ps1,647,423 | Ps 767,353 | Ps31,321,771 |

Depreciation expense of Ps 1,980,616 and Ps 1,608,083 were recorded in cost of sales, Ps 4,635 and Ps 1,811, in selling expenses and Ps 21,293 and Ps 16,170, in administrative expenses in 2015 and 2014, respectively.

The Company has capitalized costs of loans in qualified assets for Ps 2,025 and Ps 90,064 for the years ended December 31, 2015 and 2014, respectively. Costs from loans were capitalized at the weighted average rate of loans that amount to approximately 2.40%.

## Note 12 - Goodwill and intangible assets, net

| | Finite life | | | | | | Indefinite life | | |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | Development costs | Supply rights | Non-compete agreements | Customer relationships | Software and licenses | Intellectual property rights and others | Goodwill | Others | Total |
| At January 1, 2014 | Ps 583,486 | Ps 540,735 | Ps 61,460 | Ps 475,853 | Ps 62,416 | Ps 1,566,964 | Ps 221,868 | Ps 5,904 | Ps 3,518,686 |
| Additions | 5,710 | 2,155,469 | 94,387 | - | 21,316 | 547,947 | - | 310 | 2,825,139 |
| Translation effect | 73,599 | 230,494 | 10,324 | 59,735 | 6,422 | 198,537 | 27,851 | 777 | 607,739 |
| Additions through business combination | - | - | 31,709 | - | - | - | - | - | 31,709 |
| Transfers | - | - | - | - | - | 27,760 | - | - | 27,760 |
| At December 31, 2014 | 662,795 | 2,926,698 | 197,880 | 535,588 | 90,154 | 2,341,208 | 249,719 | 6,991 | 7,011,033 |
| Additions | 5,485 | 1,741,330 | - | - | 11,498 | 99,148 | 4,702 | - | 1,862,163 |
| Translation effect | 111,693 | 619,968 | (1,940) | 90,557 | 9,730 | 391,975 | 42,222 | 1,182 | 1,265,387 |
| At December 31, 2015 | Ps 779,973 | Ps 5,287,996 | Ps 195,940 | Ps 626,145 | Ps111,382 | Ps 2,832,331 | Ps 296,643 | Ps 8,173 | Ps 10,138,583 |
| **Amortization** | | | | | | | | | |
| At January 1, 2014 | (Ps 198,405) | Ps - | (Ps 44,816) | (Ps 104,196) | (Ps 35,941) | (Ps 228,858) | Ps - | Ps - | (Ps 612,216) |
| Amortization | (39,454) | - | (45,515) | (38,363) | (3,607) | (86,417) | - | - | (213,356) |
| Transfers | - | - | - | - | - | (7,425) | - | - | (7,425) |
| Translation effect | (28,663) | - | (8,445) | (17,180) | (3,651) | (37,187) | - | - | (95,126) |
| At December 31, 2014 | (266,522) | - | (98,776) | (159,739) | (43,199) | (359,887) | - | - | (928,123) |
| Amortization | (47,923) | - | (44,085) | (45,723) | (4,267) | (105,241) | - | - | (247,239) |
| Translation effect | (47,673) | - | (54) | (30,926) | (5,985) | (66,517) | - | - | (151,155) |
| At December 31, 2015 | (Ps 362,118) | Ps - | (Ps 142,915) | (Ps 236,388) | (Ps 53,451) | (Ps 531,645) | Ps - | Ps - | (Ps 1,326,517) |
| **Net carrying amount** | | | | | | | | | |
| Cost | Ps 662,795 | Ps 2,926,698 | Ps 197,880 | Ps 535,588 | Ps 90,154 | Ps 2,341,208 | Ps 249,719 | Ps 6,991 | Ps 7,011,033 |
| Amortization | (266,522) | - | (98,776) | (159,739) | (43,199) | (359,887) | - | - | (928,123) |
| At December 31, 2014 | Ps 396,273 | Ps 2,926,698 | Ps 99,104 | Ps 375,849 | Ps 46,955 | Ps 1,981,321 | Ps 249,719 | Ps 6,991 | Ps 6,082,910 |
| Cost | Ps 779,973 | Ps 5,287,996 | Ps 195,940 | Ps 626,145 | Ps111,382 | Ps 2,832,331 | Ps 296,643 | Ps 8,173 | Ps 10,138,583 |
| Amortization | (362,118) | - | (142,915) | (236,388) | (53,451) | (531,645) | - | - | (1,326,517) |
| At December 31, 2015 | Ps 417,855 | Ps 5,287,996 | Ps 53,025 | Ps 389,757 | Ps 57,931 | Ps 2,300,686 | Ps 296,643 | Ps 8,173 | Ps 8,812,066 |

Of the total amortization expense, Ps 247,097 and Ps 213,223 have been recorded in cost of sales, Ps 39 and Ps 97 in selling expenses and Ps 103 and Ps 36 in administrative expenses in 2015 and 2014, respectively.

Of the total amortization expense, Ps 247,097 and Ps 213,223 have been recorded in cost of sales, Ps 39 and Ps 97 in selling expenses and Ps 103 and Ps 36 in administrative expenses in 2015 and 2014, respectively.

*Impairment testing of goodwill*
Goodwill is allocated to operating segments that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units, goodwill arising from the Polyester segment for a total of Ps 296,643 and Ps 249,719 at December 31, 2015 and 2014, respectively.

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

The key assumptions used in calculating the value in use in 2015 and 2014 were as follows:

| | 2015 | 2014 |
|---|---|---|
| Estimated gross margin | 6.8% | 4.0% |
| Growth rate | 6.5% | 3.8% |
| Discount rate | 10.05% | 9.8% |

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

**Note 13 - Other non-current assets**

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Other receivables, net | Ps 109,796 | Ps 103,202 |
| Financial assets available for sale (1) | 143,407 | 128,475 |
| Investment in associates (2) | 253,387 | 149,931 |
| Other non-current financial assets | 1,227,972 | 316,271 |
| Total other non-current assets | Ps1,734,562 | Ps 697,879 |

(1) Financial assets available for sale

These assets relate to investments in companies not listed on the market representing less than 1% of its share capital and equity investments in social clubs. We did not recognize any impairment loss at December 31, 2015.

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

| | 2015 | 2014 |
|---|---|---|
| Balance at January 1 | Ps 128,476 | Ps 92,581 |
| Translation effect | 14,931 | 10,089 |
| Additions | - | 25,912 |
| Disposals | - | (107) |
| Balance at December 31 | Ps 143,407 | Ps 128,475 |

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

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| USD | Ps 103,239 | Ps 88,308 |
| MXN | 40,168 | 40,167 |
| Total | Ps 143,407 | Ps 128,475 |

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

(2) Investments in associates

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

| | 2015 | 2014 |
|---|---|---|
| Net loss | (Ps 70,896) | (Ps 155,528) |
| Other comprehensive income | - | - |
| Comprehensive income | (70,896) | (155,528) |
| Investment in associates at December 31 | 253,387 | 149,931 |

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

(3) Other non-current assets

At December 31, 2015, this caption includes an amount of Ps 1,101,666 (US$ 64 million) related to a prepayment of inventory, which is explained in Note 2 a).

**Note 14 - Subsidiaries with significant non-controlling interest**

The significant non-controlling interest, is integrated as follows:

| | Non-controlling ownership percentage | Non-controlling interest income for the period | | Non-controlling interest at December 31, | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| Indelpro, S. A. de C. V. and subsidiary | 49% | Ps699,007 | Ps303,590 | Ps2,917,152 | Ps2,574,644 |
| Polioles, S. A. de C. V. and subsidiary | 50% | 215,676 | 226,241 | 1,153,410 | 829,038 |
| Non-controlling portion of non-significant subsidiaries | | 1,581 | (16,630) | 473,966 | 491,493 |
| | | Ps916,264 | Ps513,201 | Ps4,544,528 | Ps3,895,175 |

The summarized financial information at December 31, 2015 and 2014 and for the year then ended, corresponding to each subsidiary with a significant non-controlling interest is shown below:

| | Indelpro, S. A. de C. V. and subsidiary | | Polioles, S. A. de C. V. and subsidiary | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Statements of financial position | | | | |
| Current asset | Ps 3,527,423 | Ps 3,908,340 | Ps 3,975,571 | Ps 3,295,428 |
| Non-current asset | 6,393,022 | 5,492,256 | 876,245 | 1,181,138 |
| Current liability | 1,619,233 | 1,822,647 | 1,267,920 | 1,906,511 |
| Non-current liability | 2,347,840 | 2,323,573 | 1,277,076 | 911,978 |
| Stockholders' equity | 5,953,372 | 5,254,376 | 2,306,820 | 1,658,077 |
| Statements of income | | | | |
| Revenues | 10,034,028 | 10,297,976 | 4,898,744 | 9,646,578 |
| Consolidated net profit | 1,426,545 | 619,570 | 431,352 | 452,482 |
| Comprehensive income for the year | 2,254,269 | 1,206,585 | 648,831 | 579,961 |
| Comprehensive income attributable to non-controlling interest | 1,104,592 | 591,227 | 324,416 | 289,981 |
| Dividends paid to the non-controlling interest | 762,084 | 96,129 | 150,317 | - |
| Statements of cash flows | | | | |
| Net cash flows generated in operating activities | 2,613,464 | 645,248 | (47,617) | 447,201 |
| Net cash flows used in investing activities | (440,539) | (122,026) | (80,989) | (101,431) |
| Net cash flows used in financing activities | (1,909,065) | (543,624) | (319,374) | (255,926) |
| Net increase (decrease) in cash and cash equivalents | 301,769 | (14,488) | (417,898) | 142,357 |

## Note 15 - Financial instruments

a. Financial instruments by category

| | At December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | Trade receivables and liabilities at amortized cost | Available for sale | Financial assets and liabilities at fair value through profit and loss | Derivative designated for hedging | Total |
| Financial assets: | | | | | |
| Cash and cash equivalents | Ps 6,649,904 | Ps - | Ps - | Ps - | Ps 6,649,904 |
| Restricted cash and cash equivalents | 2,753 | - | - | - | 2,753 |
| Trade and other receivable | 13,383,935 | - | - | - | 13,383,935 |
| Derivative financial instruments | - | - | 203,236 | 120 | 203,356 |
| Assets available for sale | - | 143,407 | - | - | 143,407 |
| | Ps 20,036,592 | Ps 143,407 | Ps 203,236 | Ps 120 | Ps 20,383,355 |
| Financial liabilities: | | | | | |
| Debt | Ps 678,331 | Ps - | Ps - | Ps - | Ps 678,331 |
| Suppliers and other accounts payable | 9,800,552 | - | - | - | 9,800,552 |
| Shared-based payments | | - | 54,700 | - | 54,700 |
| Derivative financial instruments | - | - | 17,166 | 1,542,477 | 1,559,643 |
| | Ps 10,478,883 | Ps - | Ps 71,866 | Ps 1,542,477 | Ps 12,093,226 |

| | At December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Trade Receivables and Liabilities at amortized cost | Available for sale | Financial assets and liabilities at fair value through profit and loss | Derivative designated for hedging | Total |
| Financial assets: | | | | | |
| Cash and cash equivalents | Ps 5,743,816 | Ps - | Ps - | Ps - | Ps 5,743,816 |
| Restricted cash and cash equivalents | 3,185 | - | - | - | 3,185 |
| Trade and other receivable | 13,246,370 | - | - | - | 13,246,370 |
| Assets available for sale | - | 128,475 | - | - | 128,475 |
| | Ps 18,993,371 | Ps 128,475 | Ps | Ps | Ps 19,121,846 |
| Financial liabilities: | | | | | |
| Debt | Ps 487,604 | Ps - | Ps - | Ps - | Ps 487,604 |
| Suppliers and other accounts payable | 10,564,770 | - | - | - | 10,564,770 |
| Shared-based payments | - | - | 59,506 | - | 59,506 |
| Derivative financial instruments | - | - | 85,113 | 959,823 | 1,044,936 |
| | Ps 11,052,374 | Ps | Ps 144,619 | Ps 959,823 | Ps 12,156,816 |

b. Credit quality of financial assets

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

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Trade and other receivables | | |
| Counterparties with external credit rating | | |
| "A+" | Ps 22,666 | Ps - |
| "A-" | 26,245 | 633 |
| "A" | 50 | 124 |
| "AAA" | 32,367 | 45,518 |
| "AA" | 42,628 | 97,023 |
| "AA-" | 60 | 32 |
| "B" | 8,394 | 159,072 |
| "B+" | 18,848 | 15,543 |
| "BBB+" | 34,044 | 58,729 |
| "BBB" | 509,813 | 325,326 |
| "BBB-" | 111 | 1,908 |
| "BB" | 2,989 | 8,718 |
| "BB+" | 7,748 | - |
| "BB-" | 913,720 | 1,180,048 |
| Other categories | 235,040 | 461,277 |
| | 1,854,723 | 2,353,951 |
| Counterparties without external credit rating | | |
| Type of customers X | 7,774,909 | 9,208,510 |
| Type of customers Y | 95,916 | 907,124 |
| Type of customers Z | - | 22,493 |
| | 7,870,825 | 10,138,127 |
| Total not impaired trade receivables | Ps 9,725,548 | Ps12,492,078 |

| | At December 31, 2015 | At December 31, 2014 |
|---|---|---|
| Cash and cash equivalents with or without restriction, not including petty cash | | |
| "A+" | Ps 34,228 | Ps 931,412 |
| "A-" | 762,203 | 559,217 |
| "A" | 2,485,325 | 1,868,851 |
| "BBB+" | 2,470,120 | 1,317,396 |
| "BBB" | 147,686 | 194,785 |
| "BBB-" | 1,442 | - |
| "BB+" | 11,896 | 80,916 |
| Other categories | - | 276,986 |
| Not rated | 732,218 | 516,495 |
| | Ps 6,645,118 | Ps 5,746,058 |
| Derivative financial instruments | | |
| "A-" | Ps 1,713 | Ps - |
| "BBB+" | 6,279 | - |
| "CCC" | 162,792 | - |
| "CCC+" | 32,572 | - |
| | Ps 203,356 | Ps - |

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

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

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

c. Fair value of financial assets and liabilities

The amounts of cash and cash equivalents, restricted cash and cash equivalents, customers and other receivables, other current asset, suppliers and other payables, current debt and other current liability approximate to their fair value due to their short maturity. The carrying amount of these accounts represents the expected cash flow at December 31, 2015 and 2015.

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

| | At December 31, 2015 | | At December 31, 2014 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Non-current receivable | Ps 109,796 | Ps 99,712 | Ps 103,202 | Ps 91,612 |
| Financial liabilities | | | | |
| Non-current debt | 18,394,325 | 17,964,918 | 15,778,025 | 16,107,121 |

The estimated fair values as of December 31, 2015 and 2014 were determined based on discounted cash flows using rates that reflect a similar credit risk depending on the currency, maturity period and country where the debt was incurred. As part of the main rates used are the interbank equilibrium interest rate ("TIIE") for the instruments in pesos and Libor for instruments held in dollars. These fair values do not consider the current portion of financial assets and liabilities, as the current portion approximates their fair value. This is a measure of fair value of Level 3.

**Note 16 - Derivative financial instruments**

The effectiveness of derivative financial instruments designated as hedges is measured periodically. At December 31, 2015 and 2014 the Company's Management assessed the effectiveness of its hedges for accounting purposes and has concluded that they are highly effective.

Notional amounts related to derivative financial instruments reflect the contracted reference volume; however they do not reflect the amounts at risk with respect to future cash flows. The amounts at risk are generally limited to the unrealized profit or loss from the market valuation of such instruments, which may vary according to changes in the market value of the underlying, its volatility and the credit quality of the counterparties.

The principal obligations which the Company is subject to depends on the type of contract and the conditions stipulated in each one of the derivative financial instruments in force at December 31, 2015 and 2014.

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

a) Exchange rate derivatives

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

| At December 31, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Underlying asset | | Fair | Maturity | | |
| Type of derivative, Value or contract | Notional amount | Unit | Reference | value | 2016 | 2017 | 2018+ |
| USD/MXN | (Ps 688) | Pesos / Dollar | 17.21 | (Ps 13) | (Ps 13) | Ps - | Ps - |
| ARS/USD | 800 | Ps Arg. / Dollar | 12.94 | 202 | 202 | - | - |
| | | | | Ps 189 | Ps 189 | Ps - | Ps - |

| At December 31, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Underlying asset | | Fair | Maturity | | |
| Type of derivative Value or contract | Notional amount | Unit | Reference | value | 2015 | 2016 | 2017+ |
| US$/MXN | (Ps 986) | Pesos / Dollar | 14.72 | (Ps 73) | (Ps 73) | Ps - | Ps - |

b) Interest rate swaps

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

| At December 31, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Underlying asset | | Fair | Maturity | | |
| Type of derivative Value or contract | Notional amount | Unit | Reference | value | 2016 | 2017 | 2018+ |
| With hedge Accounting treatment: | | | | | | | |
| In Libor rate [1] | Ps - | % per year | 1.18 | Ps - | Ps - | Ps - | Ps - |

| At December 31, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Underlying asset | | Fair | Maturity | | |
| Type of derivative, Value or contract | Notional amount | Unit | Reference | value | 2015 | 2016 | 2017+ |
| With hedge Accounting treatment: | | | | | | | |
| In Libor rate [1] | Ps 589 | % per year | 0.90 | (Ps 10) | (Ps 8) | (Ps 2) | Ps - |

(1)Cash flow hedges

c) Energy

Positions of derivative financial instruments natural gas, gasoline, ethylene, ethane, paraxylene and brent crude, are summarized as follows (figures in millions of pesos):

| At December 31, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Underlying asset | | | Maturity | | |
| Type or derivative, Value or contract | Notional amount | Unit | Reference | Fair value | 2016 | 2017 | 2018+ |
| With hedge accounting treatment | | | | | | | |
| Ethylene [1] | Ps 809 | Cent Dollar/lb | 19.22 | (Ps 230) | (Ps 230) | Ps - | Ps |
| Natural gas [1] | 2,923 | Dollar / MBTU | 2.32 | (961) | (250) | (204) | (507) |
| Ethane [1] | 46 | Cent Dollar/Gallon | 15.05 | (5) | (5) | - | |
| Px [1] | 3,252 | Dollar/MT | 772 | (309) | (309) | - | |
| Gasoline [1] | 72 | Dollar / Gallon | 1.25 | (38) | (38) | - | |
| With trade accounting treatment: | | | | | | | |
| Brent crude | 5 | Dollar / BBL | 38.91 | (2) | (2) | - | - |
| | | | | (Ps 1,545) | (Ps 834) | (Ps 204) | (Ps 507) |

At December 31, 2014

| Type or derivative, Value or contract | Notional amount | Underlying asset Unit | Underlying asset Reference | Fair value | Maturity 2015 | Maturity 2016 | Maturity 2017+ |
|---|---|---|---|---|---|---|---|
| With hedge accounting treatment: | | | | | | | |
| Ethylene [1] | Ps 7 | Cent. Dólar/lb | 45.38 | (Ps 1) | (Ps 1) | Ps | Ps |
| Natural gas [1] | 2,600 | Dollar / MBTU | 3.08 | (260) | (13) | (98) | (149) |
| Ethane [1] | 2 | Cent. Dollar/Gallon | 17.59 | (1) | (1) | | |
| Px [1] | 1,585 | Dollar/MT | 884 | (308) | (308) | | |
| Gasoline [1] | 1,013 | Dollar / Gallon | 1.62 | (380) | (380) | | |
| With trade accounting treatment: | | | | | | | |
| Brent crude | 46 | Dollar / BBL | 63.27 | (12) | (12) | | |
| | | | | (Ps 962) | (Ps 715) | (Ps 98) | (Ps 149) |

(1)cash flow hedges

At December 31, 2015 and 2014, the net fair value of derivative financial instruments, above mentioned amounts to Ps 1,356,287 and Ps 1,044,936, respectively, which is shown in the consolidated statements of financial position as follows:

| | Fair value At December 31, 2015 | 2014 |
|---|---|---|
| Current asset | Ps 203,356 | Ps - |
| Current liability | (848,301) | (757,011) |
| Non-current liability | (711,342) | (287,925) |
| Net position | (Ps 1,356,287) | (Ps 1,044,936) |

At December 31, 2015 and 2014 there is no collaterals in derivative financial instruments.

## Note 17 - Suppliers and other accounts payable

| | At December 31, 2015 | 2014 |
|---|---|---|
| Suppliers | Ps 9,521,436 | Ps 9,881,574 |
| Balances with related parties (Note 9) | 279,116 | 683,196 |
| | Ps 9,800,552 | Ps10,564,770 |

**Note 18 - Provisions**

| | Restructuring And demolition | Environmental remediation | Indemnities form dismissal and others | Others | Total |
|---|---|---|---|---|---|
| At January 1, 2014 | Ps 433,354 | Ps371,611 | Ps 79,349 | - | Ps884,314 |
| Transfers | (73,590) | - | 73,590 | - | - |
| Payments | (76,799) | (17,383) | (96,369) | - | (190,551) |
| Translation effect | 49,395 | 46,170 | 567 | - | 96,132 |
| At December 31, 2014 | 332,360 | 400,398 | 57,137 | - | 789,895 |
| Additions | - | - | - | 32,554 | 32,554 |
| Payments | (249,138) | (102,663) | (29,077) | (10,659) | (391,537) |
| Translation effects | 30,172 | 59,724 | 6,956 | (4,604) | 92,247 |
| At December 31, 2015 | Ps 113,393 | Ps357,459 | Ps 35,016 | Ps 17,291 | Ps523,159 |

| | 2015 | 2014 |
|---|---|---|
| Short-term provisions | Ps 338,411 | Ps 761,652 |
| Long-term provisions | 184,748 | 28,243 |
| At December 31, 2015 | Ps 523,159 | Ps 789,895 |

The provisions shown in the above table are mainly related to the closure of the plant in Cape Fear located in Wilmington, North Carolina carried out in June 2013. The purpose of this closure was to improve cost competitivity, through distributing production to the most efficient plants in its productive network.

During 2015, the Company continued the works of dismantling and demolition of the plant in Cape Fear, as was originally announced during 2013. At December 31, 2015, the balance of this provision amounts to Ps 505,868 (US$ 29.4 million) , which is in line with the initial estimate made by the Management will be disbursed over the next two years according to the plan of dismantling and demolition of the plant.

**Note 19 - Debt**

| | At December 31 | |
|---|---|---|
| | 2015 | 2014 |
| Current: | | |
| Bank loans [1] | Ps 439,713 | Ps 290,388 |
| Current portion of non-current debt | 50,342 | 11,166 |
| Interest payable | 182,004 | 160,689 |
| Notes payable [1] | 6,272 | 25,360 |
| Current debt | Ps 678,331 | Ps 487,604 |

| | At December 31 | |
|---|---|---|
| | 2015 | 2014 |
| Non-current: | | |
| Senior Notes[3] | Ps 16,203,450 | Ps13,846,890 |
| Unsecured Bank loans [3] | 2,122,632 | 1,829,928 |
| Total [2] | 18,326,082 | 15,676,818 |
| Less: current portion of non-current debt | (50,342) | (11,166) |
| Non-current debt | Ps 18,275,740 | Ps15,665,652 |

[1] The fair value of bank loans and notes payable approximates their current carrying amount, due to the impact of discounting is not significant.

[2] These amounts are the amortized cost and include debt issuance cost of Ps 118,585 and Ps 112,373, for 2015 and 2014, respectively.

[3] The carrying amounts, terms and conditions of non-current debt are as follows:

| Description | Currency | Credit balance outstanding | Debt issuance cost | Interest payable | Balance at December 31 2015 | Balance at December 31 2014 | Maturity date DD/MM/YY | Interest rate |
|---|---|---|---|---|---|---|---|---|
| Senior Notes 144A/Reg. S fixed rate | USD | 11,160,085 | (78,750) | 55,921 | Ps 11,137,256 | Ps 9,517,052 | 20-Nov-22 | 4.50% |
| Senior Notes 144A/Reg. S fixed rate | USD | 5,161,950 | (39,835) | 109,441 | 5,231,556 | 4,471,284 | 8-Ago-23 | 5.38% |
| Total Senior Notes | | 16,322,035 | (118,585) | 165,362 | 16,368,812 | 13,988,336 | | |
| Bank loan bearing annual interest of Libor +1.60%. | USD | 860,325 | - | 630 | 860,955 | 736,416 | 19-Dic-19 | 2.40% |
| Bank loan bearing annual interest of Libor +1.18%. | USD | 344,130 | - | 1,630 | 345,760 | 295,759 | 01-Abr-17 | 1.51% |
| Bank loan bearing annual interest of Libor +1.10%. | USD | 344,130 | - | 1,556 | 345,686 | 296,561 | 02-Abr-18 | 1.43% |
| Bank loan bearing annual interest of BADLAR +2.00%. | ARS | 33,252 | - | 796 | 34,048 | 44,315 | 03-Oct-16 | 29.72% |
| Bank loan bearing annual interest of BADLAR + 1% | ARS | 119,624 | - | 2,384 | 122,008 | 170,109 | 01-Abr-20 | 22.45% |
| Bank loan bearing annual interest of 19% | ARS | 13,168 | - | 208 | 13,376 | - | 02-Dic-22 | 19.00% |
| Bank loan bearing annual interest of Libor + 1% | USD | 408,003 | - | 1,732 | 409,735 | - | 14-Ago-18 | 1.40% |
| Bank loan bearing annual interest of Libor + 1.50%. | USD | - | - | - | - | 297,246 | 01-Abr-16 | 1.76% |
| Total unsecured bank loans | | 2,122,632 | - | 8,936 | 2,131,568 | 1,840,406 | | |
| Total | | 18,444,667 | (118,585) | 174,298 | Ps 18,500,380 | Ps 15,828,742 | | |

At December 31, 2015, the annual maturities of non-current debt are as follows:

| | 2017 | 2018 | 2019 | 2020 onwards | Total |
|---|---|---|---|---|---|
| Bank loans | Ps 367,628 | Ps1,214,835 | Ps 469,110 | Ps 20,717 | Ps 2,072,290 |
| Senior Notes | - | - | - | 16,203,450 | 16,203,450 |
| | Ps 367,628 | Ps1,214,835 | Ps 469,110 | Ps 16,224,167 | Ps18,275,740 |

Covenants:

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

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

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

Additionally, there are other restrictions regarding incurring additional debt or taking loans that require mortgaging assets, dividend payments and submission of financial information, which if not met or remedied within a specified period to the satisfaction of creditors may cause the debt to become payable immediately. During 2015 and 2014, the financial ratios were calculated according to the formulas set out in the loan agreements. At December 31, 2014 and the date of issuance of these financial statements, the Company and its subsidiaries complied satisfactorily with such covenants and restrictions.

During the years ended December 31 2015 and 2014, there were not significant debt transactions, the main increase is generated due to the exchange rate of the debt held in US dollars. The amounts shown in the Consolidated Statements of Cash Flows correspond to credit lines utilized and paid during the year.

**Note 20 - Employee benefits**

The valuation of retirement plan employee benefits includes formal plans and constructive obligations that covers all employees and is based primarily on their years of service, current age and estimated salary at retirement date.

The principal subsidiaries of the Company have established irrevocable trust funds for payment of pensions and seniority premiums and health-care expenses. The contributions in 2015 amounted to Ps 62,454 (Ps 74,899 in 2014).

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

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Liability for employees' benefits: | | |
| Pension benefits | Ps 857,942 | Ps 764,780 |
| Post-employment medical benefits | 168,283 | 154,349 |
| | 1,026,225 | 919,129 |
| Defined contribution liability | 81,841 | 44,854 |
| Employees' benefits in the statement of financial position | Ps1,108,066 | Ps 963,983 |
| Charge to the income statement for: | | |
| Pension benefits | (Ps 61,385) | (Ps 42,629) |
| Post-employment medical benefits | (6,706) | (7,466) |
| | (68,091) | (50,095) |
| Remeasurement of obligations for employees' benefits recognized in the statement of comprehensive income for the year | (Ps 3,050) | (Ps 343,760) |
| Remeasurement of accumulated obligations for employees benefits | (Ps 230,620) | (Ps 227,570) |

*Pension benefits*

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

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

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Present value of defined benefit obligations. | Ps3,545,493 | Ps3,288,794 |
| Fair value of plan assets | (2,687,551) | (2,524,014) |
| Employees' benefits in the statement of financial position | Ps 857,942 | Ps 764,780 |

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

| | 2015 | 2014 |
|---|---|---|
| At January 1 | Ps3,288,794 | Ps2,700,267 |
| Service cost | 40,397 | 34,622 |
| Interest cost | 138,029 | 128,846 |
| Remeasurements: | | |
| (Losses) gains from changes in financial assumptions | (120,021) | 183,286 |
| (Losses) gains from change in demographic assumptions and experience adjustments | (17,078) | 221,456 |
| Translation effect | 482,191 | 286,754 |
| Benefits paid | (261,637) | (261,005) |
| Plan reductions | (1,415) | (1,280) |
| Settlements | (3,767) | (4,152) |
| At December 31 | Ps3,545,493 | Ps3,288,794 |

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

| | 2015 | 2014 |
|---|---|---|
| At January 1 | (Ps2,524,015) | (Ps2,318,980) |
| Interest income | (111,858) | (115,407) |
| Remeasurements return on plan assets, excluding interest income | 119,432 | (26,394) |
| Translation effect | (344,998) | (228,358) |
| Contributions | (62,454) | (74,899) |
| Paid benefits | 236,342 | 240,023 |
| At December 31 | (Ps2,687,551) | (Ps2,524,015) |

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

| | 2015 | 2014 |
|---|---|---|
| Service cost | (Ps 40,397) | (Ps 34,622) |
| Net interest cost | (26,171) | (13,439) |
| Effect of reductions of plan and/or settlements | 5,183 | 5,432 |
| Total included in personal costs | (Ps 61,385) | (Ps 42,629) |

The principal actuarial assumptions are as follows:

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Discount rate | MX 6.75%<br>US 4.08% | MX 6.75%<br>US 3.75% |
| Inflation rate | 4.25% | 4.25% |
| Salary increase rate | 5.25% | 5.25% |

The average life of defined benefit obligations is of 15.7 and 15.6 years at December 31, 2015 and 2014, respectively.

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

| | Effect in defined benefit obligations | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| Discount rate | Mx 1% | Decreases by Ps 30,826 | Increases by Ps 35,717 |
| Discount rate | US 1% | Decreases by Ps 278,042 | Increases by Ps 336,862 |

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

*Post-employment medical benefits*

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

In addition to the assumptions mentioned above, the main actuarial assumption in a long-term increase in health costs by 6.7% in 2015 and 7.5% in 2014.

Amounts recognized in the statements of financial position are determined as follows:

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Present value of defined benefit obligations | Ps 168,283 | Ps 154,349 |
| Fair value of plan assets | - | - |
| Employees' benefits in the statement of financial position | Ps 168,283 | Ps 154,349 |

The movements of defined benefit obligations are as follows:

| | 2015 | 2014 |
|---|---|---|
| At January 1 | Ps 154,349 | Ps 175,644 |
| Service cost | 1,777 | 1,391 |
| Interest cost | 4,929 | 6,075 |
| Employee contributions | 15,539 | 8,926 |
| Remeasurements: | | |
| Gain from changes in financial assumptions | (4,654) | 4,084 |
| Gains from changes in demographic assumptions and experience adjustments | 25,371 | (38,672) |
| Translation effect | 23,718 | 20,629 |
| Plan reductions | - | - |
| Benefits paid | (52,746) | (23,728) |
| At December 31 | Ps 168,283 | Ps 154,349 |

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

| | 2015 | 2014 |
|---|---|---|
| Service cost | (Ps 1,777) | (Ps 1,391) |
| Net interest cost | (4,929) | (6,075) |
| Effect of reductions on plan and/or settlements | - | - |
| Total included in personal costs | (Ps 6,706) | (Ps 7,466) |

At December 31, 2014, the effect of a 1% in the incremental of medical expenses, as follows:

| | Rate | |
|---|---|---|
| | Increase | Decrease |
| Effect in defined benefit obligation | (8,627) | 10,046 |

*Employee benefits*

Plan assets are comprised as follows:

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Investment funds (listed) | Ps 1,738,467 | Ps 1,633,198 |
| Cash and cash equivalents | 949,084 | 890,816 |

**Note 21 - Deferred income taxes**

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

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Deferred tax asset: | | |
| - To be recovered for more than 12 months | Ps 243,581 | Ps 178,117 |
| - To be recovered within 12 months | 117,606 | 78,880 |
| | 361,187 | 256,997 |
| Deferred tax liability: | | |
| - To be payable in more than 12 months | (4,579,487) | (3,699,349) |
| - To be payable within 12 months | (127,543) | (556,257) |
| | (4,707,030) | (4,255,606) |
| Deferred tax, net | (Ps4,345,843) | (Ps3,998,609) |

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

| | 2015 | 2014 |
|---|---|---|
| At January 1 | (Ps3,998,609) | (Ps4,127,671) |
| Translation effect | (596,323) | (421,032) |
| To retained earnings | - | (777) |
| Business acquisitions | (83,550) | (23,919) |
| Credit to income statement | 202,947 | 97,746 |
| Credit to other items of comprehensive income | 129,692 | 477,044 |
| At December 31 | (Ps4,345,843) | (Ps3,998,609) |

The change of the temporary differences that requires deferred income tax recognition for the year ended December 31, as follows:

| | 2015 | 2014 |
|---|---|---|
| Provisions | Ps 261,988 | Ps 817,352 |
| Derivative financial instruments | 3,958 | 229,375 |
| Tax loss carryforwards | 1,499,783 | 715,750 |
| Other temporary differences, net | - | 59,743 |
| Total deferred tax asset | 1,765,729 | 1,822,220 |
| Inventories | (Ps 52,340) | (Ps 25,308) |
| Trade and other receivables, net | - | (4,767) |
| Property, plant and equipment, net | (5,464,127) | (5,790,754) |
| Intangible assets, net | (289,233) | - |
| Other temporary differences, net | (305,872) | - |
| Total deferred tax liability | (6,111,572) | (5,820,829) |
| Net deferred tax liability | (Ps4,345,843) | (Ps3,998,609) |

At December 31, 2015, the Company has accumulated tax loss carryforwards for a total of Ps 4,999,275 expiring as shown below:

| Loss incurred In the year | Tax loss carryforwards | Year of maturity |
|---|---|---|
| 2006 | Ps 115,345 | 2016 |
| 2007 | 83,250 | 2017 |
| 2008 | 83,250 | 2018 |
| 2009 | 83,250 | 2019 |
| 2010 | 83,363 | 2020 |
| 2011 | 875,121 | 2021 |
| 2012 | 80,002 | 2022 |
| 2013 | 85,899 | 2023 |
| 2014 | 969,597 | 2024 |
| 2015 | 2,540,198 | 2025 |
| | Ps 4,999,275 | |

## Note 22 - Other current liabilities

| | At December 31, 2015 | 2014 |
|---|---|---|
| Taxes different than income tax | Ps 658,681 | Ps 683,972 |
| Accumulated expenses | 463,683 | 429,593 |
| Short-term employee benefits | 596,170 | 388,733 |
| Employees' profit sharing | 5,949 | 4,069 |
| Prepayments from costumers | 66,382 | 18,375 |
| Others | 100,607 | 151,312 |
| Total other current liabilities | Ps 1,891,472 | Ps 1,676,054 |

## Note 23 - Stockholders' equity

At December 31, 2015 the capital stock is variable, with a fixed minimum of Ps 6,051,880 represented by 2,118,163,635 ordinary, nominative shares, "Class I" Series "A", with no par value, fully subscribed and paid in. The variable capital entitled to withdrawal will be represented, if issued, by registered "Class II" Series "A" shares without par value.

The net income of the year is subject to decisions made by the General Stockholders' Meeting, the Company's by-laws and the General Law of Mercantile Corporations. In accordance with the General Law of Mercantile Corporations, the legal reserve should be increased annually by 5% of the net annual income until it reaches 20% of the fully paid in capital stock. At December 31, 2015 and 2014 the legal reserve amounts Ps 377,052 and Ps 337,007, respectively.

In the Ordinary General Meeting of Alpek, held on April 15, 2015, the stockholders agreed to declare dividends in cash for a total of Ps 1,472,825.

During 2014, Alpek S. A. B. de C. V. did not declared dividends.

In October 2013 the Chambers of Senators and Deputies approved the issuance of a new Law on Income Tax (Income Tax Law) which is effective January 1, 2014. Among other things, this law establishes a tax rate of 10% to the dividends paid to foreign residents and Mexican individuals derived from the profits generated since 2014, also provides that for the years 2001-2013, the net taxable profit will be determined in terms of the Income Tax Law in force in the fiscal year concerned.

The movements in other reserves for 2015 and 2014 are shown as follows:

| | Effect from foreign currency translation | Effect of cash flow hedge derivative instruments | Total |
|---|---|---|---|
| **At January 1, 2014** | Ps 338,180 | Ps 64,917 | Ps 403,097 |
| Losses on fair value | | (1,025,280) | (1,025,280) |
| Deferred tax asset on fair value gains | | 350,773 | 350,773 |
| Effect in translation of foreign entities | 2,416,988 | | 2,416,988 |
| **At December 31, 2014** | 2,755,168 | (609,590) | 2,145,578 |
| Losses on fair value | | (529,273) | (529,273) |
| Deferred tax asset on fair value gains | | 129,563 | 129,563 |
| Effect in translation of foreign entities | 3,843,118 | | 3,843,118 |
| **At December 31, 2015** | Ps 6,598,286 | (Ps 1,009,300) | Ps 5,588,986 |

Foreign currency translation

In this caption the effect of foreign exchange differences arising from the translation of financial statements of foreign subsidiaries are recorded.

Effect of derivative financial instruments

The effect of derivative financial instruments contracted as cash flow hedges contains the effective portion of cash flow hedges at the reporting date.

The Board of Directors and Executive Officers of the Company do not own more than 1% of its capital. Furthermore, none of the shareholders own more than 10% of its capital, or have significant influence or control or have power to govern the company.

Dividends paid are not subject to income tax if they derived from the Net Tax Profit Account (CUFIN spanish acronym). Any dividends paid in excess of this account will cause a tax equivalent to 42.86% if they are paid in 2016. This tax is payable by the Company and may be credited against its income tax in the same year or the following two years. Dividends paid from profits which have previously paid income tax are not subject to tax withholding or to any additional tax payment. At December 31, 2015, the tax value of the consolidated CUFIN and value of the Capital Contribution Account (CUCA spanish acronym) amounted to Ps 175,896 and Ps 17,088 respectively.

**Note 24 – Share-based payments**

Until December 31, Alpek had a compensation scheme for executives referenced to the value of the shares of the holding. Beginning of January 1, 2015, the compensation is referenced in 50% to the value of the shares of the holding and the other 50% to the value of the shares of Alpek, S. A. B. de C. V. According to the terms of the plan, eligible executives will receive a cash payment conditional on the achievement of certain quantitative and qualitative metrics based on the following financial mesures:

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

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

The average price of the shares in pesos used as reference is:

| | 2015 | 2014 |
|---|---|---|
| Alfa, S. A. B. de C. V. | Ps 34.30 | Ps 33.83 |
| Alpek, S. A. B. de C. V. | 23.48 | - |

The short-term and long-term liability are comprised as follows:

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Short-term | Ps 17,833 | Ps 21,257 |
| Long-term | 36,867 | 38,249 |
| Total carrying amount | Ps 54,700 | Ps 59,506 |

### Note 25 - Expenses classified by their nature

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

| | 2015 | 2014 |
|---|---|---|
| Raw materials and others | (Ps58,781,952) | (Ps66,910,490) |
| Employee benefit expenses (Note 28) | (3,799,459) | (2,845,866) |
| Human resource expenses | (75,985) | (22,543) |
| Maintenance | (1,092,973) | (917,758) |
| Depreciation and amortization | (2,253,783) | (1,839,420) |
| Advertising expenses | (2,185) | (2,229) |
| Freight charges | (3,864,535) | (3,380,333) |
| Energy consumption and fuel (gas, electricity, etc.) | (2,884,788) | (3,294,676) |
| Travel expenses | (131,647) | (113,923) |
| Operating lease expenses | (639,433) | (495,350) |
| Technical assistance, professional fees and administrative services | (1,042,131) | (794,478) |
| Others (insurance and finance, water, containers and packaging, etc.) | (1,676,994) | (1,684,602) |
| Total | (Ps76,245,865) | (Ps82,301,668) |

### Note 26 - Other income (expenses), net

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

| | 2015 | 2014 |
|---|---|---|
| Gain on sale of wastes | Ps 8,558 | Ps 3,509 |
| Gain on sale of property, plant and equipment | 381,585 | 286 |
| Impairment of investment in joint ventures | - | (126,906) |
| Impairment of property, plant and equipment (1) | (130,166) | (4,948) |
| Valuation of derivative financial instruments | (6,267) | (18,669) |
| Other (expenses) income, net | (8,717) | 114,921 |
| Total | Ps244,993 | (Ps 31,807) |

(1) This caption includes Ps 87,528 related to the assets disposal of the Cape Fear site.

**Note 27 - Finance income and cost**

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

| | 2015 | 2014 |
|---|---|---|
| Finance income: | | |
| Interest income on short-term bank deposits | Ps 187,639 | Ps 100,611 |
| Interest income on loans from related parties | 41,581 | 32,498 |
| Others | 14,977 | 2,328 |
| Foreign exchange gains | 2,366,892 | - |
| Gains for changes in the fair value of financial assets at fair value through profit or loss | 184,271 | - |
| Total finance income | Ps2,795,360 | Ps 135,437 |
| Finance expenses: | | |
| Interest expense on bank loans | (Ps 128,023) | (Ps 134,642) |
| Non-bank interest expense | (787,463) | (648,787) |
| Interest cost on employees benefit | (31,155) | (19,964) |
| Other finance expenses (factoring and others) | (230,107) | (122,719) |
| Foreign exchange loss [1] | (3,480,815) | (629,298) |
| Loss for changes in the fair value of financial assets at fair value through profit or loss | - | (76,697) |
| Total finance cost | (Ps4,657,563) | (Ps1,632,107) |
| Finance cost, net | (Ps1,862,203) | (Ps1,496,670) |

(1) For the year ended 2014, includes a foreign exchange gain amounting to Ps 1,598,851 and a foreign exchange loss amounting to (Ps 2,228,149).

**Note 28 - Employee benefit expenses**

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

| | 2015 | 2014 |
|---|---|---|
| Salaries, wages and benefits | (Ps2,853,545) | (Ps2,101,118) |
| Social security contributions | (262,450) | (211,667) |
| Employee benefits (Note 20) | (36,991) | (30,580) |
| Other contributions | (646,473) | (502,501) |
| Total | (Ps3,799,459) | (Ps2,845,866) |

**Note 29 - Income taxes**

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

| | 2015 | 2014 |
|---|---|---|
| Total current income tax | (Ps2,251,532) | (Ps974,546) |
| Adjustment to the provision of income tax from prior years | 8,840 | (6,232) |
| Total deferred tax | 202,947 | 97,746 |
| Income taxes | (Ps2,039,745) | (Ps883,032) |

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

| | 2015 | 2014 |
|---|---|---|
| Profit before income tax | Ps5,704,410 | Ps2,197,134 |
| Statutory tax rate | 30% | 30% |
| Income tax at statutory rate | (1,711,323) | (659,140) |
| Add (deduct) effect of income tax on: | | |
| Differences resulting from the financial cost, net | (235,313) | (137,375) |
| Non-deductible expenses | (20,554) | (22,400) |
| Non-taxable income | 4,739 | 1,574 |
| Effect of different tax rates of countries other than Mexico | (79,241) | (46,024) |
| Adjustment to the income tax liability of prior years | 8,840 | (6,232) |
| Share of losses of associates | (6,893) | (13,434) |
| Total income tax | (Ps2,039,745) | (Ps 883,032) |
| Effective tax rate | 36% | 40% |

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

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Before taxes | Tax charge (credit) | After taxes | Before taxes | Tax charge (credit) | After taxes |
| Translation effect of foreign currency | Ps 3,843,118 | Ps - | Ps 3,843,118 | Ps 2,416,988 | Ps | Ps 2,416,988 |
| Remeasurement of obligations for employee benefits | (3,050) | 129 | (2,921) | (343,760) | 126,271 | (217,489) |
| Effect of derivative financial instruments for hedging purposes of cash flow | (529,273) | 129,563 | (399,710) | (1,025,280) | 350,773 | (674,507) |
| Other comprehensive income items | Ps 3,310,795 | Ps 129,692 | Ps 3,440,487 | Ps 1,047,948 | Ps 477,044 | Ps 1,524,992 |
| Deferred tax | | Ps 129,692 | | | Ps 477,044 | |

**Note 30 - Segment reporting**

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

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

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

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

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

The Company has defined the Adjusted EBITDA as the result of adding to the operating profit, the depreciation, amortization and the impairment of non-current assets.

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

For the year ended December 31, 2015

| Statement of income: | Polyester | Plastics and Chemicals | Others | Total |
|---|---|---|---|---|
| Revenue by segment | Ps 60,852 | Ps 23,070 | (Ps 332) | Ps 83,590 |
| Inter-segment revenue | (83) | (249) | 332 | - |
| Revenue from external costumers | Ps 60,769 | Ps 22,821 | Ps - | Ps 83,590 |
| Operating profit | Ps 3,583 | Ps 3,961 | Ps 46 | Ps 7,590 |
| Depreciation, amortization and impairment of non-current assets | 1,837 | 547 | - | 2,384 |
| Adjusted EBITDA | Ps 5,420 | Ps 4,508 | Ps 46 | Ps 9,974 |
| Capex | Ps 3,979 | Ps 503 | Ps - | Ps 4,482 |

For the year ended December 31, 2014:

| Statement of income: | Polyester | Plastics and Chemicals | Others | Total |
|---|---|---|---|---|
| Revenue by segment | Ps 63,316 | Ps 23,071 | (Ps 315) | Ps86,072 |
| Inter-segment revenue | (88) | (227) | 315 | - |
| Revenue from external costumers | Ps 63,228 | Ps 22,844 | Ps - | Ps86,072 |
| Operating profit | Ps 2,006 | Ps 1,674 | Ps 59 | Ps 3,739 |
| Depreciation, amortization and impairment of non-current assets | 1,535 | 436 | - | 1,971 |
| Adjusted EBITDA | Ps 3,541 | Ps 2,110 | Ps 59 | Ps 5,710 |
| Capex | Ps 3,803 | Ps 388 | Ps - | Ps 4,191 |

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

| | 2015 | 2014 |
|---|---|---|
| Adjusted EBITDA | Ps 9,974 | Ps 5,710 |
| Depreciation, amortization and impairment of non-current assets | (2,384) | (1,971) |
| Operating profit | 7,590 | 3,739 |
| Financial cost, net | (1,862) | (1,497) |
| Share of losses in associates | (23) | (45) |
| Income before taxes | Ps 5,705 | Ps 2,197 |

Following is a summary of revenues per country of origin for the years ended December 31:

| | 2015 | 2014 |
|---|---|---|
| México | Ps40,986 | Ps48,056 |
| United States | 36,455 | 33,836 |
| Argentina | 4,762 | 4,180 |
| Brazil | 853 | - |
| Chile | 369 | - |
| Canada | 165 | - |
| Revenues | Ps83,590 | Ps86,072 |

The Company's main costumer generated revenue amounting to Ps 5,706 and Ps 8,488 for the years ended December 31, 2015 and 2014, respectively. This revenue is obtained from the Polyester reporting segment and represents 7% and 11% for both years of the consolidated revenue with external costumers.

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

| | At December 31, | |
|---|---|---|
| | 2015 | 2014 |
| México | Ps 2,132 | Ps 1,986 |
| United States | 6,675 | 4,061 |
| Argentina | 5 | 36 |
| Total intangible assets | Ps 8,812 | Ps 6,083 |
| México | Ps 23,791 | Ps 20,981 |
| United States | 6,863 | 6,045 |
| Argentina | 328 | 366 |
| Chile | 233 | - |
| Brazil | 107 | - |
| Total property, plant and equipment | Ps 31,322 | Ps 27,392 |

**Note 31 - Commitments and contingencies**

At December 31, 2015, the Company has the following commitments:

a) The Company through its subsidiary Grupo Petrotemex signed an agreement with M&G (See Note 2) related to supply rights of the plant for 500 thousand tons of PET (manufactured with 360 thousand tons of PTA) per year, by which it is obligated to pay an amount of US$ 435 million during the construction of the plant and subject to the compliance of predefined milestones. At December 31, 2015 Grupo Petrotemex has made payments amounting to Ps 6,383,612 (US$371 million), which are presented in the goodwill and intangible assets caption, as well as inventory prepayment in other non-current assets. See Note 12 and 13.

b) On December 15, 2014 the Company through its subsidiary DAK Americas LLC ("DAK") entered into a Toll Manufacturing Agreement with Huntsman Petrochemical LLC ("Huntsman") in which will obtain the supply rights of Monoethylene Glycol (MEG). On the other hand, DAK will pay $1,118,422 (US$ 65 million) to Huntsman during the installation of the equipment according to a established calendar and in compliance with certain milestones; therefore, DAK will obtain the supply rights up to 28.8 million of pounds of product per year for a 15 years period commencing on the first day of the month in which the equipment is installed. At December 31, 2015, DAK has made payments amounting to $568,589 (US$ 39 million), which are recorded under the intangible assets caption and will be amortized within the cost of sales once the MEG supply begins (see Note 2).

c) At December 31, 2015 and 2014, the subsidiaries had entered into various agreements with suppliers and customers for purchases of raw materials used for production and the sale of finished goods, respectively. The term of these agreements varies between one and five years and generally contain price adjustment clauses.

d) In September 2007, Indelpro renewed an agreement it had held with PEMEX Refinación to cover the supply of propylene for the chemical and refining area maturing in 2018, such agreement establishes the obligation to purchase the maximum level of production available at a referenced market prices. Purchases of propylene during the years ended December 31, 2015 and 2014 amounted to Ps 2,895,870 and Ps 5,619,612, respectively. The purchase commitment for the year 2016 amounts to approximately Ps 3,000,000 and is based on the volume of purchases made during 2015.

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

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

| | |
|---|---|
| 2016 | Ps 203,809 |
| 2017 | 166,356 |
| 2018 | 145,894 |
| 2019 | 125,038 |
| Onwards | 543,338 |

At December 31, 2015, the Company has the following contingencies:

a) During the normal course of the business, the Company may be involved in disputes and litigations. While the results of these can't be predicted, the Company does not believe that there are actions pending to apply, claims or legal proceedings against or affecting the Company which, if determined adversely to the Company, would significantly damage individually or in general the results of its operations or its financial position.

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

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

**Note 32 - Subsequent events:**

In preparing the financial statements the Company has evaluated the events and transactions for recognition or disclosure subsequent to December 31, 2015 and through February 2, 2016 (date of issuance of the financial statements), the Company has no identified additional subsequent events

José de Jésús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer