2014
Annual Report

alpek

2014
Annual Report

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Throughout the report, the blue guidelines show the Global Reporting Initiative (GRI) indicators that are discussed in the paragraph.

DAK Americas (PTA/PET). Columbia, United States

2.1, 2.2, 2.5, 2.7

Corporate Profile

Alpek is Mexico's largest petrochemical company and the second largest in Latin America.

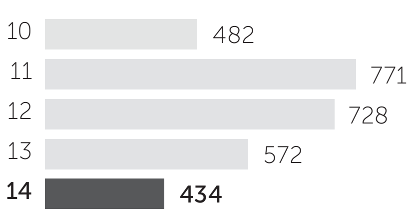
- Operating in two business segments: Polyester, and Plastics and Chemicals.
- North America's leading integrated polyester producer.
- Only manufacturer of polypropylene (PP) and caprolactam (CPL) in Mexico.
- Operates the largest expandable polystyrene (EPS) plant in the Americas.
- 17 plants and 4,669 employees in Mexico, the United States and Argentina.
- 90% of Alpek's products used for food, beverage and consumer goods packaging.
- Listed on the Mexican Stock Exchange since 2012.

EC1

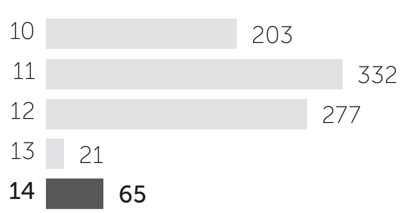
Financial Highlights

	Millions of dollars			Millions of pesos		
INCOME STATEMENT	**2014**	**2013**	**% var.**	**2014**	**2013**	**% var.**
Net Sales	6,471	7,028	(8)	86,072	90,061	(4)
Operating Income	286	228	25	3,739	2,926	28
EBITDA (1)	434	572	(24)	5,710	7,344	(22)
Majority Net Income (2)	65	21	202	801	262	206
Net Income per Share (3) (5)	0.03	0.01		0.38	0.12	
BALANCE SHEET						
Assets	4,442	4,445	0	65,371	58,128	12
Liabilities	2,414	2,374	2	35,526	31,040	14
Stockholders' Equity	2,028	2,071	(2)	29,845	27,088	10
Majority Interest (2)	1,763	1,837	(4)	25,949	24,018	8
Book Value per Share (4) (5)	0.87	0.87		12.25	11.34	

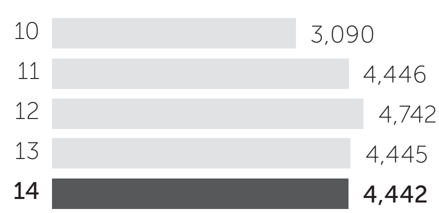
EBITDA (1)
Millions of dollars



MAJORITY NET INCOME (2)
Millions of dollars



ASSETS
Millions of dollars



NOTE: In this annual report, monetary figures are expressed in nominal Mexican pesos ($) and in nominal dollars (US $) unless otherwise specified. The financial information for 2014, 2013 and 2012 was prepared in accordance with IFRS, in effect in Mexico since January 2012. Conversions from pesos to dollars were made using the weighted average exchange rate of the period in which the transactions were carried out. The percentage variations between 2014 and 2013 are expressed in nominal terms.

1) EBITDA = Operating income plus depreciation, amortization and impairment of non-current assets.

2) Attributable to the controlling interest.

3) Based on the weighted average number of outstanding shares (2,118 million shares).

4) Based on the number of outstanding shares (2,118 million shares).

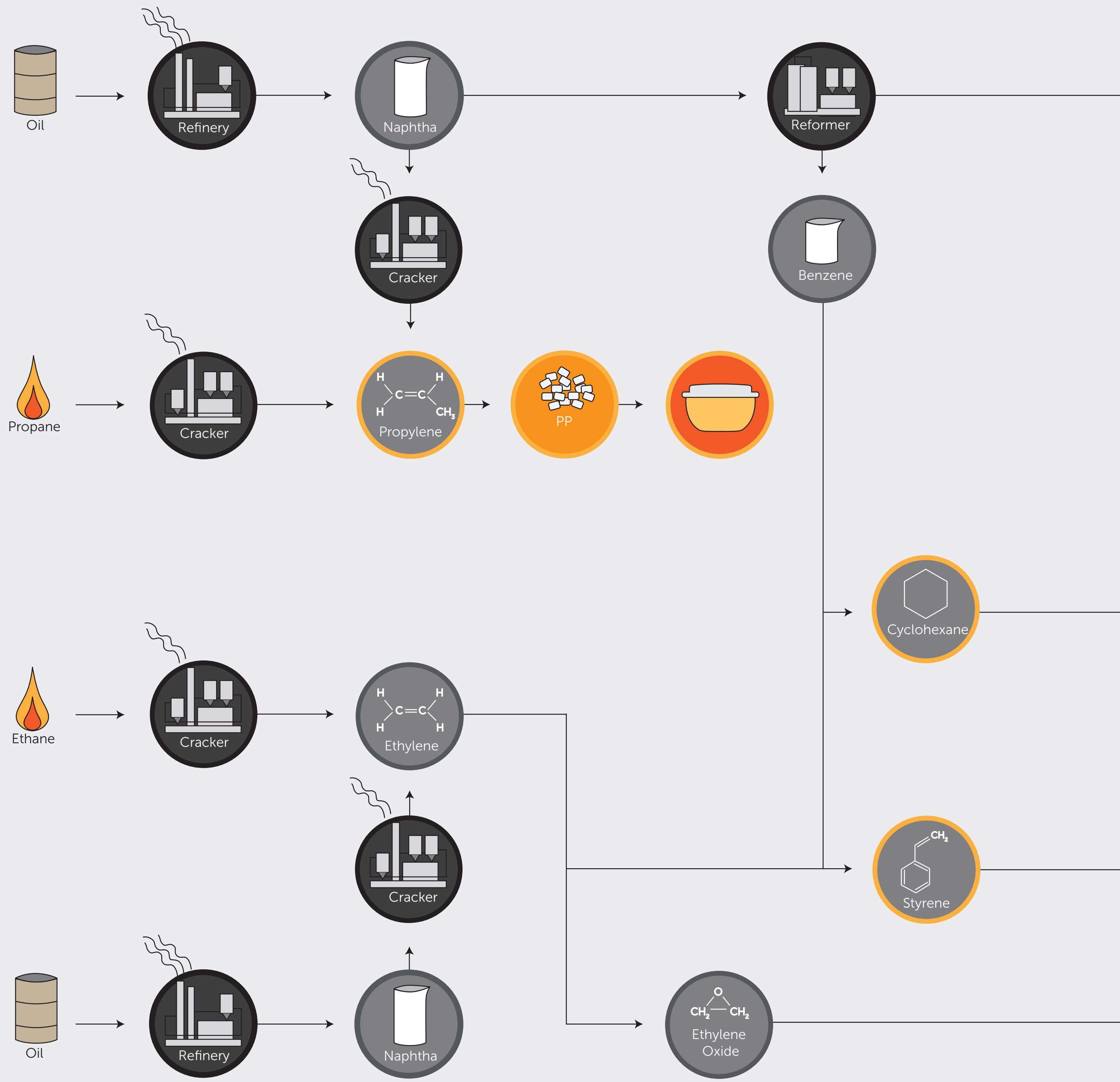
5) Dollars or pesos per share, accordingly.

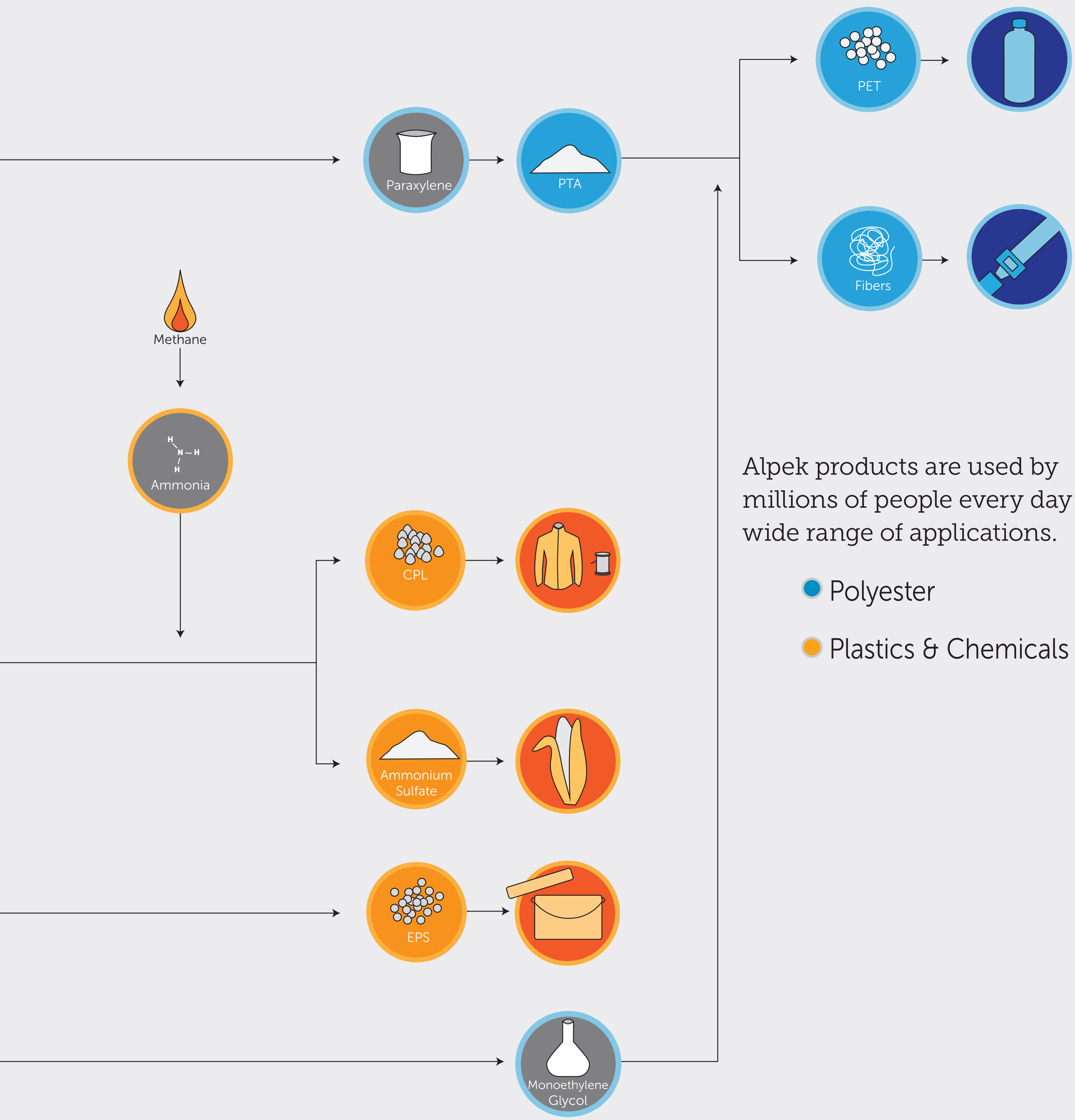
17 plants in 3 countries: Mexico, the United States and Argentina

Alpek participates in several petrochemical chains through its two business segments: Polyester, and Plastics and Chemicals. It employs 4,669 workers and operates 17 plants in Mexico, the United States and Argentina, with a total capacity of 5.5 million tons per year.

2.3, 2.7, 2.8

Petrochemical Chains





Alpek products are used by millions of people every day in a wide range of applications.

- Polyester
- Plastics & Chemicals

Letter to Shareholders

Dear Shareholders:

1.1, This last year was particularly challenging for our industry due
1.2, to falling oil prices and sustained pressure on polyester and
2.9 caprolactam margins. However, 2014 was also a significant investment year for Alpek with the completion of numerous integration, efficiency and expansion projects which further enhance our competitiveness.

In markets outside North America, polyester (PTA/PET) and caprolactam (CPL) margins reached historically low levels. Margin pressure began in 2012 with the entry of new production capacity in China, which increased at estimated annualized rates of 26% and 53% for PTA and CPL, respectively, over the two-year period.

Events during the year which are supportive for gradual margin recovery include: a call from major Chinese PTA producers for greater market discipline, the slowing growth rate of new capacity, and announced plant closures in Asia and around the world.

However, these encouraging developments were overshadowed by the fall in oil and feedstock prices. After posting an average price of US $108 per barrel between January and June 2014, Brent crude dropped 48% to US $56 per barrel at the close of the year, reaching its lowest level in five years and driving down prices of petroleum derivatives.

The price of paraxylene, our main feedstock, fell 34% during the year from US $1,543 per ton to US $1,014 per ton. This decline caused temporary distortions in margins and demand which negatively impacted results despite our position as a low-cost producer and "cost-plus" product pricing.

Consolidated sales in 2014 fell 8% year-on-year, to US $6.5 billion. The year's 1% sales volume increase was more than offset by a 9% drop in average prices, reflecting the lower price of oil.

Consolidated EBITDA was US $434 million, 24% less than in 2013. This reduction mainly reflects a US $71 million non-cash inventory devaluation charge that was recognized as a result of the decline in paraxylene prices.

The Polyester segment posted sales of US $4.8 billion in 2014, 11% lower than the previous year due to the 13% drop in average prices. However, volume grew 2% year-on-year despite the unfavorable demand environment.

Polyester EBITDA fell 30% to US $270 million. This segment was the most affected by the falling crude price, with an estimated total impact of US $87 million, including inventory devaluation.

The Plastics and Chemicals segment posted sales of US $1.7 billion, 3% above 2013. The rise is attributable to increases of 1% in volume and 2% in average prices.

Plastics and Chemicals EBITDA decreased by 12%, pressured mainly by lower margins in expandable polystyrene (EPS) and polypropylene (PP). EPS and PP margins normalized after reaching record highs in 2013 as a result of favorable market dynamics. In addition, the highly volatile price of benzene and Chinese production further reduced CPL margins in 2014.

While our results for the year were affected by external market factors, we maintain a healthy financial position with solid leverage and coverage ratios based on a robust free cash flow.

At the close of the year, net debt declined 7% compared to 2013, the net debt to EBITDA ratio was 1.6 times and interest coverage 6.5 times. Other key financial elements are our long-term debt profile, 86% of which matures as of 2022 with fixed interest rate, and a high dollarization of cash flow that mitigates our exposure to exchange rate volatility.

Our strong financial position, coupled with a philosophy of disciplined growth, support the development of investment projects even at the bottom of the cycle in order to maximize the benefits of the eventual recovery.

Capital expenditures (Capex) in 2014 increased by 79% to US $320 million. The majority of these funds were allocated to a number of integration, operating efficiency and expansion projects that further enhance our competitiveness.

The startup of our cogeneration plant in Cosoleacaque, Veracruz, marks the culmination of the first major integration project since we became a public company. With a total investment of US $137 million and a 95 megawatt capacity, the new plant is expected to generate annual savings of approximately US $40 million. In addition to the economic benefit, this project has given us valuable experience for the construction of a second cogeneration plant in Altamira, Tamaulipas, with three times the capacity of Cosoleacaque. We expect to break ground for the new facility in 2015.

Our main integration project, for the production of monoethyleneglycol (MEG), advanced on several fronts, including ethane supply, technology selection and site evaluation. Supported by the region's competitive natural gas and ethane prices, we estimate that Alpek could achieve the lowest polyester conversion cost in the world through its investments in MEG integration and power cogeneration.

Armando Garza Sada
Chairman of the Board

José de Jesús
Valdez Simancas
Chief Executive Officer

DAK Americas (PET). Bay St. Louis, United States

2014 Capex was largely dedicated to further enhancing our operating efficiency. The most important of these investments was the construction of the integrated PTA/PET plant in Corpus Christi, Texas, which is being developed under the agreements signed with Gruppo M&G in 2013. This facility will use Alpek's IntegRex® PTA technology.

In addition, the technology upgrade of our CPL plant was successfully completed. By year-end, the facility had achieved the expected improvements in production and raw material consumption, which will generate estimated annual savings of US $8 million.

In 2014 we also leveraged selected expansion opportunities. One was the agreement signed with BASF to acquire its EPS business in the Americas and 100% of Polioles' EPS business, while BASF acquired Polioles' polyurethane business. Besides positioning Alpek as the leading EPS producer in the Americas, the transaction will give us full control over this business unit in order to boost its growth. We expect to close the agreement with BASF during the first quarter of 2015.

Furthermore, we acquired CabelmaPET, S.A., which operates the only food-grade recycled PET (r-PET) facility in Argentina. The plant's 16 thousand ton r-PET capacity will complement Alpek's virgin PET resin production in the country, and will enable us to offer PET resin that incorporates virgin and recycled material in a single pellet. Along with contributing to improved sustainability and environmental well-being, PET resin products with integrated recycled content will allow our customers to streamline their operations by eliminating unnecessary feed and blending processes.

In 2014 we continued to reinforce our sustainability strategy under a model that involves interaction with all our stakeholders, based on four pillars: i) Internal Well-being, ii) Community, iii) Environment, and iv) Sustainable Economic Value Creation. We are committed to generating economic, environmental and social benefits through our operations.

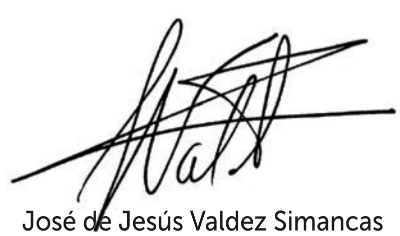
One of the most significant developments of the year was to establish the medium-term objective to intensify our community engagement programs, working alongside the communities that are closest to our operations. In 2014, for example, we helped more than 7,000 students from 53 neighboring schools, and more than 130 students completed their internships at our companies.

Although we faced challenges in 2014, there are signs that point to a bright future for Alpek. Among these we can highlight the following: the start-up of our first cogeneration project; healthy cash flow generation and a strong balance sheet that assure the continuity of our investments in integration, efficiency and expansion; the slowdown in Asian production capacity growth combined with greater discipline from Chinese producers; and the energy reform being implemented in Mexico, which will increase feedstock and energy availability at competitive prices in our country.

On behalf of the Board of Directors, we would like to thank our employees, customers, suppliers, creditors, community and, in particular, our shareholders who put their trust in us year after year.

Sincerely,

Armando Garza Sada
Chairman of the Board



José de Jesús Valdez Simancas
Chief Executive Officer

Polyester

2.2, 2.7, 2.9, EN26 Our main business segment is Polyester, which includes the production and marketing of PTA (purified terephthalic acid), PET (polyethylene terephthalate) and polyester fibers.

PTA is manufactured from paraxylene and is reacted with monoethylene glycol (MEG) to produce PET and polyester fibers. Our clients use PET primarily to manufacture packaging for beverages, food and consumer products. Polyester fibers are used in the manufacture of textiles for the home, clothing and various industrial applications such as seat belts.

Alpek is the only integrated manufacturer of PTA and PET in North America and has the only PET plant in Argentina. Furthermore, with the acquisition of CabelmaPET, it also operates the only food-grade recycled PET (r-PET) plant in Argentina.

The Polyester segment consists of twelve plants located in the United States, Mexico and Argentina, with an aggregate annual capacity of 4.4 million tons and a workforce of 3,441.

In line with our commitment to sustainability and environmental well-being, we increased our recycling capacity by 22% in 2014. We are now able to recycle up to 89 thousand tons of PET per year (equivalent to 4.0 billion bottles).

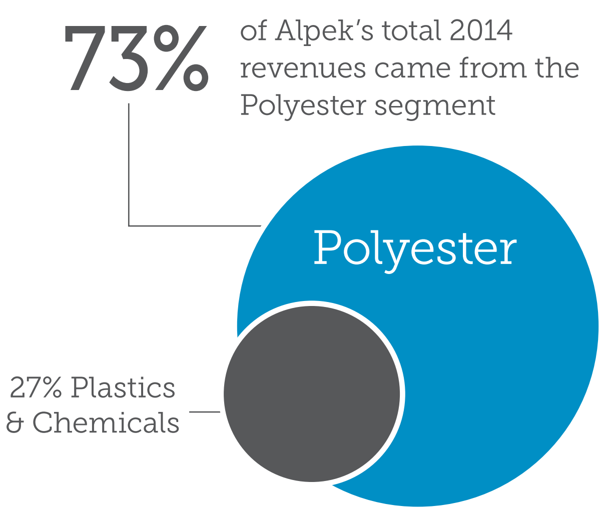
Approximately 84% of our polyester products are sold in Mexico, the United States and Canada, while the manufacture of packaging for beverage, food and consumer products accounts for 90% of the segment's revenue. The high share of sales to stable consumer segments within NAFTA contributes to the steady sales volume.

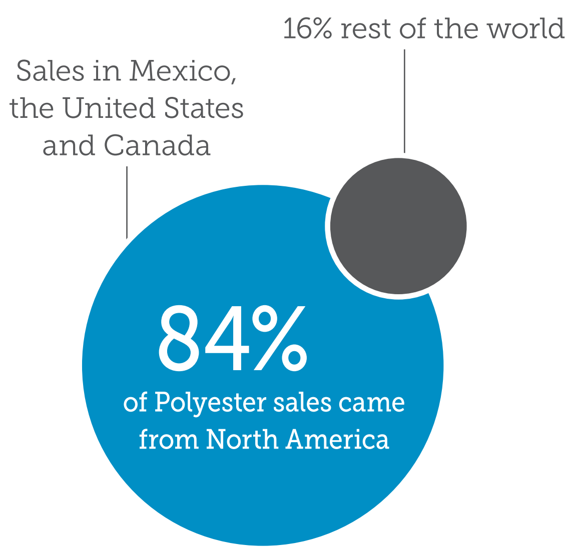
Our Polyester segment represented 73% of the company's total income in 2014, posting sales of US $4.8 billion, with a volume of 3.1 million tons. Sales declined 11% year-on-year, as a result of a 13% drop in the average sales price reflecting the fall in crude prices. EBITDA was US $270 million, 30% less than the previous year, driven primarily by an estimated US $90 million impact related to the drop in crude oil and feedstock prices in 2014.

There are elements that point to a brighter outlook in the near future. On the one hand, leading Chinese producers called for greater market discipline, and Asian capacity growth rate has slowed down. Moreover, there have been capacity shutdowns in Asia and other regions of the world.

DAK Americas (PET). Bay St. Louis, United States

DAK Americas (PTA/PET). Columbia, United States





Plastics & Chemicals

2.2, 2.7, EN18 Our Plastics and Chemicals segment integrates the production and marketing of polypropylene (PP), expandable polystyrene (EPS), polyurethanes (PURs), caprolactam (CPL) and ammonium sulfate (fertilizer), among other products. We are the only producer of PP and CPL in Mexico and, following the acquisition agreement with BASF, will become the largest EPS producer in the Americas.

PP, a plastic made from propylene, is widely used in containers and packaging for food and consumer products. Other applications include auto parts and medical instruments. EPS is commonly used in packaging for impact-sensitive products, such as televisions and other consumer electronics. Construction and thermal insulation are also common EPS applications. CPL is the main raw material for the production of Nylon 6, used in the manufacture of clothing, industrial textiles, engineering plastics and tire cord, among others.

The Plastics and Chemicals segment has an annual installed capacity of 1.0 million tons in five plants, all of which are located in Mexico, and are operated by a workforce of 1,209.

Univex (CPL). Salamanca, Mexico

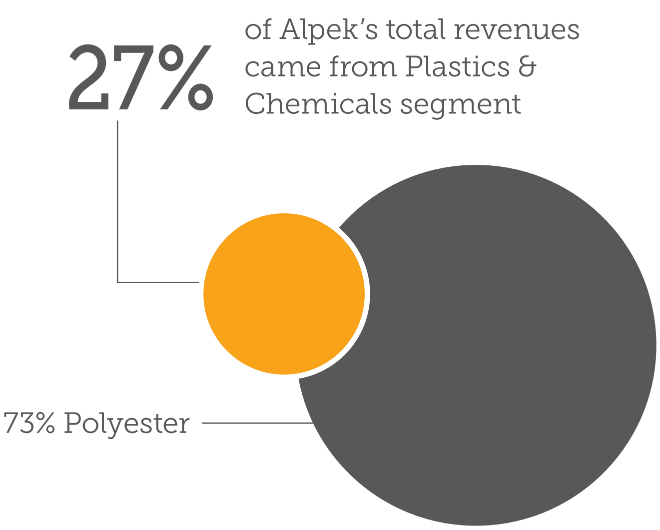
Although 84% of the segment's sales are for the NAFTA region, we also have a market presence in Central and South America, Asia and Europe.

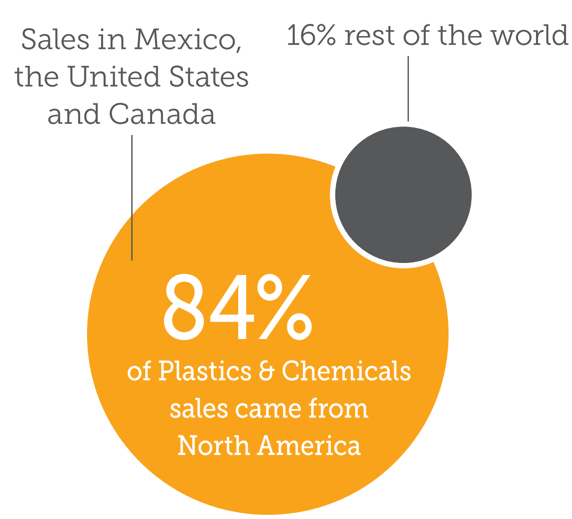
The most noteworthy event of 2014 was the signing of agreements with BASF to acquire its EPS operations and sell our polyurethane business. In addition to strengthening our Plastics and Chemicals portfolio, this transaction is an attractive opportunity to leverage the sound operational track record of our team and expand our presence to become the leading EPS producer in the Americas.

In 2014, Plastics and Chemicals contributed 27% of Alpek's total income. The segment posted sales of US $1.7 billion, 3% higher than 2013, due to a combination of increased volume (1%) and average price (2%).

Plastics and Chemicals EBITDA was US $159 million, 12% less than the previous year. The decline mainly reflects a high comparative base in 2013, a year in which, driven by favorable market dynamics, EPS and PP margins reached record levels, returning to normal during 2014. CPL margins also declined due to the highly volatile price of benzene and the recent increase in Chinese production.

Univex (CPL). Salamanca, Mexico





Integration, Efficiency and Expansion

1.2, 2.9, 3.8, EC2, EC9, EN6, EN7, EN14, EN26, EN30

In 2014, we boosted our strategy based on integration, efficiency and expansion initiatives with a Capex investment of US $320 million, 79% more than the previous year.

Integration

Our power cogeneration and monoethyleneglycol integration projects will give us the world's lowest polyester cost structure.

This year, our 95 Megawatt (MW) cogeneration plant in Cosoleacaque, Veracruz, came on line, generating a total of 98.7 Gigawatts/h.

The construction of a second cogeneration plant in Altamira, Tamaulipas, with an approximate capacity of 300 MW, was also approved. When completed, we will have invested around US $500 million in power cogeneration to achieve annual savings in excess of US $120 million.

Power cogeneration. Cosoleacaque, Mexico

During the year, we moved forward on several fronts of the MEG integration project, which carries the highest priority, inluding ethane supply, technology selection and site evaluation. The investment program for this major project is planned to start in 2015.

Efficiency

As a low-cost producer, efficiency is fundamental to our operations.

The construction of the new PTA/PET complex in Corpus Christi, under agreements signed with Gruppo M&G, is the most important initiative to enhance our operating efficiency. The facility, which will use Alpek's IntegRex® PTA technology, will have the most competitive cost structure in North America and further consolidate our leadership position in the region.

We also finished the technological upgrade of our CPL plant, with which we expect to achieve savings of US $8 million per year by reducing the consumption of raw materials and increasing production.

Expansion

During 2014, we leveraged selected opportunities to expand our international footprint and consolidate our business portfolio. 2,9

We signed an agreement with BASF that will transform our EPS business. The agreement includes Alpek's acquisition of BASF's EPS operations in America and 100% of Polioles' EPS business, while BASF will gain ownership of Polioles' polyurethane business.

The transaction will position Alpek as the leading EPS producer in the Americas, with an aggregate installed capacity of 230 thousand tons per year. In addition to growing and obtaining total control of the EPS business, Alpek will strengthen its Plastics and Chemicals portfolio through the divestment of polyurethanes.

Moreover, we acquired CabelmaPET, S.A., which operates the only food-grade recycled PET (r-PET) plant in Argentina.

The 16 thousand tons per year of r-PET, integrated into our virgin PET production in Argentina, will enable us to offer virgin and recycled material in a single pellet. This initiative will contribute to environmental well-being and also streamline customer operations by eliminating unnecessary supply and mixing processes.

Polioles (EPS). Altamira, Mexico

2014 Acquisitions

- **EPS:** BASF (the United States, Canada, Brazil, Chile and Argentina)
- **r-PET:** CabelmaPET, S.A. (Argentina)

Sustainability

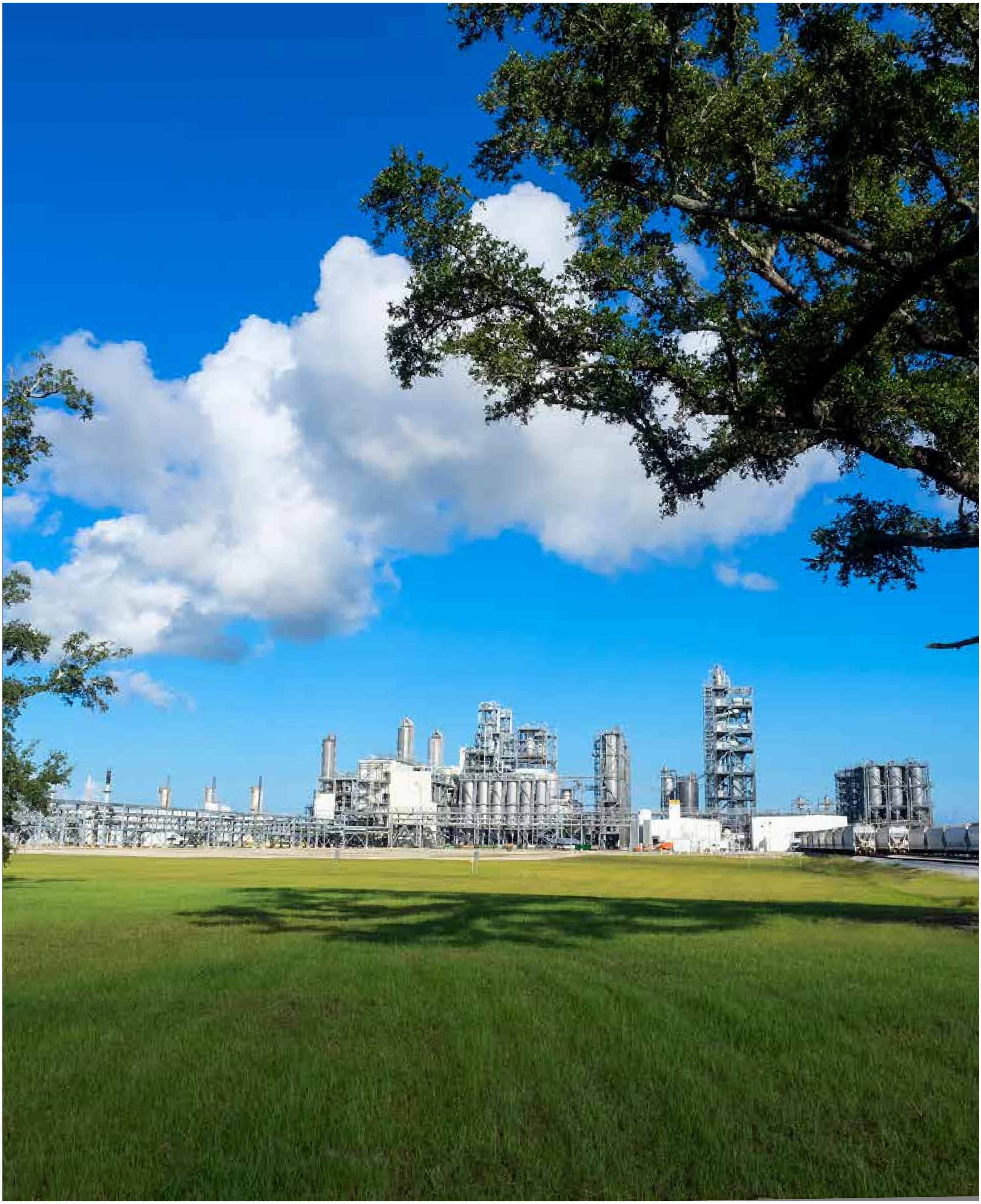
3.11 We are aware of the different challenges society faces with regard to sustainability. In response, our business strategy integrates sustainable practices into daily operations and the decision-making process.

As a result, we are presenting a sustainability report based on the Global Reporting Initiative methodology, in its G3.1 version. This year we have complied with a total of 121 complete indicators, allowing us to declare the reporting to be consistent with the criteria for Application Level B.

For details of the GRI indicators contained in this 2014 Annual Report, and those included within the GRI index, please refer to the following link: www.alpek.com.

Our Sustainability Approach

4.14, Based on the commitment we made in 2013, this year we structured a sustainability model that allows us to continuously adapt
41.5 to the changes in our environment. Our philosophy is based on the generation of economic and social value, as well as on environmental care.



DAK Americas (PET). Bay St. Louis, United States

To implement the model, we based our actions on four specific pillars:

- Internal well-being
- Community
- Environment
- Sustainable economic value creation

Each of the pillars focuses on one or more specific stakeholders, which we have defined according to the impact our operations have on them and vice versa. Our commitment to our stakeholders is clear: to operate in a way that the benefits generated are reflected both economically and socially.

Our Sustainability Model

4.16, Communication with our stakeholders is key to building rela-
4.17 tionships of trust, mutual respect and long-term collaboration. In 2014, we continued implementing different forms of communication and dialogue channels with each one, with the results that appear in the table "Communication with our stakeholders":

To ensure that the sustainability strategy described is implement- 4.8
ed correctly, we actively participate in ALFA's Sustainability Committee, adding our efforts to develop joint actions that allow us to achieve common goals in the field. Our values and ethical behavior guidelines strictly adhere to the ALFA's Code of Ethics, which can be downloaded from the following link:

http://www.alfa.com.mx/NC/filosofia.htm

We also follow ALFA's Anti-corruption and Bribery Policies and Practices*, recognizing the importance of operating under controls that enable us to ensure the legality of our processes.

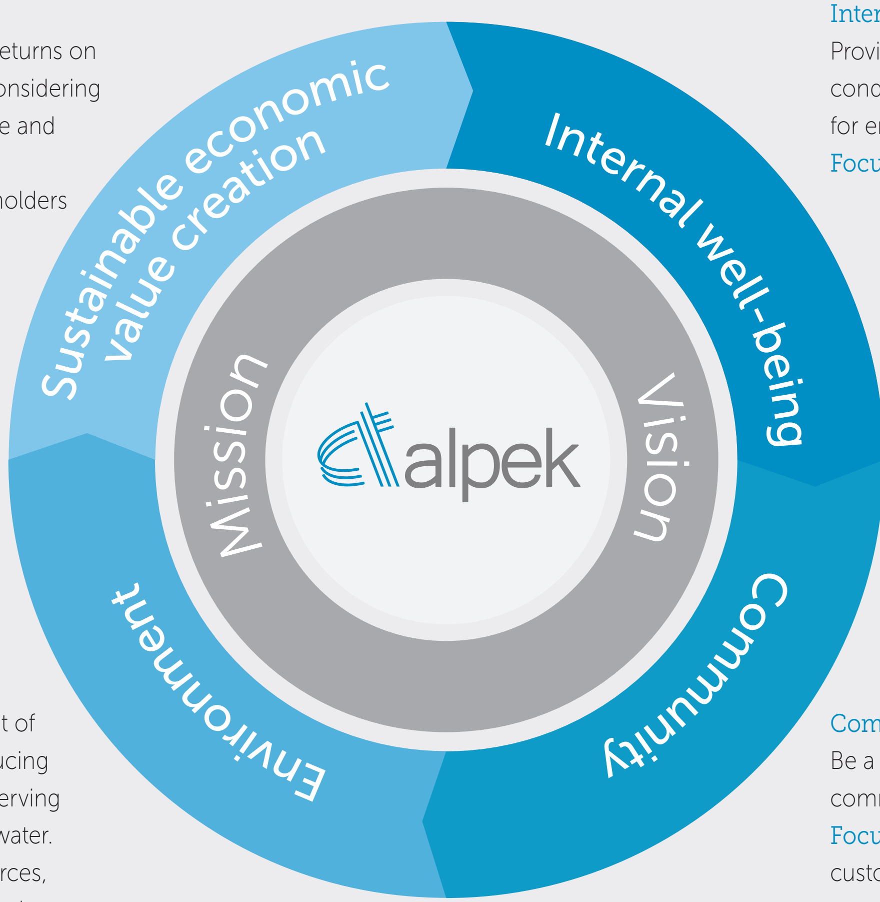
**To find out more about the ALFA Anti-corruption and Bribery Policies and Practices, please download the Social Corporate Responsibility Report 2013 from the following link:*

http://www.alfa.com.mx/RS/reportes.htm

Our sustainability model

Sustainable economic value creation:
Obtain satisfactory returns on business activities considering the investment made and risks undertaken.
Focused on: Shareholders

Internal well-being:
Provide healthy, safe working conditions and opportunities for employee development.
Focused on: Employees



Environment:
Decrease the impact of our operations, reducing emissions and conserving resources, soil and water.
Focused on: Resources, emissions, energy and organic growth

Community:
Be a responsible citizen in the community.
Focused on: Communities, customers and suppliers

Communication with our stakeholders

Stakeholder group	Communication channel	Frequency	Main concerns/ suggestions	Response to concerns/ suggestions
Employees	Intranet, suggestion box.	Ongoing	Innovation and improvement ideas.	Review and approval of innovation ideas, and carrying out of suggested improvements.
	Bulletins, emails, presentations and diverse events.	Ongoing	Quarterly results.	Generation of reports, minutes and agreements.
	Workplace diagnostics.	Annual	Work climate.	Board discussion of results and reaching of agreements.
	Informative personnel talks.	Biannual	Business vision.	Encouragement of participation and ideas from personnel.
Clients	Telephone, Internet, plant visits, surveys and e-mail.	Ongoing	Product quality, trade issues and delivery in due time and form, technical services.	Improvement of time frames and procedures that enable quality assurance, technical visits and delivery of requested information.
Shareholders	Meetings, telephone, Internet, e-mail.	Ongoing	Business strategy, profitability, financial condition and operating performance.	Detailed follow-up of fulfillment of indicators, concerns mentioned in Board Meetings and agreements reached.
Suppliers	Meetings, telephone, Internet, plant visits, surveys and e-mail.	Ongoing	Trade and quality issues, clarifications, quotes and deliveries.	Implementation of supplier development programs, generation of agreements and forwarding of detailed information on company needs.
Communities	Meetings, perception surveys, alliances with society groups such as the Industrial Emergency Response Group, GIREL .	Monthly, quarterly, biannual	Industrial safety and contingency management, and company perception and support.	Report on safety and emergency processes and mechanisms, training of neighborhood evacuation brigades, support for civil protection activities, and ongoing support and training.

Nature and Sustainable Operation

EN30 Our greatest commitment is to care for the environment as we understand its significance in terms of permanence over time and quality of life. Our operating capacity is closely linked to the preservation of our surroundings.

Our approach is to optimize the consumption of natural resources and raw materials, reduce emissions and waste, and enhance process efficiency. All our companies have their own policies that enable them to define the procedures to follow under any given scenario. These policies are aligned to Alpek's environmental objectives.

Internal and external audits are carried out on a monthly, quarterly and/or annual basis to ensure the proper management of all procedures. External audits are performed by government agencies, such as SEMARNAT, and quality and environmental certification agencies under ISO international standards.

Environmental investments in 2014 were distributed as follows:

Investment	(Millions of US $)
Treatment of emissions	8.5
Environmental management costs	7.0
Prevention costs	4.3
Waste disposal	1
Remediation costs	NA
Total	20.8

During 2014, we invested US $21 million in actions that benefit the environment.

For example, as part of the implementation of the Environmental Management System in our Polyester operations, we carried out the following activities aimed at protecting the environment:

- We identified the environmental issues applicable to each of the company's processes and services (generation of air pollutants, waste management, wastewater discharge, energy consumption, etc.), and established the operational controls applicable to each issue in order to minimize the environmental impact.
- We trained the personnel on said issues and on the proper execution of the operational controls applicable to the processes and services.
- We identified all the company's legal requirements related to its operations to avoid fines and environmental pollution.

DAK Americas (PTA/PET). Columbia, United States

Consumption of raw materials in 2014

	Weight in thousand tons		
Raw material	2013	2014	Renewable Yes/No
Terephthalic Acid (TPA)	1,586	1,465	No
Paraxylene	1,008	998	No
Monoethyleneglycol (Glycol)	633	582	No
Propylene	412	447	No
Ammonia	112	106	No
Sulfur	79	77	No
Acetic Acid	61	61	No
Propylene Oxide	26	26	No
Pentane	9	9	No
Ethylene	5	5	No

Raw Materials and Use of Resources

EN1, PR1, PR3

The majority of the raw materials used in our processes come from oil, a non-renewable resource. We are, therefore, constantly striving to make the best possible use of them.

One of the most important actions in this regard is a construction project for a storage sphere for propylene, a particularly significant commodity since it is available from a single supplier in Mexico. The proper storage facilities will bring several benefits, including:

- Stable feedstock inventory.
- Reduction in the supplier's emissions as we maximize the use of this raw material.

The reuse of materials is one of our most important actions. Our PET bottle recycling plant in the United States has a capacity to recycle up to 73 thousand tons (more than 3.4 billion PET bottles) per year, representing the annual PET bottle consumption of more than four million Mexicans. In 2014 the plant recycled 48.6 thousand tons of PET bottles. Furthermore, we acquired CabelmaPET, S.A., which operates the only food-grade recycled PET (r-PET) plant in Argentina, with an annual capacity of 16 thousand tons. In addition to complementing Alpek's capacity in Argentina for virgin PET resin, this purchase will enable us to offer virgin and recycled resin in a single pellet, helping to conserve the environment and streamlining customer operations by eliminating unnecessary supply and mixing processes.

Life-cycle phases of products submitted to evaluation processes in 2014

	DAK	Indelpro	Polioles	Univex	Akra	Petrotemex
Product development	Yes	Yes	Yes	Yes	NA	NA
Manufacture	Yes	Yes	Yes	Yes	Yes	NA
Marketing and promotion	Yes	Yes	No	Yes	NA	NA
Storage, distribution and supply	Yes	Yes	Yes	Yes	NA	NA
Consumption and service	Yes	Yes	Yes	Yes	Yes	NA
Disposal, reuse or recycling	Yes	NIA	Yes	Yes	Yes	NA
Percentage of products to which these evaluation procedures apply	100%	100%	100%	100%	100%	NA

NIA = No info available
NA = Not applicable

We also complied with the legal regulations on the specification of the information contained in our products' packaging, when applicable:

	DAK	Polioles	Univex	Petrotemex	Indelpro	Akra
Origin of the components of the product or service	Yes	No	Yes	NA	NA	NA
Content (if there are substances that may have an environmental or social impact)	Yes	No	No	NA	NA	NA
Safe use of the product	Yes	Yes	No	NA	NA	NA
Method of disposal of the product and its environmental or social impact	Yes	Yes	No	NA	NA	NA
Other (specify)	NA	Yes	Batch number for tracking	NA	NA	NA

DAK Americas (PET). Bay St. Louis, United States

Energy Efficiency

EN3, EN4, EN5, EN7, EC2

Lower energy consumption and the constant search for alternative renewable sources for procurement are priority issues. The start-up of our co-generation plant in Cosoleacaque, Veracruz, is evidence of the intense efforts we are undertaking in this issue.

The plant started operations in the last quarter of 2014 and is expected to generate approximately 2.77 million GJ of energy per year, enough to satisfy the annual consumption needs of approximately 360,000 users. It will also produce 2.1 million GJ a year of steam, equivalent to the annual energy demand of 63,605 homes. Steam generation has also enabled us to shut off the plant's furnaces, reducing our environmental impact even further.

Another of the opportunities arising from this project is that, in addition to covering our own electricity needs, we can supply the power surplus to other industrial users at more competitive prices.

93% of our installations use natural gas as their energy source, the cleanest fuel to date.

In 2014 our energy consumption was distributed in the following way:

Energy consumption (millions of GJ)	Direct consumption	Indirect consumption	Total (%)
Natural gas	15.7		68.6
Electricity		5.9	25.9
Coal	1.0		4.4
Biofuel	0.2		0.7
Fuel oil	0.1		0.3
Diesel	0.0		0.1
Other	NA		
Total	16.9	5.9	100

As a result of other energy saving initiatives, we recorded a saving of 815 thousand GJ at the close of the year. This represented a 3.5% of our total consumption, equivalent to the annual consumption of approximately 25,178 Mexican families.

Other undertakings in 2014 also brought positive results. In the Plastics and Chemicals segment, for example, we were able to reduce the energy requirement per ton of polypropylene produced:

Program	Result
Reduction of electrical energy consumption in polymerization plants	361.6 KWh/Ton PP
Reduction of electrical energy consumption in splitter	161.1 KWh/Ton PP

Our EPS plant generated 50% of the electrical energy consumed in its installations through its cogeneration plant. Similarly, at our polypropylene production plant we were able to fine-tune energy consumption in critical processes and thus achieve significant reductions.

Water Care

EN8, EN10

We know it is impossible to maintain sustainable operations without committing to a responsible consumption of water, one of the most important and vulnerable natural resources. For this reason, we are continuously implementing strategies for a conscientious water management.

In 2014, water in Mexico tripled in price compared to the previous year. This, together with our environmental objective, drove us to enhance our water consumption efficiency.

In 2014, our total water consumption was distributed in the following way:

Water capture by source	Volume in 2014 (millions of m^3)
Rivers or lakes	91.6
Company's wells	3.5
Third parties	1.4
Public services	1.0
Total	97.5

Thus, throughout the year we carried out actions that enable us to optimize our processes and advance towards our goals to reduce consumption and reuse a considerable percentage of the resource. By 2020, we expect to be recycling 90% of wastewater at our polyester plants.

Among the initiatives put into practice during 2014 were:

- Inverse osmosis project, which recovers water from the cooling towers and subsequently sends it as the input current to the ultrafiltration section.
- Optimization of cooling tower floats, helping us to achieve a level of 1.33 m^3/t efficiency in extracted water.
- 100% fulfillment of water reuse activities through the effluent treatment plant at our caprolactam plant.
- 25% reduction in the use of filtered river water at our Cooper River facilities.
- Recovery of 1.8 million m^3 at our PET and PTA facilities, as a result of the reuse of output flows from one area as the input for another area.

We treated 10.3 million m^3 at our ten treatment plants, reducing total consumption by 11%, enough to cover the annual water needs of approximately 78,300 people. We were able to reuse 19% of it in our processes.

In addition, in 2014 we reduced our total water consumption by 10% year-over-year.

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Biodiversity Conservation

Our facilities in Columbia, in the United States, and Zárate, Argentina, are the only ones located close to natural areas of high biodiversity. In both cases, the plants contribute economically and with human resources to support conservation. In 2012, the Columbia site obtained Wildlife Habitat at Work certification, granted by the association of the same name, which recognized companies that go beyond standard regulations and coordinate efforts between the company, the community and employees to benefit biodiversity in and around the workplace. EN11, EN12, EN13, EN14

Furthermore, we carried out actions to preserve and enhance all our green areas and participated in reforestation activities in the different communities where we operate. The medium-term commitment is to develop integrated practices across all our facilities.

Actions carried out during the year included:

- The celebration of Earth Day, with talks on environmental care, the community helped with the reforestation of surrounding areas and school visits were made to talk to

GPT (PTA/PET). Cosoleacaque, Mexico

the students about the importance of looking after natural resources.

- Participation in Sustainability Week in coordination with ALFA.
- Invitation to employees to contribute ideas on how we can improve our environmental performance.
- More intense involvement with government authorities such as CONAFOR to join forces and participate in pro-biodiversity programs.

Reduction of Emissions and Smart Waste Management

EN16, EN17, EN18, EN20, EN21, EN22, EC2

One of the most important objectives of our sustainability strategy is the reduction of emissions and waste that have negative impacts on the planet.

In 2014, emissions from our operations were as follows:

Emissions (millions of CO_2e)		
Direct	Indirect	Total
1.28	0.87	2.15

The following information is from the PET plant in Cosoleacaque, Veracruz, which generates NOx emissions due to the use of a chimney:

Total NOx emissions (tons of CO_2)	Measurement factor
224	Direct measurement

Through our cogeneration plant in Cosoleacaque we will be able to avoid emitting an estimated 200 thousand tons of CO_2. We will report these results in 2015.

Through other initiatives, we covered 100% of the Management Program to improve the air in Salamanca and eliminated steam leakages at our caprolactam production plants, avoiding the emission of 16 t/CO_2 per day. All of this motivates us to continue along the road we have taken. It is important to note that, year after year, we have significantly reduced our emissions, as certified by international bodies such as ISO and UNFCCC. Our PET and PTA operations in Mexico, for example, maintain an average annual reduction of 100,000 t/CO_2. In 2014, they certified 390,000 t/CO_2 in carbon bonds, thanks to the implementation of an Energy Integration Project, bringing the total to 900,000 t/CO_2 at year-end.

The implementation of other actions in our companies recorded a total of 83.6 thousand tons of CO_2 that were not emitted into the atmosphere, equivalent to taking 17,606 cars out of circulation for one year.

Regarding responsible, proper and smart waste management, DAK Americas continued to be a spearhead with its Zero Waste program. During the year, all its plants in the United States, Mexico and Argentina implemented the program, with actions including recycling, composting and/or converting waste into energy to meet by 90% our goal of non-delivery to more than 200 landfill sites. Three have fully met this goal and the three remaining plants expect to do so by the end of 2015. In addition, a total of almost 3,175 tons of biological sludge was sent for composting.

The total of the most significant waste generated in 2014 was 17,216 tons, distributed as follows:

Waste	Weight (in tons)	Treatment method / confinement (compost, reuse, recycling, incineration, landfill, etc.)
Biological sludge	13,014	25% in landfill, 75% recycled
Ash	3,572	27% in landfill, 73% recycled
Hazardous waste	380	Thermal destruction for energy recovery
Washing of process lines (hazardous)	89	Co-processing
Urban solid waste	71	Controlled confinement
Mineral oil	34	Reuse as alternative fuel
Spent aluminum	29	Reuse as alternative fuel
Liquid styrene (hazardous)	10	Co-processing
Spent batteries	15	External recycling
Fluorescent lamps	2	Controlled confinement

Our objective is not only to properly manage waste, but also to reduce waste production. At our PET and PTA production plants, for example, we have achieved a 10% reduction in the generation of hazardous waste.

Results of wastewater discharge in 2014:

Water discharge into	Discharge volume in 2014 (m^3)
Rivers or lakes	85,120,000
Sea	10,080,018
Other	404,637
Public drainage	22,869
Total	95,627,524

One major action carried out in 2014 was the reduction of COD (Chemical Oxygen Demand) in the wastewater we send to the sea. This means that the water is increasingly cleaner when discharged, and as a result, has less environmental impact.

Short- and medium-term environmental performance goals:

- Construction of the polypropylene storage sphere.
- Development of a biodiversity policy across Alpek.
- Reaching the goal of Zero Waste in all DAK Americas operations.

Human Value and Social Action

We are convinced that the human element is the basis of any organization. We understand that our internal and external communities are vital for ensuring our permanence over time and obtaining a license to operate. In addition, the generation of social benefits allows us to ensure that the decisions we make have a positive impact on our people.

Our Employees

Employees are our most important resource. For this reason, we make a constant effort to ensure the well-being and personal and professional development of every one. LA1, LA3, LA4, LA5, LA14

Due to the nature of our operations, there is a predominance of male workers. However, Alpek is committed to gender equality in terms of benefits, opportunities and responsibilities. We adhere to the provisions of the ALFA Code of Ethics; our companies apply policies and use measurement systems and tabulators to ensure the equitable treatment of men and women, and avoid any gender distinction in the determination of wages or aptitudes when filling vacancies. One example of these policies is DAK Americas' Equal Employment Opportunity Policy.

Furthermore, Alpek does not discriminate on ethnic, disability, religious or any other grounds; the only relevant criteria for selecting our employees are their abilities and experience. In 2014, 15 handicapped people collaborated with us.

Our workforce in 2014 was distributed as follows:

Employee category	Men	Women	Total
Executives and employees	1,178	555	1,733
Unionized	2,853	83	2,936

Gender	Number	% of total
Men	4,031	86
Women	638	14

Contract type	Men	Women	Total
Permanent	3,903	633	4,536
Temporary	127	5	132
Professional fees	1	0	1
Totales	4,031	638	4,669

Group	Under 30 years	Between 30 and 50 years	Over 50 years	Total
Men	821	2,168	1,042	4,031
Women	174	361	103	638
Total	995	2,529	1,145	4,669

It should be noted that our commitment to the personal and professional growth and development of our employees is ongoing. In 2014, internal mobility to cover vacancies was 66% at our PET and PTA operations. The benefits and allowances that employees receive include an annual bonus, vacation pay, grocery vouchers, a savings fund, long-service recognition and a pension plan, which consists of a fixed contribution by the company which starts at 4% of the employees' salary with a ceiling of 17%.

In accordance with our commitment to human rights, we respect the decision of our workers to organize through collective agreements. 63% of our employees belong to a union. As part of our duty to keep employees informed, Alpek gives prior notice of four to eight weeks before any important change(s).

LA7, LA8, LA9

Occupational Health and Safety

Ensuring a safe and healthy working environment for those who work in our company is one of our biggest responsibilities and we comply with, and go beyond, the provisions of the law. We are constantly implementing programs aimed at increasing safety in processes, employee training for a correct performance in the workplace and initiatives that encourage healthy living practices.

During the year, we invested a total of US $4.4 million in actions to enhance the safety of the entire workforce. Several of our facilities accomplished important results, for example:

- Indelpro reached 2.3 years without any disabling accidents.
- DAK Americas in Cosoleacaque achieved six years without any disabling accidents.
- Petrotemex implemented more than twenty risk reduction actions and no significant incidents were reported in the handling of container units.

Accident rates in 2014 compared to 2013:

	2013	2014
Loss ratio	102.05	58.72
Frequency	2.32	1.27
Accidents	22	12
Days lost	969	555
Physical losses	0	0

It is a priority for Alpek to ensure that employees work under the strictest protection controls, especially because some of the activities carried out at the plants involve a certain degree of risk. For this reason, and in adherence to ALFA practices, we are constantly working on initiatives to reduce accidents and occupational illnesses, with the support of safety, health and hygiene committees on which employees participate. Our plants have health units, specific programs to educate and contribute to employee health, and vaccination, nutrition and physical activity campaigns. These aspects are covered by internal regulations.

This year we invested US $14.3 million in close to 40 campaigns, programs and initiatives to benefit the physical and emotional well being of the workforce. Among other activities, we gave talks on specific topics, such as the prevention of hearing impairment and osteomuscular injuries, among others. A total of 3,391 employees were benefitted.

DAK Americas (PTA/PET). Columbia, United States

Training and Development

LA10, The training of our employees is fundamental for Alpek; in 2014,
LA11 we invested US $1.4 million in this matter. A total of 2,374 employees benefitted from an average of 39 training hours per person. We provided training from induction into the company to talks on handling retirement, through programs such as the Employee Assistance Program in the United States, or the distribution of shares for retirement and pensions granted by the IMSS in Mexico. In addition, during 2014 we authorized a total of 132 scholarships for employees who wished to continue with graduate studies.

Average training hours per employee in the year	39
Average training hours per employee in the year by gender	
Men	44
Women	30
Average training hours per employee in the year by employee category	
Unionized	51
Employee	34

Alpek's commitment to education is not limited to company employees. In 2014, 192 of our employees' children received support and scholarships from elementary school to high school.

We also understand the need to live a balanced life and offer ample opportunities for recreation activities and development programs for our employees and their families. In 2014, we invested US $155 thousand in this area with the participation of 4,052 people.

Our Communities

We are aware of our responsibility to the communities close to SO1,
the places where we operate. All our sites constantly evaluate SO9,
the risk of negative impacts on the communities and undertake SO10,
actions to mitigate them. EC6,
EC7,

Preventing negative impacts is not enough. We strive to ensure EC8
that our operations have a positive impact on the community through health programs, safety training measures, meetings with neighbors of the plants, support programs for the creation of infrastructure, and direct support for the most vulnerable sectors.

Univex (CPL). Salamanca, Mexico

Actual and/or potential risks and mitigation measures.

Company	Actual or potential impact	Impact mitigation action
Indelpro	Emission of hydrocarbons, emission of combustion gases.	Maintenance of installations, instrumented safety systems and vent control program, personnel training, audits.
Polioles	Release of energy or hazardous substances.	Compliance with regulations, implementation of the Integrated Responsibility Administration System.
DAK Americas	Leakages, spills or system failures that result in the emission of toxic gases or contaminated materials.	Constant on-off-failure control which ensures prompt detection and shutdown in case of any incident. Similarly, a system is in place to send emissions to a control mechanism, even during normal operations. Continuous audits, visual and technical monitoring, implementation of new processes.
Akra Polyester	Chlorine gas or thermal oil leakage.	Water sprays, control valves, and fire detection systems. Trained emergency brigades. Participation in the Local Committee for Mutual Help (CLAMCAP) with neighboring companies. Coordination and implementation of the Internal Emergency Response Plan (Emergency and Evacuation Plan). Periodic inspection of safety devices in chlorine and dowtherm installations. Execution of practical exercises to attend to chlorine leaks.
Univex	Ammonia and cyclohexane leakage.	Automatic electronic monitoring system for cyclohexane leaks, emergency brigade with the necessary equipment for contingency control. The company is a member of the mutual help group SAMI.

In 2014, we invested US $31 thousand in actions to improve infrastructure in our neighboring communities, benefitting more than 1,650 people. Other actions carried out were:

- Petrotemex implemented its *Vive Verde* program, through which it holds talks in schools on sustainability.
- Univex began to offer free medical consultations to members of its most vulnerable communities. In addition, as part of its process activities, it tests its fertilizer on land acquired for the purpose. This year it donated the entire crop produced as a result to neighboring communities, and will continue to do so in the future.
- Talks were given on safety in the home, first aid and burns.

We also implemented programs for young students in our communities: more than 7,000 students benefitted from support and donations to 53 schools near our operating sites, and 135 students completed their internships at our companies.

Furthermore, in an effort to increase local economic development, our companies use criteria to select suppliers from the city, state or country where they operate. Approximately 62.5% of our suppliers are local. Alpek adheres to ALFA recruitment practices, considering local candidates first to cover vacancies and keeping the workforce in the companies we acquire, as far as possible.

One of our short- and medium-term commitments is the development of community engagement policies at the business unit level and as a group.

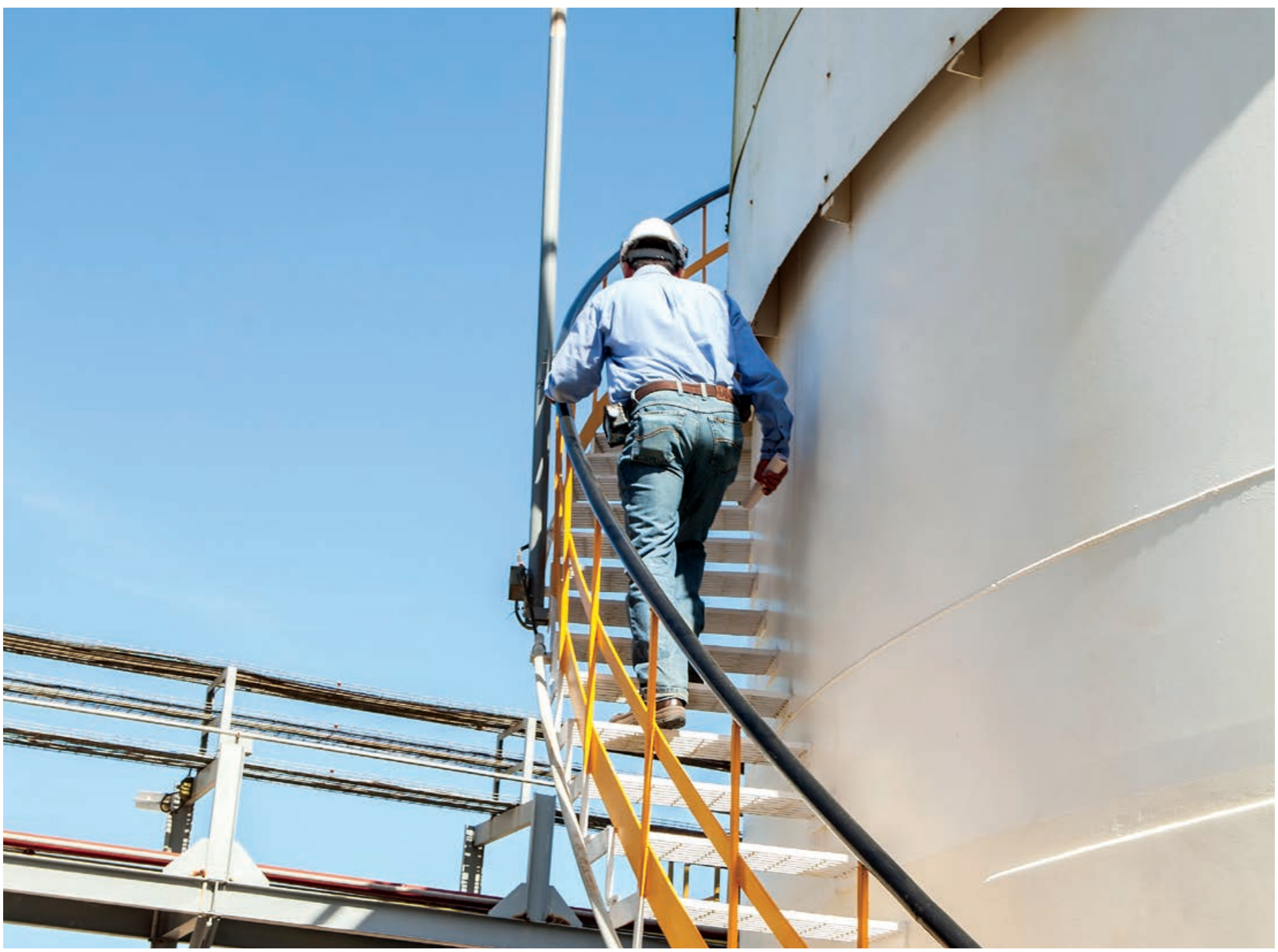
As part of the community engagement strategy we have already implemented, we collaborate with associations, institutions and business chambers to create strategic partnerships that enable us to generate actions that are mutually beneficial. In 2014, we participated in the following:

4.12, 4.13

Company	Association	Does the company participate in governing bodies?	Does the company provide contributions in excess of those required from other members?	Is participation in these associations strategic?
Akra Polyester	ANIQ (National Chemical Industry Association)	Yes	No	Yes
DAK Americas	ANIQ (National Chemical Industry Association)	Yes	No	Yes
	ACIA (Industrial Credit Association of Argentina)	No	No	Yes
	AFMA (America Fiber Manufacturers Association)	Yes	Yes	Yes
	CAIRPLAS (Recycled Plastics Chamber)	Yes	No	Yes
	CAPCA (Carolinas Air Pollution Control Association)	Yes	No	Yes
	CCAM (Argentina-Mexico Chamber of Commerce)	No	No	Yes
	CEMPRE (Business Commitment to Recycling)	No	No	Yes
	CERA (Chamber of Exporters of the Argentine Republic)	No	No	Yes
	CICAZ (Zárate-Campana Inter-industrial Committee for Environmental Preservation)	Yes	No	Yes
	CIPETAR (Chamber of the PET Industry in Argentina)	Yes	No	Yes
	CIQyP (Chamber of the Chemical and Petrochemical Industry)	No	No	Yes
	CIRA (Chamber of Importers of the Argentine Republic)	No	No	Yes

DAK Americas	Zárate-Campana Regional Committee on Health and Safety	No	No	Yes
	IAE (Argentine Packaging Institute)	No	No	Yes
	INDA (Association of the Nonwoven Fabrics Industry)	No	No	Yes
	IPA (Argentine Petrochemical Institute)	No	No	Yes
	MMA (Mississippi Manufacturers Association)	No	No	Yes
	National Associate for PET Container Resources	Yes	No	Yes
	NCMA (North Carolina Manufacturers Alliance)	Yes	No	No
	NCTO (National Council of Textile Organizations)	Yes	Yes	Yes
	SCMA (South Carolina Manufacturers Alliance)	Yes	Yes	Yes
	STA (Southern Textile Association)	No	No	Yes
	SYFA (Synthetic Yarn and Fiber Association)	Yes	Yes	Yes
	The PET Resin Association	Yes	Yes	Yes
	UET (Business Union of the Municipality of Tigre)	No	No	Yes
	UIZ (Industrial Union of Zárate)	Yes	No	Yes
Petrotemex	ANIQ (National Chemical Industry Association)	Yes	No	Yes
	Association of Industrials from the South of Tamaulipas C.A.	Yes	Yes	No
	Import-Export National Association of the Mexican Republic, C.A.	No	No	No

Petrotemex	Mexican Arab Chamber of Industry and Commerce	No	No	Yes
	COMCE NORESTE, A.C	No	No	No
Indelpro	AISTAC	Yes	No	Yes
	Association of Industrials from the South of Tamaulipas C.A.	Yes	No	Yes
	ANIQ (National Chemical Industry Association)	Yes	No	Yes
Polioles	ANIQ (National Chemical Industry Association)	Yes	No	Yes
Univex	ANIQ (National Chemical Industry Association)	Yes	No	Yes



Polioles (EPS). Altamira, Mexico

Awards and certifications 2014

2.10

Company	Recognition or certification	Granted by	Country
Indelpro	ISO 14001:2004	ABS Quality Evaluations, Inc	Mexico
	Clean Industry Certification	Federal Environmental Protection Agency	Mexico
	Certificate of Comprehensive Responsibility	National Chemical Industry Association (ANIQ)	Mexico
	ISO 9001:2008	ABS Quality Evaluations, Inc	Mexico
	Recognition for publication of the First Guide to Environmental Culture	Municipal Government of Tampico	Mexico
	Appreciation for the solidarity in emergency care at the Madero Refinery	Pemex Francisco I. Madero Refinery	Mexico
	Voluntary Environmental Compliance	Government of the State of Tamaulipas	Mexico
Petrotemex	Clean Industry Certificate	Federal Environmental Protection Agency	Mexico
	Safe Company Certificate	Ministry of Labor and Social Welfare	Mexico
	Comprehensive Responsibility	National Chemical Industry Association (ANIQ)	Mexico
	ISO-14000 Management System Certification	AENOR México	
	Recognition Award AISTAC 2014	Industrial Association of the South of Tamaulipas	Mexico
	New Certified Company Scheme	Tax Administration Service (SAT)	Mexico
Polioles	Comprehensive Responsibility Award for Energy Efficiency	National Chemical Industry Association (ANIQ)	Mexico
DAK Americas	CR - SC Manufacturers Alliance Award	South Carolina Department of Labor	United States
	DAK Cosoleacaque – five years without recordable OSHA	DAK Americas	Mexico
	Climate Registry Certification	Climate Registry	United States-Mexico
	Zero Waste Operation Award 2014	Recycling Association of Carolina	United States
	NCDOL 3-year Award	North Carolina Department of Labor	United States
Akra Polyester	Oeko-Tex Standard 100 Certificate	Hohenstein Textile Testing Institute	Germany
	ISO 14001	*Bureau Veritas*	France

Board of Directors

Armando Garza Sada (3)
Chairman of the Board of Alpek, S.A.B. de C.V.
Chairman of the Board of ALFA.
Member of the Boards of FEMSA, Frisa Industrias, Grupo Financiero Banorte, Lamosa, Liverpool, Proeza, ITESM, and Stanford University.

Álvaro Fernández Garza (3)
President of ALFA, S.A.B. de C.V.
Member of the Boards of ALFA, Vitro, Cydsa, Grupo Aeroportuario del Pacífico, and the University of Monterrey (UDEM). Current President of the Chamber of Industry of Nuevo León (CAINTRA).

Francisco José Calderón Rojas (2)
Chief Financial Officer of Grupo Franca Industrias, S.A. de C.V.
Member of the Boards of Franca Industrias, Franca Servicios, Franca Desarrollos, Capital Inmobiliario Institucional, and UDEM.

Rodrigo Fernández Martínez (3)
Marketing and Finance Director of Sigma Alimentos, S.A. de C.V.

Merici Garza Sada (3)
Investor

Andrés E. Garza Herrera (1A)
Chief Executive Officer of Qualtia Alimentos, S.A. de C.V.
President of the Mexican Council of the Consumer Goods Industry (ConMexico). Member of the Board of Xignux, the Regional Board of Banorte, the General Councils of UDEM and Ciudad de los Niños.

Pierre Francis Haas García (1)
Advisory Services Director of Hess Energy Trading Company (HETCO).

Jaime Serra Puche (1A)
Founding Partner and Chief Executive Officer of SAI Consultores, S.C.
Member of the Boards of Fondo México, Tenaris, Vitro, Grupo Modelo, Rotoplas, Fresnillo plc, and Grupo Financiero BBVA Bancomer.

Enrique Zambrano Benítez (1A)
Chief Executive Officer of Grupo Proeza, S.A. de C.V.
Member of the Boards of Grupo Proeza, Frisa Industrias, CFE, and ITESM.
President of the Regional Board of Banco Ve por Más.

Carlos Jiménez Barrera
Secretary of the Board

Key
1. Independent board member
2. Independent proprietary board member
3. Related proprietary board member
(A) Audit and Corporate Practices Committee

Management Team

1 **José de Jesús Valdez Simancas**
Chief Executive Officer

CEO of Alpek since 1988. Former CEO of Petrocel, Indelpro, and Polioles, and former Chairman of the National Association of the Chemical Industry (ANIQ). Holds an MBA from ITESM and a Master's in Industrial Engineering from Stanford University.

2 **Eduardo Escalante Castillo**
Chief Financial Officer

Chief Financial Officer of Alpek since 2013. Former President of the Caprolactam Division of Alpek and President of AOL Mexico. Holds a Master's in Engineering from Stanford University.

3 **Felipe Garza Medina**
President of the PTA Business Unit

President of Alpek's PTA Business Unit since 2008. Joined Alfa in 1977 and is former CEO of Indelpro and Galvacer. Holds an MBA from Cornell University.

4 **Jorge P. Young Cerecedo**
President of the PET and Staple Fibers Business Unit

President of Alpek's PET and Staple Fibers Business Unit since 2012. Former Executive Vice President of PET Resins and Vice President of Planning and Administration of DAK Americas LLC. Holds an MBA from the University of Pennsylvania.

5 **Jorge González Escobedo**
President of the Filament Fibers Business Unit

President of Alpek's Filaments Fibers Business Unit since 2005. Joined Alfa in 1974 and is former Vice President of Alpek's Industrial Filaments Business Unit. Holds an MBA from ITESM.

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6 **Alejandro Llovera Zambrano**
President of the Polypropylene Business Unit

President of Alpek's Polypropylene Business Unit since 2008. Joined Alfa in 1985, is former Director of Human Resources at Alfa, held several executive positions in Alpek's Synthetic Fibers Business Unit and was Chairman of ANIQ. Holds an MBA from ITESM.

7 **José Luís Zepeda Peña**
President of the EPS and Chemical Business Unit

President of Alpek's EPS and Chemical Business Unit since 1999. Joined Alpek in 1986 and is former Vice President of Planning, Finance and Administration, and Sales in Grupo Petrotemex. Holds a Master's in Chemical Sciences from UNAM and an MBA from ITESM.

8 **Gustavo Talancón Gómez**
President of the Caprolactam and Fertilizers Business Unit

President of the Caprolactam and Fertilizer Business Unit since 2013. Joined Alfa in 1989, is former CEO of Terza, and held several executive positions in Alpek's Polypropylene and Nylon and Polyester Filaments Business Units. Holds a graduate degree from IPADE.

Corporate Governance

4.1, 4.3, 4.4, 4.6, LA13

Alpek operates in accordance with the Mexican Code of Best Corporate Practices (CMPC) instituted in the year 2000 by the Mexican securities commission. The purpose of the Code is to establish a frame of reference for corporate governance and thereby increase investor confidence in Mexican companies.

Once a year, all companies that are listed on the Mexican Stock Exchange (BMV) must disclose the extent to which they adhere to the CMPC by answering a questionnaire. The responses of the different companies may be consulted on the BMV's website.

A summary of Alpek's principles of corporate governance is presented below, reflecting the answers the company gave to the questionnaire in June 2014 and updated where necessary:

A) The Board of Directors is made up of nine members, who have no alternates. Of the nine directors, four are independent board members, four are related proprietary board members and one is an independent proprietary board member. This annual report provides information on all the board members, identifying those who are independent and their participation in the Audit and Corporate Practices Committee.

B) The Board of Directors is advised by the Audit and Corporate Practices Committee, which is made up of independent board members. The Committee Chairman is an independent board member.

C) The Board of Directors meets every three months. Meetings of the Board may be called by the Chairman of the Board, the Chairman of the Audit and Corporate Practices Committee, the Secretary of the Board or at least 25% of its members. At least one such meeting every year is dedicated to defining the company's medium and long-term strategies.

D) Members must inform the Chairman of the Board of any conflicts of interest that may arise, and abstain from participating in any related deliberations.

E) The Audit and Corporate Practices Committee studies and issues recommendations to the Board of Directors on matters such as selecting and determining the fees to be paid to the external auditor, coordinating with the company's internal audit area and studying accounting policies.

F) Additionally, the Audit and Corporate Practices Committee is responsible for issuing recommendations to the Board of Directors on matters related to corporate practices, such as employment terms and severance payments for senior executives, and compensation policies.

G) The company has internal control systems with general guidelines that are submitted to the Audit and Corporate Practices Committee for its opinion. In addition, the external auditor validates the effectiveness of the internal control system and issues reports thereon.

H) The Board of Directors is advised by the planning and finance department when evaluating matters relating to the feasibility of investments, strategic positioning of the company, alignment of investing and financing policies, and review of investment projects. This is carried out in coordination with the planning and finance department of the holding company, ALFA, S.A.B. de C.V.

I) Alpek has a department specifically dedicated to maintaining an open line of communication between the company and its shareholders and investors. This ensures that investors have the financial and general information they require to evaluate the company's development and progress. Alpek uses press releases, notices of material events, quarterly results conference calls, investor meetings, its website and other communication channels.

J) Alpek promotes good corporate citizenship and adheres to the recommendations of its holding company, ALFA, S.A.B. de C.V. It has a mission, vision and values, and code of ethics that are promoted within the organization.

Glossary

Caprolactam (CPL)

CPL is made by reacting cyclohexane, ammonia and sulfur and is the raw material for the production of Nylon 6 polymer. Nylon 6 is a synthetic resin that, because of its strength, flexibility and softness, has a range of end uses, including for sportswear, underclothes and engineering plastics.

Clean Industry Certification

Certification granted by the Mexican Environmental Protection Agency (PROFEPA) to companies that comply with environmental legislation.

CO_2 Emissions

Unit to measure the carbon dioxide produced by the burning of solid, liquid and gaseous fuels, including natural gas.

Comprehensive Responsibility Administrative System (Mexican National Association of the Chemical Industry, ANIQ)

Certification given to companies that comply with the six comprehensive responsibility requirements established by the ANIQ, covering Process safety, Health and safety in the workplace, Product safety, Transportation and distribution, Prevention and control of environmental pollution and Community protection.

Cyclohexane

Compound produced by the hydrogenation of benzene and used in caprolactam production.

Ethylene Oxide

Compound produced from ethylene and used as an intermediate in the production of MEG and other chemicals.

Expandable Polystyrene (EPS)

Light, rigid, cellular plastic, product of the polymerization of styrene monomer. EPS is a versatile material because of its properties as an impact reducer and thermal insulator, and customized molding capacity. These properties, combined with the ease with which it can be processed, make EPS a popular packaging for impact-sensitive items and for protecting perishables. It is also widely used in construction systems, to lighten floor and roof structures, and as an insulator.

IntegRex®

Alpek-owned technology for producing PTA and PET from paraxylene (PX) and monoethylene glycol (MEG), offering significant cost savings and fewer intermediate steps in the production process.

Investment Grade

Rating given to a company as a result of an evaluation made by credit-risk rating agencies such as Fitch Ratings, Standard & Poor’s and Moody’s.

ISO 14001 Certification

Internationally accepted standard for establishing an efficient Environmental Management System (EMS). The standard is designed to support companies’ profitability and at the same time minimize environmental impact.

ISO 9001 Certification

Certification issued by rating agencies to those companies that operate with proven procedures for assuring the quality of their products, in accordance with the standard defined by the International Organization for Standardization (ISO).

Megawatt (MW)

Unit of power, equal to 1 million watts.

Monoethylene Glycol (MEG)

Raw material with diverse industrial uses, especially for producing polyester (PET and fiber), antifreeze, refrigerants and solvents.

Paraxylene (pX)

Hydrocarbon in the xylene family used to produce PTA. It is also a component of gasoline.

Polyester Chain

Alpek business that comprises all the companies involved in polyester production, from the raw material (PTA) to the production of PET and fibers.

Polyethylene Terephthalate (PET)

Material widely used in the manufacture of bottles and other containers for liquids, food and personal hygiene, household and healthcare products. PET flakes and films are used to produce caps, trays and recipients. Because of its transparency, strength, durability and high protection barrier, PET presents no known health risks, is light and recyclable, and has a wide range of applications in reusable, temperature-sensitive packaging. PET has replaced glass and aluminum, as well as other plastics such as PVC and polyethylene, for making containers.

Polypropylene (PP)

Thermoplastic polymer, produced from the polymerization of propylene monomer. Its properties include a low specific gravity, great rigidity, resistance to relatively high temperatures and good resistance to chemicals and fatigue. PP has diverse applications, including for packaging, textiles, recyclable plastic parts and different kinds of containers, auto-parts and polymer (plastic) banknotes.

Polyurethanes (PURs)

Rigid, flexible or elastic, durable materials that are produced by the reaction of a polyol with an isocyanate. They are very versatile, offering the elasticity of rubber, combined with the hardness and durability of a metal. PURs may be hard like fiberglass, spongy like upholstery foam, protective like varnish, elastic like tire rubber or sticky like glue.

Propylene

Unsaturated, 3-carbon hydrocarbon, co-product of the cracking process at petrochemical complexes and a byproduct at oil refineries. It is used in the petrochemical industry to produce PP, propylene oxide, cumene, isopropanol, acrylic acid and acrylonitrile. It is also converted into a gasoline component by alkylation with butanes or pentanes.

Propylene Oxide

Compound produced from propylene and used to manufacture commercial and industrial products, including polyols, glycols and glycoethers.

Purified Terephthalic Acid (PTA)

Aromatic dicarboxylic acid, the main raw material in polyester production. PTA is produced by the oxidation of paraxylene. It is used to manufacture PET, which is then used to make bottles for water, soft drinks and other beverages, containers and other packaging, and polyester fiber for rugs, clothing, furniture and industrial applications, as well as other consumer products.

Self-regulation of Health and Safety in the Workplace, Level 4 Certification

Program implemented by the Mexican Ministry of Work and Social Welfare to verify that companies have implemented administrative systems that promote safe, hygienic work centers.

Single Step®

One-step technology for the production of EPS, where the EPS pearls are impregnated with a pre-expanded agent during the polymerization process.

Spheripol®

LyondellBasell-owned technology which is the world’s most common way of producing polypropylene.

Spherizone®

LyondellBasell’s most recent technology, which offers great flexibility in polypropylene production and is used to make a wide range of products.

Styrene Monomer

Unsaturated hydrocarbon used to make a variety of plastics, synthetic rubber, protective coatings and resins. It is the main raw material in EPS production and also used as a solvent and chemical intermediate.

Watt

Unit of power in the International System of Units (SI).

Consolidated Financial Statements

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

At December 31, 2014 and 2013

Management's Discussion and Analysis

2014

The following analysis complements the Letter to the Shareholders, the Audited Financial Statements and Complementary Information. Unless otherwise stated, figures are expressed in millions of nominal pesos, with certain figures expressed in millions of dollars (US $) due to the high level of dollarization of Alpek's revenues. Percentage variations are presented in nominal terms. The information is presented in accordance with International Financial Reporting Standards (IFRS).

Economic Environment

During 2014, the global economy experienced a divergence in regional growth rates. While in the United States, the economy showed robust growth of 2.4%, growth in the Eurozone was 0.9%. In addition to the divergent growth rates, developed economies implemented opposing monetary policies, causing a sharp appreciation of the United States dollar.

Meanwhile, there was a slowdown in emerging economies. In China, growth was among the lowest in the last two decades, at 7.4%, and in Mexico growth was 2.1%.

Finally, the global surplus of oil production led to prices plummeting by more than 50% during the second half of the year.

The gross domestic product (GDP) and other economic variables in Mexico are described in the following paragraphs:

Mexico's GDP grew 2.1% in 2014, slightly more than growth in 2013. Inflation to the consumer was 4.0% [(b)] in 2014, also higher than the 3.8% [(b)] reported in 2013. The Mexican peso had an annual nominal depreciation in 2014 of 12.5% [(c)], compared to the 0.5 % [(c)] depreciation in 2013.

As far as interest rates in Mexico, the *Tasa de Interés Interbancaria de Equilibrio* (TIIE) stood at 3.5% [(b)] in 2014 in nominal terms, compared to 4.3% [(b)] in 2013. In real terms, there was a decline, going from an annual cumulative of 0.4% in 2013 to -0.5% in 2014.

The annual average nominal 3-month dollar London Interbank Offered Rate (LIBOR) stood at 0.2% [(b)] in 2014, similar to the 0.3% [(b)] observed in 2013. If the nominal depreciation of the peso is incorporated, LIBOR in constant pesos went from -3.1% [(a)] in 2013 to 8.4% [(a)] in 2014.

Sources:

- (a) National Institute of Statistics and Geography (INEGI).
- (b) Banco de México (Banxico).
- (c) Banxico. Exchange rate for liquidating liabilities denominated in foreign currency and payable in Mexico.
- (d) Alpek calculations with data from INEGI, bilateral with the United States, considering consumer prices.

Volume – (Thousand tons)	2014	2013	2012	VAR. % 2014 vs 2013	VAR. % 2013 vs 2012
Polyester	3,082	3,035	3,263	2	(7)
Plastics and Chemicals	849	839	823	1	2
TOTAL VOLUME	3,931	3,874	4,086	1	(5)

Income	2014	2013	2012	VAR. % 2014 vs 2013	VAR. % 2013 vs 2012
POLYESTER					
Million pesos	63,228	68,636	75,200	(8)	(9)
Million dollars	4,752	5,356	5,691	(11)	(6)
PLASTICS AND CHEMICALS					
Million pesos	22,844	21,425	20,963	7	2
Million dollars	1,719	1,671	1,586	3	5
TOTAL INCOME					
Million pesos	86,072	90,061	96,163	(4)	(6)
Million dollars	6,471	7,028	7,277	(8)	(3)

Price Index	2014	2013	2012	VAR. % 2014 vs 2013	VAR. % 2013 vs 2012
POLYESTER					
Pesos	89	98	100	(9)	(2)
Dollars	88	101	100	(13)	1
PLASTICS AND CHEMICALS					
Pesos	106	100	100	5	0
Dollars	105	103	100	2	3
TOTAL					
Pesos	93	99	100	(6)	(1)
Dollars	92	102	100	(9)	2

Revenues

Alpek's net revenue in 2014 amounted to $86,072 million (US $6.471 billion), 4% less than the $90,061 million (US $7.028 billion) posted in 2013. The decrease was due to a 6% drop in average prices caused by the falling price of oil and feedstocks. A 1% increase in volume was not enough to offset the decline in price.

Revenues by Business Segment

Revenue from Polyester in 2014 was $63,228 million (US $4.752 billion), 8% less than the $68,636 million (US $5.356 billion) in 2013, due to a decrease of 9% in average sales price and a 2% increase in volume. The lower average price reflects the impact from the decline in oil price.

In 2014, revenue from Plastics and Chemicals reached $22,844 million (US $1.719 billion), 7% above the $21,425 million (US $1.671 billion) in 2013. The increase was driven by 1% and 5% growth in volume and average sales price, respectively.

Operating Profit and EBITDA

The operating profit for 2014 was $3,739 million (US $286 million), 28% above the $2,926 million (US $228 million) in 2013. This rise was a result of the $2,421 million in restructuring costs and asset impairment charge associated with the closing of our Cape Fear site in 2013. Excluding that impact, operating profit was 31% lower year-on-year, mainly due to the extraordinary impact from the decline in oil and feedstock prices, as well as lower Polyester and Plastics and Chemicals margins.

EBITDA was at $5,710 million (US $434 million) in 2014, a decrease of 22% compared to the $7,344 million (US $572 million) posted in 2013. The drop in the price of crude in 2014 is estimated to have had a negative impact on EBITDA of approximately US $90 million, including a non-cash inventory devaluation expense.

EBITDA – (million pesos)	2014	2013	2012	VAR. % 2014 vs 2013	VAR. % 2013 vs 2012
Polyester	3,541	4,974	7,008	(29)	(29)
Plastics and Chemicals	2,110	2,304	2,607	(8)	(12)
Others and eliminations	59	66	(4)	(11)	(1,671)
TOTAL EBITDA	5,710	7,344	9,611	(22)	(24)

EBITDA – (million dollars)	2014	2013	2012	VAR. % 2014 vs 2013	VAR. % 2013 vs 2012
Polyester	270	388	531	(30)	(27)
Plastics and Chemicals	159	180	197	(12)	(9)
Others and eliminations	5	5	0	0	100
TOTAL EBITDA	434	572	728	(24)	(21)

Financial cost, net

During 2014, the financial cost, net expense was -$1,497 million (-US $111 million), 28% more than the -$1,172 million (-US $91 million) in 2013. This increase was mainly due to the recognition of a non-cash exchange rate loss of $629 million caused by the depreciation of the Mexican peso against the US dollar in 2014.

Financial Cost, Net - (million pesos)	2014	2013	2012	VAR. % 2014 vs 2013	VAR. % 2013 vs 2012
Financial expenses	(956)	(1,114)	(1,894)	14	41
Financial income	166	159	353	4	(55)
Net Financial Expense	(791)	(955)	(1,541)	17	38
Foreign exchange gain (loss)	(629)	(146)	141	(331)	(203)
Valuation of financial derivative instruments	(77)	(71)	69	(8)	(203)
FINANCIAL COST, NET	(1,497)	(1,172)	(1,331)	(28)	12

Taxes

Income tax in 2014 was $883 million (US $68 million), 8% more than the $817 million (US $63 million) reported in 2013. It should be noted that the tax amount for 2013 includes a $920 million deferred tax benefit associated with the Cape Fear site closure.

Taxes - (million pesos)	2014	2013	2012	VAR. % 2014 vs 2013	VAR. % 2013 vs 2012
Profit before income taxes	2,197	1,723	6,106	28	(72)
Statutory tax rate	30%	30%	30%		
Income tax at statutory rate	(659)	(517)	(1,832)	(28)	72
Taxes for permanent differences between accounting and taxable profit	(224)	(300)	109	25	(377)
Income tax	(883)	(817)	(1,723)	(8)	53
Effective tax rate	40%	47%	28%		
Made up as follows:					
Current	(975)	(1,137)	(1,458)	14	22
Adjustment to the provision of income tax from prior years	(6)	(44)	3	86	(1,567)
Deferred	98	364	(268)	(73)	236
Income tax	(883)	(817)	(1,723)	(8)	53

Net Income Attributable to the Controlling Interest

Net income attributable to the controlling interest reached $801 million (US $65 million) in 2014, 206% above the income of $262 million (US $21 million) posted in 2013. This mainly reflects the negative impact of $1,501 million that the closure of the Cape Fear site had on 2013 Net income.

Statement of income - (million pesos)	2014	2013	2012	VAR. % 2014 vs 2013	VAR. % 2013 vs 2012
Operating profit	3,739	2,926	7,476	28	(61)
Financial cost, net	(1,497)	(1,172)	(1,331)	(28)	12
Share in losses of associates	(45)	(30)	(39)	(48)	23
Income tax	(883)	(817)	(1,723)	(8)	53
Net consolidated profit	1,314	906	4,383	45	(79)
Profit attributable to controlling interest	801	262	3,663	206	(93)

Capital Expenditures

In 2014, capital expenditures were $4,359 million (US $320 million), 92% higher than the $2,275 million (US $179 million) of 2013. The funds were used primarily for strategic projects such as the integrated PTA/PET site in Corpus Christi, the cogeneration plant in Cosoleacaque, the acquisition of CabelmaPET, S.A. in Argentina and the technology upgrade of the caprolactam plant.

Net Debt[1]

Net debt rose to $10,519 million (US $715 million) as of December 31, 2014, 5% above the net debt of $10,015 million (US $766 million) as of December 31, 2013, due to the depreciation of the Mexican peso against the US dollar. Excluding the effect of exchange rate, net debt decreased mainly due to the increase in Alpek's cash balance which rose from $4,740 million (US $362 million) in 2013 to $5,747 million (US $390 million) by year end.

	Million dollars			% integrated	
Short and long-term debt	2014	2013	Var.	2014	2013
Short-term debt	21	38	(44)	2	3
Long term 1 year	1	20	(96)	0	2
2	24	67	(63)	2	6
3	22	45	(51)	2	4
4	48	0	100	4	0
5 years or more	978	948	3	89	85
TOTAL DEBT	1,094	1,118	(2)	100	100
Avg. maturity of long-term debt (years)	7.3	8.1			
Avg. maturity of total debt (years)	7.2	7.7			

Financial indicators (Times)	2014	2013	2012
Net debt / EBITDA (US$)	1.6	1.3	0.8
Interest coverage (US$)	6.5	7.1	6.2
Total liabilities / Stockholder's equity	1.2	1.1	1.1

(1) Net Debt = Current debt plus non-current debt excluding debt issuance costs, plus accrued payable interest less cash and cash equivalents plus restricted cash and cash equivalents.

2014 HIGHLIGHTS

Acquisition of CabelmaPET, S.A.

In April 2014, we finalized the acquisition of CabelmaPET, S.A. ("CabelmaPET"), which operates the only food-grade recycled PET (r-PET) plant in Argentina. Its annual capacity of 16 thousand tons will complement the 190 thousand tons per year capacity for virgin PET that Alpek currently operates in Zárate, Argentina. We intend to incorporate the food-grade r-PET from CabelmaPET into the Zárate manufacturing process which will enable us to offer PET resin that incorporates virgin and recycled material in a single pellet. In addition to contributing to sustainability and environmental well-being, the PET resin products with recycled content will help customers streamline their operations by eliminating unnecessary supply and mixing processes.

Caprolactam Plant Technology Upgrade

In June 2014, Alpek completed the technology upgrade of its caprolactam (CPL) plant under the technology license agreement signed with DSM Fiber Intermediates, global leader in CPL technology. By year-end, the facility had achieved the expected efficiencies in production and raw material consumption that will generate estimated annual savings of US $8 million.

Agreement Signed with BASF for EPS and PU Business in the Americas

In July 2014, Alpek signed an agreement with BASF to acquire its expandable polystyrene (EPS) business in the Americas and 100% of Polioles' EPS business. BASF will acquire Polioles' polyurethane (PU) business. In addition to positioning Alpek as the leading EPS producer in the Americas, this transaction will give us full control over this business unit in order to boost its growth. We expect to close the agreement with BASF during the first quarter of 2015.

Start-up of the Cogeneration Plant in Cosoleacaque

In December 2014, Alpek's cogeneration plant in Cosoleacaque, Veracruz began operations. With a total investment of US $137 million and a 95 megawatt capacity, the new plant is expected to generate annual savings of approximately US $40 million. The plant will supply all the steam and electricity requirements for Alpek's PTA and PET plants in Cosoleacaque. In addition, it will supply excess electricity to third parties around the country.

Termination of JV agreement with UPC in Russia

In December 2014, Alpek decided to terminate the JV agreement signed with United Petrochemical Company (UPC) in 2013 to evaluate the construction of an integrated PTA/PET plant in Ufa, Bashkortostan, Russia. The termination agreement provides for the sale of the shares of Grupo Petrotemex, S.A. de C.V. in RusPET Holding B.V. at a price of €3.6 million ($63 million). As a result, Alpek recognized an impairment loss on its investment of $127 million in the fourth quarter of 2014.

Dividends

Alpek's Shareholders' Meeting approved the payment of a cash dividend of US $114 million on December 9, 2013, as an advance on the 2014 dividend. As a result, no dividends were paid in 2014.

Report of the Independent Auditors

Monterrey, N. L., January 28, 2015

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, 2014 and 2013, 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.

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, 2014 and 2013, 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, 2014 and 2013

(In thousands of Mexican pesos)

	Note	At December 31 2014	At December 31 2013
Asset			
Current asset:			
Cash and cash equivalents	6	Ps 5,743,816	Ps 4,737,088
Restricted cash and cash equivalents	7	3,185	2,840
Trade and other receivables, net	8	13,246,370	12,834,935
Inventories	10	11,485,908	11,777,714
Derivative financial instruments	16	-	86,492
Prepayments an others		461,870	232,720
Total current asset		30,941,149	29,671,789
Non-current asset:			
Property, plant and equipment, net	11	27,392,275	24,705,889
Goodwill and intangible assets, net	12	6,082,910	2,906,470
Deferred income tax	21	256,997	216,597
Other assets	13	697,879	627,085
Total non-current asset		34,430,061	28,456,041
Total asset		Ps 65,371,210	Ps 58,127,830
Liability and Stockholders' equity			
Liability			
Current liability:			
Debt	19	Ps 326,914	Ps 753,083
Suppliers and other accounts payable	17	10,564,770	9,243,781
Derivative financial instruments	16	757,011	7,315
Income tax payable		78,100	152,951
Provisions	18	761,652	832,632
Other liabilities	22	1,836,744	1,315,344
Total current liability		14,325,191	12,305,106
Non-current liability:			
Debt	19	15,665,652	13,756,342
Derivative financial instruments	16	287,925	25,836
Deferred income tax	21	4,255,606	4,344,268
Provisions	18	28,243	51,682
Employee benefits	20	963,983	556,932
Total non-current liability		21,201,409	18,735,060
Total liability		35,526,600	31,040,166
Stockholders' equity:			
Controlling interest:			
Capital stock	23	6,051,880	6,051,880
Share premium	23	9,071,074	9,071,074
Retained earnings	23	8,880,764	8,292,566
Other reserves	23	1,945,717	602,358
Total controlling interest		25,949,435	24,017,878
Non-controlling interest	14	3,895,175	3,069,786
Total stockholders' equity		29,844,610	27,087,664
Total liability and stockholders' equity		Ps 65,371,210	Ps 58,127,830

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, 2014 and 2013

(In thousands of Mexican pesos)

	Note	2014	2013
Revenue		Ps 86,072,058	Ps 90,061,169
Cost of sales	25	(79,757,100)	(82,436,458)
Gross profit		6,314,958	7,624,711
Selling expenses	25	(1,218,824)	(1,077,708)
Administrative expenses	25	(1,325,744)	(1,092,131)
Other expenses, net	26	(31,807)	(107,856)
Operating profit before non-recurring items		3,738,583	5,347,016
Non-recurring items	2 c)	-	(2,421,373)
Operating profit		3,738,583	2,925,643
Financial income (including foreign exchange gain)	27	135,437	136,803
Financial cost (including foreign exchange loss)	27	(1,632,107)	(1,308,737)
Financial cost, net		(1,496,670)	(1,171,934)
Share in losses of associates		(44,779)	(30,249)
Profit before income tax		2,197,134	1,723,460
Income tax	29	(883,032)	(817,330)
Net consolidated profit		Ps 1,314,102	Ps 906,130
Profit attributable to:			
Controlling interest		Ps 800,901	Ps 261,785
Non-controlling interest		513,201	644,345
		Ps 1,314,102	Ps 906,130
Basic and diluted earnings per share (in Mexican pesos)		Ps 0.38	Ps 0.12
Weighted average of outstanding shares (in thousands)		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, 2014 and 2013

(In thousands of Mexican pesos)

	Note	2014	2013
Net consolidated profit		Ps 1,314,102	Ps 906,130
Other items of comprehensive income of the year, net of taxes:			
Items that will not be reclassified to the statement of income:			
Remeasurement of obligations for employee benefits	20, 29	(217,489)	377,934
Items that will be reclassified to the statement of income:			
Effect of derivative financial instruments designated as cash flow hedges	16, 29	(674,507)	196,931
Translation effect	23, 29	2,416,988	27,918
Share on other comprehensive income of associates and joint ventures		1,694	-
Total other comprehensive income for the year		1,526,686	602,783
Total comprehensive income for the year		Ps 2,840,788	Ps 1,508,913
Attributable to:			
Controlling interest		Ps 1,931,557	Ps 813,879
Non-controlling interest		909,231	695,034
Total comprehensive income for the year		Ps 2,840,788	Ps 1,508,913

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, 2014 and 2013

(In thousands of Mexican pesos)

	Note	Capital stock	Share premium	Retained earnings	Other reserves	Total attributable to controling interest	Non- controlling interest	Total stockholders' equity
Balances at January 1, 2013		Ps 6,051,880	Ps 9,071,074	Ps 11,006,758	Ps 50,264	Ps 26,179,976	Ps 3,471,186	Ps 29,651,162
Net profit				261,785	-	261,785	644,345	906,130
Total other comprehensive income for the year					552,094	552,094	50,689	602,783
Total comprehensive income for the year				261,785	552,094	813,879	695,034	1,508,913
Dividends declared	23			(2,959,455)		(2,959,455)	(1,093,233)	(4,052,688)
Effects from adoption of new accounting policies				(16,522)		(16,522)	(3,201)	(19,723)
Balances at December 31, 2013		6,051,880	9,071,074	8,292,566	602,358	24,017,878	3,069,786	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 declared to the non-controlling interest	23					-	(96,129)	(96,129)
Changes of the non-controlling interest	23					-	12,287	12,287
Balances at December 31, 2014		Ps 6,051,880	Ps 9,071,074	Ps 8,880,764	Ps 1,945,717	Ps 25,949,435	Ps 3,895,175	Ps 29,844,610

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, 2014 and 2013

(In thousands of Mexican pesos)

	Note	2014	2013
Cash flows from operating activities			
Profit before income tax		Ps 2,197,134	Ps 1,723,460
Depreciation and amortization	11, 12	1,839,420	2,024,584
Impairment of property, plant and equipment	2c), 11, 26	4,948	2,394,025
Impairment of investment in joint ventures		126,906	-
Gain on sale of property, plant and equipment		(286)	(2,505)
Share in losses of associates	13	44,779	30,249
Finance cost, net		1,293,363	953,330
Loss on changes in the fair value of derivative financial instruments		95,366	25,119
Employees' profit sharing and provisions		(193,331)	19,152
Subtotal		5,408,299	7,167,414
Decrease in trade receivables		978,763	678,107
Decrease (increase) in accounts receivable from related parties		724,793	(101,764)
Decrease (increase) in other accounts receivable		106,652	(181,312)
Decrease (increase) in inventories		695,120	(478,671)
Increase (decrease) in accounts payable		171,404	(584,257)
(Decrease) increase in accounts payable to related parties		(130,155)	173,536
Income tax paid		(1,337,962)	(1,093,442)
Employees' profit sharing paid		(6,528)	(32,717)
Net liability for retirement obligation		(17,398)	(5,063)
Net cash flows generated from operating activities		6,592,988	5,541,831
Cash flows from investing activities			
Interest received		102,485	98,156
Acquisition of property, plant and equipment		(1,437,108)	(1,482,807)
Acquisition of intangible assets		(2,753,643)	(792,671)
Business acquisitions, net of cash acquired		(170,200)	-
Investment in joint ventures and associates		(352,481)	(69,270)
Derivative financial instruments		(23,346)	(128,399)
Dividends received		927	1,745
Others		216,863	(9,703)
Net cash flows used in investing activities		(4,416,503)	(2,382,949)
Cash flows from financing activities			
Proceeds from debt		4,637,739	7,143,535
Payments of debt		(5,083,537)	(7,083,615)
Interest paid		(870,239)	(1,058,968)
Dividends paid		-	(2,953,020)
Dividends paid to the non-controlling interest		(96,129)	(1,093,233)
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		(1,503,465)	(5,045,301)
Increase (decrease) in cash and cash equivalents		673,020	(1,886,419)
Foreign exchange on cash and cash equivalents		333,708	(31,054)
Cash and cash equivalents at beginning of year		4,737,088	6,654,561
Cash and cash equivalents at end of year		Ps 5,743,816	Ps 4,737,088

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
Notes to the consolidated financial statements
At December 31, 2014 and 2013

(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 and chemicals business segment, comprising the production of polypropylene (PP), expandable polystyrene (EPS), polyurethane (PU), caprolactam (CPL), fertilizers and other chemicals, serves a wide range of markets, including the consumer goods, food and beverage packaging, automotive, construction, agriculture, oil industry, pharmaceutical markets and other markets.

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

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

The Company 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 and Argentina.

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

2014

a) Buy/sale of assets agreement of Polyurethane (PU) business in the Americas

During the month of July 2014, Alpek and BASF ("BASF") announced the signature of agreement related to their business of EPS and PU of their joint venture Polioles, S. A. de C. V. ("Polioles") in Mexico, as well as the EPS business of BASF in North and South America, excluding the business Neopor ® (grey EPS). Afterwards, in December 2014, in order to carry out the transactions the final agreements were signed considering March 31, 2015 as the closing date.

b) 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 was derived from the agreement signed by Alpek in 2012 to invest approximately US$130 million in an electrical and steam energy cogeneration project through its subsidiary Grupo Petrotemex, S. A. de C. V. ("Grupo Petrotemex"). This cogeneration plant, which will supply its PTA and PET plants located in Cosoleacaque, Veracruz, Mexico, will generate approximately 95 megawatts of electricity as well as all the steam needed to cover the requirements of these plants. The cogeneration plant will also supply energy to other Alfa entities outside of Cosoleacaque.

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

c) 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") - and 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.

In an analysis performed by Management, it was assessed whether Alpek has control over JVC in accordance with IFRS 10 "Consolidated Financial Statements". The conclusion of such analysis on control indicates that as of the date of the acquisition and at December 31, 2013, Alpek has joint control and the investment should be treated as a joint venture, which in the opinion of Management it is not material for the group; therefore, it is accounted for using the equity method. During 2014, Alpek 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.

2013

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

During April 2013, 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, Alpek will pay US$350 million to M&G during the construction of the Plant and will obtain supply rights of the Plant for 400 thousand tons of PET (manufactured with 336 thousand tons of PTA) a year. In accordance with the supply agreement, Alpek 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 in 2016. At December 31, 2014, Alpek has made payments amounting to US$198.8 million. See Note 31.

b) Intangibles from licenses with Basell

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

Until July 1, 2013 it was required to pay the royalties referred to in the preceding paragraph, based on 1.22% of net sales. The royalty payments would be made until Indelpro completed a total of US$11 million as compensation, this amount was calculated as the net present value at the date the contract was signed (2004), using an annual discount rate of 8%, according to what was established in the contract. The contract also includes the option for Indelpro to pay in advance the maximum amount of royalties indicated above. On April 26, 2013, Indelpro decided to prepay to Basell Poliolefine Italy, S. r. l. the maximum amount of royalties and determined that the total was US$21 million (Ps 258,480), equivalent to the value of US$11 million updated by the rate previously mentioned, from the date of the contract conclusion until the date of payment. This payment was recorded as an intangible asset and will be amortized according to the useful life of the contract. See Note 12.

c) Closing of Cape Fear plants in North Carolina

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

The Company had communications with authorities in North Carolina and it committed to the dismantling and demolition of assets, as well as to the environmental remediation for damages caused after the starting plant's operations. In this sense, the Company estimated costs of Ps 859,096 (approximately US$67 million) initially recognized as part of the assets associated to the plant, additionally, for costs attributable to the closing, such as restructuring costs, the Company estimated Ps 197,624 (US$15.5 million) resulting in a total of Ps 1,056,720 (US$82.2 million) as a provision for dismantling and demolition, environmental remediation and restructuring costs. Out of this amount, the Company has disbursed Ps 190,551 (US$ 13.9 million) and Ps 191,413 (US$ 14.7 million) in 2014 and 2013, respectively. At December 31, 2014, the balance of this provision amounts to Ps 789,895 (US$ 53.6 million). This amount will be disbursed during the following two years.

During 2013, the Company also performed impairment tests of assets associated to the plant and recorded a charge for impairment related to these assets for Ps 2,223,749 (US$173 million). The total impact on the net income of the Company for this restructuring event amounted to Ps 1,501,251 (US$117 million), composed of Ps 2,421,373 (US$189 million) for restructuring costs and impairment of assets, which were recorded as non-recurring items within the operating income less Ps 920,122 (US$72 million) of deferred tax.

d) Issuance of debt of Alpek 144A

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

Note 3 - Summary of significant accounting policies

The accompanying consolidated financial statements and notes were authorized for issuance on January 28, 2015, 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.

Subsidiaries are consolidated since the date on which the Company obtains the control and up to the date it loses that control.

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

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred 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.

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, 2014 and 2013, the mains subsidiaries of Alpek were:

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

[1] Companies incorporated in Mexico, except those indicated.

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) Foreign currency translation

i. Functional and presentation currency

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

ii. Transactions and balances

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

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

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 non-monetary 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 of the period they arose in.

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

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

a. Assets and liabilities at December 31, 2014 and 2013 were translated at the closing exchange rates of 14.72 and 13.08 mexican pesos/dollar, respectively.

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 rates (unless this average is not a reasonable approximation of the cumulative effect of the exchanges rates prevailing on the transaction dates, in which case income and expenses should be translated at these exchanges rates), which amounted 13.30 and 12.82 mexican pesos/dollar for the years ended December 31, 2014 and 2013, respectively.

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

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

d) 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, 2014 and 2013 the Company had no such investments.

iv. Financial assets available for sale

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

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

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

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

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

In the event that the carrying amount of the asset is greater than its recoverable amount, a decrease in value is recorded for presenting at its recoverable amount.

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

j) Intangible assets

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

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

Intangible assets are classified as follows:

i. Indefinite useful life. - These intangible assets are not amortized and are subject to annual impairment assessment. As of December 31, 2014 and 2013, no factors have been identified limiting the useful life of these intangible assets.

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

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

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

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 will be obtained and the Company intends and has sufficient resources to complete the development and to use or sell the asset. Their amortization is recognized in income by the straight-line method over the estimated useful life of the asset. Development expenditures that do not qualify for capitalization are recognized in income as incurred.

k) Impairment of non-financial assets

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

l) Income tax

The 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.

m) Employee benefits

i. Pension plans

Defined contribution plans:

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

Defined benefit plans:

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

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the 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.

n) 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.

o) Sharebased payments

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

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

p) Treasury shares

The Shareholders' Meeting periodically authorizes a maximum amount for the acquisition of the Company's own shares. Upon the occurrence of a repurchase of its own shares, they become treasury shares and the amount is charged to stockholders' equity at purchase price: a portion to capital stock at its modified historical value, and the balance to retained earnings. These amounts are stated at their historical value. At December 31, 2014 and 2013, there aren't shares in treasury.

q) Capital stock

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

r) Comprehensive income

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

s) Segment reporting

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

t) Revenue recognition

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

Revenues are recognized when the following conditions are fulfilled:

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

The revenue recognition criteria depend on the contractual conditions with the Company's 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.

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

u) Earnings per share

Earnings (losses) per share are calculated by dividing the profit (loss) attributable to the shareholders of the parent by the weighted average number of common shares outstanding during the year. At December 31, 2014 and 2013, there are no dilutive effects from financial instruments potentially convertible into shares.

v) Non-recurring items

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

w) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards effective at January 1, 2014. The nature and impact of each new standard or modification are described as follows:

- IAS 32, 'Financial instruments: Presentation' on December 2011, the IASB modifies the IAS 32. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the consolidated financial statements.

- IAS 39, 'Financial instruments: Recognition and measurement' on September 2013, the IASB modifies the IAS 39 on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Company has applied the amendment and there has been no significant impact on the consolidated financial statements.

- IFRIC 21, 'Levies' on May 2013, the IASB modifies the IFRIC 21 the interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Company is not currently subjected to significant levies so the impact on the Company is not material.

x) New accounting pronouncements not early adopted by the company

Following are the new pronouncements and amendments issued and effective for years subsequent to 2014 that have not been early adopted by the Company.

IFRS 15, 'Revenue from contracts with customers' issued on May 2014, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company is in the process of assessing the impact on the consolidated financial statements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in the Company's own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one Management used for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is in the process of assessing the impact of the IFRS 9's on the consolidated financial statements.

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

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

Note 4 - Financial risk management

4.1 Financial risk factors

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

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

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	Annual cumulative 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 US 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 US 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 31,465 and Ps 7,295, 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 2014 and 2013 was 4.32 and 3.72 US dollars, respectively.

At December 31, 2014, 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, 2014 and 2013, 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 2014 and 2013.

iii. Interest rate risk and cash flow

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

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

At December 31, 2014 and 2013, if interest rates on variable rate loans were increased/decreased by 10%, interest expense, in the income statement, would increase/decrease by Ps 3,920 and Ps 3,495, 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 2014 and 2013, 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, 2014 and 2013, 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, 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	160,689	746,381	1,451,067	2,827,257
Affiliated companies	683,196	-	-	-
Suppliers	9,881,575	-	-	-
Other accounts payable and accrued expenses	1,676,055	-	-	-
Derivative financial instruments	796,283	100,271	148,382	-
Debt (excluding issuance expenses)	-	360,147	1,026,459	432,156
Senior notes (excluding issuance expenses)	-	-	-	13,959,263

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At December 31, 2013				
Current portion of long-term debt	Ps 261,530	Ps -	Ps -	Ps -
Short-term bank loans	447,190	-	-	-
Notes payable	44,363	-	-	-
Cumulative interest payable	139,093	616,478	1,197,653	3,093,232
Affiliated companies	395,964	-	-	-
Suppliers	8,847,817	-	-	-
Other accounts payable and accrued expenses	1,176,250	-	-	-
Derivative financial instruments	19,352	6,559	7,240	-
Debt (excluding issuance expenses)	-	873,909	588,442	-
Senior notes (excluding issuance expenses)	-	-	-	12,400,441

(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, 2014 and 2013 the Company has unused committed credit lines for a total of 345 and 273 million of 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 1.19 and 1.15 at December 31, 2014 and 2013, respectively.

4.3 Fair value estimation

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

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Other valuations including quoted prices for similar instruments in active markets that are directly or indirectly observable.
- Level 3: Valuations made through techniques wherein one or more of their significant data inputs are non-observable.

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

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments with trading accounting treatment	Ps -	Ps -	Ps -	Ps -
Derivative financial instruments with hedge accounting treatment	-	-	-	-
Financial assets available for sale	-	-	128,475	128,475
Total	Ps -	Ps -	Ps 128,475	Ps 128,475
Liabilities				
Derivative financial instruments with trading accounting treatment	Ps -	Ps 85,113	Ps -	Ps 85,113
Derivative financial instruments with hedge accounting treatment	-	959,823	-	959,823
Total	Ps -	Ps 1,044,936	Ps -	Ps 1,044,936

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

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments with trading accounting treatment	Ps -	Ps 58,477	Ps -	Ps 58,477
Derivative financial instruments with hedge accounting treatment	-	28,015	-	28,015
Financial assets available for sale	-	-	92,581	92,581
Total	Ps -	Ps 86,492	Ps 92,581	Ps 179,073
Liabilities				
Derivative financial instruments with trading accounting treatment	Ps -	Ps 1,832	Ps -	Ps 1,832
Derivative financial instruments with hedge accounting treatment	-	31,319	-	31,319
Total	Ps -	Ps 33,151	Ps -	Ps 33,151

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, 2014 and 2013, there were no signs of impairment.

b) Income tax

The Company is subject to income taxes in numerous jurisdictions and critical judgment is required to determine the global income tax provisions. There are many transactions and calculations for which the ultimate tax determination 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 32,957.

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 52,247.

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 of 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,	
	2014	2013
Cash and bank accounts	Ps 1,792,869	Ps 1,790,898
Short-term bank deposits	3,950,947	2,946,190
Cash and cash equivalents	Ps 5,743,816	Ps 4,737,088

Note 7 - Restricted cash and cash equivalents

The Company has restricted cash of approximately Ps 3,185 and Ps 2,840 at December 31, 2014 and 2013. 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,	
	2014	2013
Trade receivables	Ps 10,169,506	Ps 10,008,669
Provision for impairment in trade receivables	(392,579)	(332,601)
Trade receivables, net	9,776,927	9,676,068
Accounts receivable from related parties (Note 9)	1,389,713	1,429,908
Recoverable taxes	1,819,293	1,402,607
Interest receivable	15	940
Other debtors	260,422	325,412
Current portion	Ps 13,246,370	Ps 12,834,935

Customers and other accounts receivable include past-due balances of Ps 1,476,294 and Ps 1,743,399 at December 31, 2014 and 2013, respectively.

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

	At December 31, 2014			
	Past due balances			
	1 to 30 days	30 to 90 days	90 to 180 days	More than 180 days
Trade and other accounts receivable	Ps 688,165	Ps 154,115	Ps 24,421	Ps 609,593

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

At December 31, 2014 and 2013, trade and other accounts receivable of Ps 392,579 and Ps 332,601, 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:

	2014	2013
Initial balance (January 1)	(Ps 332,601)	(Ps 241,897)
Provision for impairment in trade receivables	(87,495)	(160,565)
Receivables written off during the year	23,928	4,292
Provision for unused written off impairment	3,589	65,569
Final balance (December 31)	(Ps 392,579)	(Ps 332,601)

The maximum risk in accounts receivable is the carrying amount at December 31, 2013.

Note 9 - Related party transactions

Related party transactions were carried out at market values.

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

	At December 31, 2013							
		Loans granted to related parties						
	Accounts receivable	Amount	Currency	Maturity date DD/MM/YY	Interest rate	Accounts payable	Amount	Currency
Alfa	Ps 189,782	Ps 312,570	USD	26/12/2014	7.33%	Ps -	Ps -	
	-	93,084[1]	USD			-	-	
Affiliate	231,192	321,573	USD	16/06/2014	3.59%	25,622	103,586[2]	MXN
	-	56,918	USD	30/05/2014	2.53%	-	-	
	-	13,077	USD	15/01/2014	3.59%	-	-	
	-	13,000	USD	16/06/2014	6.87%	-	-	
	-	13,938[1]	USD / MXN					
Partners with significant influence over certain subsidiaries	184,774	-				266,756	-	
Total	Ps 605,748	Ps 824,160				Ps 292,378	Ps 103,586	

[1] Are the interests accrued corresponding to the loans included.

[2] Is an account payable from a sale of assets.

Revenue and other with related parties

	Year ended December 31, 2014							
	Finished goods	Raw materials	Interest	Dividends	Administrative services	Energetics	Lease	Other
Alfa	Ps -	Ps -	Ps 23,731	Ps -	Ps -	Ps -	Ps -	Ps -
Affiliate	267,274	4,860	8,602	-	84,863	56,129	-	-
Associated	-	-	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

	Year ended December 31, 2013							
	Finished goods	Raw materials	Interest	Dividends	Administrative services	Energetics	Lease	Other
Alfa	Ps -	Ps -	Ps 22,775	Ps -	Ps -	Ps -	Ps -	Ps -
Affiliate	333,122	12,805	14,537	-	43,444	-	-	1,301
Associated	-	-	-	1,745	-	-	-	-
Shareholders with significant influence over subsidiaries	1,960,637	-	-	-	-	-	7,035	275
Total	Ps 2,293,759	Ps 12,805	Ps 37,312	Ps 1,745	Ps 43,444	Ps -	Ps 7,035	Ps 1,576

Cost of sales and expenses with related parties

	Year ended December 31, 2014							
	Finished goods	Raw materials	Administrative services	Technical assistance	Energetics	Lease	Commissions	Other
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

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

For the year ended December 31, 2014, wages and benefits received by top officials of the Company were Ps 250,921 (Ps 225,791 in 2013), 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, 2014 and 2013.

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,	
	2014	2013
Finished goods	Ps 5,937,774	Ps 6,490,653
Raw material and other consumables	4,175,773	4,075,258
Materials and tools	877,025	728,708
Work in process	495,336	483,095
	Ps 11,485,908	Ps 11,777,714

For the years ended at December 31, 2014 and 2013, the cost of raw materials used and the changes in inventories of work in process and finished goods recognized in the cost of sales amounted to Ps 79,757,100 and Ps 82,436,458, respectively.

For the years ended December 31, 2014 and 2013 it was recognized in the statement of income a provision amounting to Ps 18,894 and Ps 37,929, respectively, related to damaged, slow-moving and obsolete inventory.

At December 31, 2014 and 2013 there were no inventories in guarantee.

Note 11 – Property, plant and equipment, net

	Land	Buildings and constructions	Machinery and equipment	Transportation equipment	Furniture, lab and information technology equipment	Construction in process	Others fixed assets	Total
At January 1, 2013								
Deemed cost	Ps 2,746,401	Ps 8,816,950	Ps 41,050,792	Ps 214,804	Ps 903,908	Ps 1,330,506	Ps 388,357	Ps 55,451,718
Accumulated depreciation	-	(5,386,517)	(22,557,035)	(138,053)	(674,703)	-	-	(28,756,308)
Carrying amount at January 1, 2013	Ps 2,746,401	Ps 3,430,433	Ps 18,493,757	Ps 76,751	Ps 229,205	Ps 1,330,506	Ps 388,357	Ps 26,695,410
For the year ended December 31, 2013								
Translation effect	2,290	7,432	(24,601)	(1,194)	(16)	13,638	4,491	2,040
Additions	594	19,677	1,003,281	2,774	12,868	1,435,187	34,532	2,508,913
Disposals	(1,862)	(1,478)	(5,443)	(370)	(160)	(91)	(12,218)	(21,622)
Impairment	-	(328,262)	(1,956,524)	(2,000)	-	(25,863)	(81,376)	(2,394,025)
Depreciation charge recognized in the year	-	(191,571)	(1,585,695)	(15,280)	(63,483)	-	-	(1,856,029)
Transfers	2,959	(31,661)	330,450	1,309	52,552	(662,916)	78,509	(228,798)
Carrying amount at December 31, 2013	2,750,382	2,904,570	16,255,225	61,990	230,966	2,090,461	412,295	24,705,889
At December 31, 2013								
Deemed cost	2,750,382	8,400,983	39,969,052	210,160	970,629	2,090,461	412,295	54,803,962
Accumulated depreciation	-	(5,496,413)	(23,713,827)	(148,170)	(739,663)	-	-	(30,098,073)
Carrying amount at December 31, 2013	Ps 2,750,382	Ps 2,904,570	Ps 16,255,225	Ps 61,990	Ps 230,966	Ps 2,090,461	Ps 412,295	Ps 24,705,889
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	2,988,204	3,623,608	19,060,539	69,114	237,669	918,761	494,380	27,392,275
At December 31, 2014								
Deemed cost	2,988,204	9,965,060	47,019,030	243,598	1,131,484	918,761	494,380	62,760,517
Accumulated depreciation	-	(6,341,452)	(27,958,491)	(174,484)	(893,815)	-	-	(35,368,242)
Carrying amount at December 31, 2014	Ps 2,988,204	Ps 3,623,608	Ps 19,060,539	Ps 69,114	Ps 237,669	Ps 918,761	Ps 494,380	Ps 27,392,275

Depreciation expense of Ps 1,608,083 and Ps 1,840,795 has been charged in cost of sales, Ps 1,811 and Ps 2,070, in selling expenses and Ps 16,170 and Ps 13,164, in administrative expenses in 2014 and 2013, respectively.

During 2013, impairment charge of Ps 2,223,749 related to the closing of the Cape Fear plant (See Note 2), was recorded in the income statement within "Non-recurring items". Additionally, within the other expenses items, net, a charge for impairment amounting to Ps 170,276 (See note 26) was recorded.

The Company has capitalized costs of loans in qualified assets for Ps 90,064 and Ps 82,298 for the years ended December 31, 2014 and 2013, respectively. Costs from loans were capitalized at the weighted average rate of loans that amount to approximately 6.42%.

Note 12 – Goodwill and intangible assets, net

	Finite life						Indefinite life		
	Development costs	Trademarks	Non-compete agreements	Customer relationships	Software and licenses	Intellectual property rights and others	Goodwill	Others	Total
Cost									
At January 1, 2013	Ps 301,295	Ps 400	Ps 61,148	Ps 473,437	Ps 63,671	Ps 1,558,610	Ps 220,741	Ps 4,181	Ps 2,683,483
Translation effect	18,525	-	312	2,416	(1,255)	21,337	1,127	70	42,532
Additions	263,666	-	-	-	-	527,352	-	1,653	792,671
At December 31, 2013	583,486	400	61,460	475,853	62,416	2,107,299	221,868	5,904	3,518,686
Additions	5,710	-	94,387	-	21,316	2,703,416	-	310	2,825,139
Translation effect	73,599	-	10,324	59,735	6,422	429,031	27,851	777	607,739
Additions through business combination	-	-	31,709	-	-	-	-	-	31,709
Transfers	-	-	-	-	-	27,760	-	-	27,760
At December 31, 2014	662,795	400	197,880	535,588	90,154	5,267,506	249,719	6,991	7,011,033
Amortization									
At January 1, 2013	(162,286)	(400)	(29,302)	(66,133)	(32,500)	(149,367)	-	-	(439,988)
Amortization	(35,043)	-	(15,068)	(36,997)	(4,631)	(76,816)	-	-	(168,555)
Translation effect	(1,076)	-	(446)	(1,066)	1,190	(2,275)	-	-	(3,673)
At December 31, 2013	(198,405)	(400)	(44,816)	(104,196)	(35,941)	(228,458)	-	-	(612,216)
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)	(400)	(98,776)	(159,739)	(43,199)	(359,487)	-	-	(928,123)
Net carrying amount									
Cost	583,486	400	61,460	475,853	62,416	2,107,299	221,868	5,904	3,518,686
Amortization	(198,405)	(400)	(44,816)	(104,196)	(35,941)	(228,458)	-	-	(612,216)
At December 31, 2013	Ps 385,081	Ps -	Ps 16,644	Ps 371,657	Ps 26,475	Ps 1,878,841	Ps 221,868	Ps 5,904	Ps 2,906,470
Cost	662,795	400	197,880	535,588	90,154	5,267,506	249,719	6,991	7,011,033
Amortization	(266,522)	(400)	(98,776)	(159,739)	(43,199)	(359,487)	-	-	(928,123)
At December 31, 2014	Ps 396,273	Ps -	Ps 99,104	Ps 375,849	Ps 46,955	Ps 4,908,019	Ps 249,719	Ps 6,991	Ps 6,082,910

Of the total amortization expenses: Ps 213,223 and Ps 168,384 were charged to cost of sales, Ps 97 and Ps 40 to selling expenses and Ps 36 and Ps 131 to administrative expenses in 2014 and 2013, respectively.

Research expenses and development incurred and recorded in the results of 2014 and 2013 were Ps 40,994 and Ps 37,872, respectively.

Management assesses its operations through two business segments: the Polyester business chain and the Plastics and Chemicals business, see Note 30. The goodwill was originated and is presented in the Polyester segment.

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 249,719 and Ps 221,868 at December 31, 2014 and 2013, 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 2014 and 2013 were as follows:

	2014	2013
Estimated gross margin	4.0%	4.0%
Growth rate	3.8%	3.8%
Discount rate	9.8%	10.2%

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,	
	2014	2013
Other receivables, net	Ps 103,202	Ps 190,513
Financial assets available for sale [(1)]	128,475	92,581
Investment in associates [(2)]	149,931	(27,862)
Joint agreements [(3)]	-	69,163
Other non-current financial assets	316,271	302,690
Total other non-current assets	Ps 697,879	Ps 627,085

(1) Financial assets available for sale:

	At December 31,	
	2014	2013
Unlisted shares		
Investment in shares with third parties	Ps 128,475	Ps 92,581

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

	2014		2013	
Balance at January 1	Ps	92,581	Ps	92,208
Translation effect		10,089		266
Additions		25,912		107
Disposals		(107)		-
Balance at December 31	Ps	128,475	Ps	92,581

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

	At December 31,			
	2014		2013	
USD	Ps	88,308	Ps	52,306
MXN		40,167		40,167
Other currencies		-		108
Total	Ps	128,475	Ps	92,581

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:

	2014		2013	
Net loss	(Ps	155,528)	(Ps	119,986)
Other comprehensive income	Ps	-	Ps	-
Comprehensive income	(Ps	155,528)	(Ps	119,986)
Investment in associates at December 31	(Ps	149,931)	(Ps	27,862)

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

(3) Joint arrangements

As indicated in Note 2 2014 c) the investment in RusPet began in 2013 and corresponds to the construction of a plant, which had no operations in 2014.

Note 14 – Subsidiaries with significant non-controlling interest

The significant non-controlling interest for the year ended December 31, 2014 and 2013 is integrated as follows:

	Non-controlling ownership percentage	Non-controlling interest income for the period 2014	2013	Non-controlling interest at December 31, 2014	2013
Indelpro, S. A. de C. V. and subsidiary	49%	Ps 303,590	Ps 334,119	Ps 2,574,644	Ps 2,079,547
Polioles, S. A. de C. V. and subsidiary	50%	226,241	290,620	829,038	539,058

The summarized financial information at December 31, 2014 and 2013 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	
	2014	2013	2014	2013
Current asset	Ps 3,908,340	Ps 3,042,245	Ps 3,295,428	Ps 2,672,088
Non-current asset	5,492,256	5,046,062	1,181,138	1,037,738
Current liability	1,822,647	1,701,750	1,906,511	1,845,783
Non-current liability	2,323,573	2,142,584	911,978	785,928
Stockholders' equity	5,254,376	4,243,973	1,658,077	1,078,115
Revenues	10,297,976	9,092,372	9,646,578	9,219,839
Net profit	619,570	681,876	452,482	581,240
Comprehensive income for the year	1,206,585	732,494	579,961	613,699
Comprehensive income attributable to non-controlling interest	591,227	358,922	289,981	306,849
Dividends paid to non-controlling percentage	96,129	512,767	-	461,536
Cash flows from operating activities	645,248	942,966	447,201	784,186
Net cash used in investing activities	(122,026)	(284,479)	(101,431)	(46,409)
Net cash used in financing activities	(543,624)	(796,086)	(255,926)	(814,885)
Net (decrease) increase in cash and cash equivalents	(14,488)	(138,394)	142,357	(67,879)

Note 15 - Financial instruments

a) Financial instruments by category

	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
Derivative financial instruments with trading accounting treatment	-	-	-	-	-
Derivative financial instruments with hedge accounting treatment	-	-	-	-	-
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 326,914	Ps -	Ps -	Ps -	Ps 326,914
Suppliers and other accounts payable	10,564,770	-	-	-	10,564,770
Derivative financial instruments with hedge accounting treatment	-	-	-	959,823	959,823
Derivative financial instruments with trading accounting treatment	-	-	85,113	-	85,113
	Ps 10,891,684	Ps -	Ps 85,113	Ps 959,823	Ps 11,936,620

	At December 31, 2013				
	Trade receivables and liabilities, at amortized cost	Available for sale	Financial assets and liabilities at fair value through profit and loss	Derivative designated for hedging	Total
Financial assets:					
Cash and cash equivalents	Ps 4,737,088	Ps -	Ps -	Ps -	Ps 4,737,088
Restricted cash and cash equivalents	2,840	-	-	-	2,840
Trade and other receivable	12,834,934	-	-	-	12,834,934
Derivative financial instruments with trading accounting treatment	-	-	58,477	-	58,477
Derivative financial instruments with hedge accounting treatment	-	-	-	28,015	28,015
Assets available for sale	-	92,581	-	-	92,581
	Ps 17,574,862	Ps 92,581	Ps 58,477	Ps 28,015	Ps 17,753,935
Financial liabilities:					
Debt	Ps 753,083	Ps -	Ps -	Ps -	Ps 753,083
Suppliers and other accounts payable	9,243,781	-	-	-	9,243,781
Derivative financial instruments with hedge accounting treatment	-	-	-	31,319	31,319
Derivative financial instruments with trading accounting treatment	-	-	1,832	-	1,832
	Ps 9,996,864	Ps -	Ps 1,832	Ps 31,319	Ps 10,030,015

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,	
	2014	2013
Trade and other receivables Counterparties with external credit rating		
"A+"	Ps -	Ps 134,445
"A-"	633	175,679
"A"	124	56,322
"AAA"	45,518	-
"AA"	97,023	-
"AA-"	32	-
"B"	159,072	-
"B+"	15,543	-
"BBB+"	58,729	73,723
"BBB"	325,326	300,216
"BBB-"	1,908	-
"BB"	8,718	77,653
"BB+"	-	50,388
"BB-"	1,180,048	1,003,707
Other categories	461,277	546,686
	2,353,951	2,418,819
Counterparties without external credit rating		
Type of costumers X	9,208,510	9,124,308
Type of costumers Y	907,124	808,710
Type of costumers Z	22,493	10,794
	10,138,127	9,943,812
Total unimpaired trade receivables	Ps 12,492,078	Ps 12,362,631

	At December 31,	
	2014	2013
Cash and cash equivalents with or without restriction, not including petty cash		
"A+"	Ps 931,412	Ps 118,337
"A-"	559,217	474,787
"A"	1,868,851	409,644
"BBB+"	1,317,396	1,452,549
"BBB"	194,785	280,271
"BB+"	80,916	100,020
Other categories	276,986	1,804,502
Not rated	516,495	99,217
	Ps 5,746,058	Ps 4,739,327
Derivative financial instruments		
"AA-"	Ps -	Ps 12,685
"A"	-	36,761
"A+"	-	722
"A-"	-	19,704
"BBB+"	-	7,210
Not rated	-	9,410
	Ps -	Ps 86,492

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.

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

	At December 31, 2014		At December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-current receivable	Ps 103,202	Ps 91,612	Ps 190,513	Ps 178,724
Financial liabilities				
Non-current debt	15,778,025	16,107,121	13,862,792	13,502,707

The estimated fair values were determined based on discounted cash flows. These fair values consider the non-current portion, of financial assets and liabilities, since the current portion approximates to their fair value. This is a fair value measurement of level 3.

Note 16 - Derivative financial instruments

The effectiveness of derivative financial instruments designated as hedges is measured periodically. At December 31, 2014 and 2013 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, 2014 and 2013.

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

At December 31, 2014

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

At December 31, 2013

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

Type of derivative, value or contract	Notional amount	Underlying asset			Maturity		
		Unit	Reference	Fair 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 -

At December 31, 2013

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

[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, 2014

Type of derivative, value or contract	Notional amount	Underlying asset			Maturity		
		Unit	Reference	Fair value	2015	2016	2017+
With hedge accounting treatment:							
Ethylene [1]	Ps 7	Cent. Dollar / 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)

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

[1] Cash flow hedges

At December 31, 2014 and 2013, the net fair value of derivative financial instruments, above mentioned amounts to (Ps 1,044,936) and Ps 53,341, respectively, which is shown in the consolidated statements of financial position as follows:

	Fair value at December 31, 2014	2013
Current asset	Ps -	Ps 86,492
Current liability	(757,011)	(7,315)
Non-current liability	(287,925)	(25,836)
Net position	(Ps 1,044,936)	Ps 53,341

At December 31, 2014 and 2013 there is no collateral in derivative financial instruments.

Note 17 - Suppliers and other accounts payable

	At December 31, 2014	2013
Suppliers	Ps 9,881,574	Ps 8,847,817
Balances with related parties (Note 9)	683,196	395,964
	Ps 10,564,770	Ps 9,243,781

Note 18 - Provisions

	Restructuring and demolition	Environmental remediation	Indemnities from dismissal and others	Total
At January 1, 2013	Ps -	Ps -	Ps -	Ps -
Additions from restructuring	493,891	365,205	197,624	1,056,720
Translation effect	7,225	6,406	5,376	19,007
Payments	(67,762)	-	(123,651)	(191,413)
At December 31, 2013	433,354	371,611	79,349	884,314
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	Ps 332,360	Ps 400,398	Ps 57,137	Ps 789,895

	2014	2013
Short-term provisions	Ps 761,652	Ps 832,632
Long-term provisions	28,243	51,682
At December 31	Ps 789,895	Ps 884,314

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

Note 19 - Debt

	At December 31, 2014	At December 31, 2013
Current:		
Bank loans (1)	Ps 290,388	Ps 447,190
Current portion of non-current debt	11,166	261,530
Notes payable (1)	25,360	44,363
Current debt	Ps 326,914	Ps 753,083
Non-current:		
Senior Notes (3)	Ps 13,846,890	Ps 12,293,991
Unsecured Bank loans (3)	1,829,928	1,723,881
Total (2)	15,676,818	14,017,872
Less: current portion of non-current debt	(11,166)	(261,530)
Non-current debt	Ps 15,665,652	Ps 13,756,342

(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 112,373 and Ps 106,450, for 2014 and 2013, respectively.

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

Description	Currency	Contractual value of debt	Debt issuance cost	Balance at December 31, 2014	Balance at December 31, 2013	Maturity date DD/MM/YY	Interest rate
Senior Notes 144A/Reg. S accruing annual interest of 4.50%. Guaranteed by Grupo Petrotemex, Temex, Akra, DAK Americas, DAK Resinas and DAK Mississippi	USD	9,566,700	74,645	9,469,218	8,405,182	20-Nov-22	4.50%
Senior Notes 144A/Reg. S accruing annual interest of 5.375%. Guaranteed by Grupo Petrotemex, Temex, Akra, DAK Americas, DAK Resinas and DAK Mississippi	USD	4,415,400	37,728	4,377,672	3,888,809	8-Aug-23	5.38%
Total Senior Notes				Ps 13,846,890	Ps 12,293,991		

Description	Currency	Balance at December 31, 2014	Balance at December 31, 2013	Maturity date DD/MM/YY	Interest rate
Bank loan bearing annual interest of Libor + 1.60%	USD	735,900	-	19-Dec-19	1.93%
Bank loan bearing annual interest of Libor + 1.18%	USD	294,360	-	01-Apr-17	1.49%
Bank loan bearing annual interest of Libor + 1.10%	USD	294,360	-	02-Apr-18	1.43%
Bank loan bearing annual interest of BADLAR +2.00%	Argentine Peso	43,455	-	03-Oct-16	25.83%
Bank loan bearing annual interest of 19%	Argentine Peso	167,493	-	01-Apr-20	19.00%
Bank loan bearing annual interest of Libor + 1.50%.	USD	294,360	784,590	01-Apr-16	1.76%
Committed credit line that accrue annual interest of Libor + 1.60%	USD	-	285,466	31-Jan-15	1.77%
Bank loan bearing annual interest of Libor + 1.60%	USD	-	653,825	16-Aug-16	1.84%
Total unsecured bank loans		Ps 1,829,928	Ps 1,723,881		
TOTAL		Ps 15,676,818	Ps 14,017,872		

At December 31, 2014, the annual maturities of non-current debt are as follows:

	2016	2017	2018	2019 onwards	Total
Bank loans	Ps 360,147	Ps 325,067	Ps 701,392	Ps 432,156	Ps 1,818,762
Senior Notes	-	-	-	13,846,890	13,846,890
	Ps 360,147	Ps 325,067	Ps 701,392	Ps 14,279,046	Ps 15,665,652

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 2014 and 2013, 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.

Relevant debt transactions:

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

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

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

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

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

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

Note 20 - Employee benefits

The valuation of retirement plan employee benefits includes formal plans (covering approximately 64% of workers in 2014 and 2013) 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 2014 amounted to Ps 74,899 (Ps 43,844 in 2013).

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

	At December 31,	
	2014	2013
Liability for employees' benefits:		
Pension benefits	Ps 764,780	Ps 381,288
Post-employment medical benefits	154,349	175,644
	919,129	556,932
Defined contribution liability	44,854	-
Employees' benefits in the statement of financial position	Ps 963,983	Ps 556,932
Charge to the income statement for:		
Pension benefits	(Ps 42,629)	(Ps 34,157)
Post-employment medical benefits	(7,466)	(11,112)
	(50,095)	(45,269)
Remeasurement of obligations for employees' benefits recognized in the statement of comprehensive income for the year	(Ps 343,760)	Ps 598,160
Remeasurement of accumulated obligations for employees benefits	(Ps 227,570)	Ps 116,190

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,	
	2014	2013
Present value of defined benefit obligations	Ps 3,288,794	Ps 2,700,267
Fair value of plan assets	(2,524,014)	(2,318,979)
Employees' benefits in the statement of financial position	Ps 764,780	Ps 381,288

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

	2014	2013
At January 1	Ps 2,700,267	Ps 3,150,578
Service cost	34,622	32,154
Interest cost	128,846	119,474
Remeasurements:		
Gains from changes in financial assumptions	183,286	(288,066)
Gains from change in demographic assumptions and experience adjustments	221,456	(10,768)
Translation effect	286,754	9,129
Benefits paid [1]	(261,005)	(280,503)
Plan reductions [1]	(1,280)	(20,189)
Settlements	(4,152)	(11,542)
At December 31	Ps 3,288,794	Ps 2,700,267

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

	2014	2013
At January 1	(Ps 2,318,980)	(Ps 2,195,740)
Interest income	(115,407)	(85,740)
Remeasurements return on plan assets, excluding interest income	(26,394)	(268,388)
Translation effect	(228,358)	(7,590)
Contributions	(74,899)	(43,844)
Paid benefits [1]	240,023	282,323
At December 31	(Ps 2,524,015)	(Ps 2,318,979)

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

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

	2014	2013
Service cost	(Ps 34,622)	(Ps 32,154)
Net interest cost	(13,439)	(33,734)
Effect of reductions of plan and/or settlements	5,432	31,731
Total included in personal costs	(Ps 42,629)	(Ps 34,157)

The principal actuarial assumptions are as follows:

	At December 31,	
	2014	2013
Discount rate	MX 6.75%	MX 6.75%
	US 3.75%	US 4.65%
Inflation rate	4.25%	4.25%
Salary increase rate	5.25%	5.25%

The average life of defined benefit obligations is of 15.6 and 17.3 years at December 31, 2014 and 2013, 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 33,148	Increases by Ps 28,530
Discount rate	US 1%	Decreases by Ps 329,288	Increases by Ps 402,666

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 7.5% in 2014 and 8.0% in 2013.

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

	At December 31,			
	2014		2013	
Present value of defined benefit obligations	Ps	154,349	Ps	175,644
Fair value of plan assets		-		-
Employees' benefits in the statement of financial position	Ps	154,349	Ps	175,644

The movements of defined benefit obligations are as follows:

	2014		2013	
At January 1	Ps	175,644	Ps	202,450
Service cost		1,391		2,195
Interest cost		6,075		6,352
Employee contributions		8,926		7,625
Remeasurements:				
Gain from changes in financial assumptions		4,084		(2,716)
Gains from changes in demographic assumptions and experience adjustments		(38,672)		(28,222)
Translation effect		20,629		916
Plan reductions		-		2,565
Benefits paid		(23,728)		(15,521)
At December 31	Ps	154,349	Ps	175,644

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

	2014		2013	
Service cost	(Ps	1,391)	(Ps	2,195)
Net interest cost		(6,075)		(6,352)
Effect of reductions on plan and/or settlements		-		(2,565)
Total included in personal costs	(Ps	7,466)	(Ps	11,112)

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

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

Employee benefits

Plan assets are comprised as follows:

	At December 31,	
	2014	2013
Equity instruments	Ps 1,633,198	Ps 1,115,852
Cash and cash equivalents	890,816	1,203,127

Note 21 - Deferred taxes

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

	At December 31,	
	2014	2013
Deferred tax asset:		
- To be recovered for more than 12 months	Ps 178,117	Ps 163,515
- To be recovered within 12 months	78,880	53,082
	256,997	216,597
Deferred tax liability:		
- To be payable in more than 12 months	(3,699,349)	(3,912,960)
- To be payable within 12 months	(556,257)	(431,308)
	(4,255,606)	(4,344,268)
Deferred tax, net	(Ps 3,998,609)	(Ps 4,127,671)

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

	2014	2013
At January 1	(Ps 4,127,671)	(Ps 4,213,832)
Translation effect	(421,032)	20,335
To retained earnings	(777)	7,550
Business acquisitions	(23,919)	-
Credit to income statement	97,746	363,587
Credit (charge) to other items of comprehensive income	477,044	(305,311)
At December 31	(Ps 3,998,609)	(Ps 4,127,671)

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

	2014	2013
Asset:		
Inventories	Ps 25,308	Ps 175,090
Trade and other receivables, net	4,767	(3,695)
Property, plant and equipment, net	5,790,754	3,946,048
Tax loss carryforwards	(715,750)	(552,325)
Derivative financial instruments	-	(30,562)
Total	5,105,079	3,534,556
Liability:		
Provisions	(817,352)	687,890
Derivative financial instruments	(229,375)	-
Other temporary differences, net	(59,743)	(94,775)
Total	(1,106,470)	593,115
Net deferred tax liability	Ps 3,998,609	Ps 4,127,671

At December 31, 2014, the subsidiaries have accumulated tax loss carryforwards for a total of Ps 2,385,834 expiring as shown below:

Loss incurred in the year	Tax loss carryforwards	Year of maturity
2005	Ps 19,605	2015
2006	-	2016
2007	10,613	2017
2008	63,427	2018
2009	6,152	2019
2010	6,835	2020
2011	967,242	2021
2012	4,601	2022
2013	271,894	2023
2014	1,035,465	2024
	Ps 2,385,834	

Note 22 – Other current liabilities

	At December 31, 2014	At December 31, 2013
Taxes	Ps 683,972	Ps 516,251
Accumulated expenses	429,593	300,719
Accrued interest payable	160,689	139,093
Short-term employee benefits	388,733	324,416
Employees' profit sharing	4,069	7,108
Prepayments from costumers	18,375	15,231
Other	151,311	12,526
Total other current liabilities	Ps 1,836,744	Ps 1,315,344

Note 23 - Stockholders' equity

At December 31, 2014 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, 2014 and 2013 the legal reserve amounts Ps 337,007 and Ps 182,032, respectively.

The movements in other reserves for 2014 and 2013 are shown as follows:

	Effect from foreign currency translation	Effect of cash flow hedge derivative instruments	Total
At January 1, 2013	Ps 310,262	(Ps 132,014)	Ps 178,248
Gains on fair value	-	282,016	282,016
Deferred tax asset on fair value gains	-	(85,085)	(85,085)
Effect in translation of foreign entities	27,918	-	27,918
At December 31, 2013	Ps 338,180	Ps 64,917	Ps 403,097
Gains 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	Ps 2,755,168	(Ps 609,590)	Ps 2,145,578

During 2014 Alpek has not declared dividends.

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

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

In 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.

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 2014. 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, 2014, 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 - Sharebased payments

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

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

The program consists in determining a number of shares which the executives will have a right to, that will be paid in cash over the next five years; i.e., 20% every year at the average price of the share at the end of each year. The average price of the share in 2014 and 2013 was 33.83 and 38.86, respectively.

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

	December 31,			
	2014		2013	
Short-term	Ps	21,257	Ps	32,393
Long-term		38,249		23,170
Total carrying amount	Ps	59,506	Ps	55,563

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:

	2014	2013
Raw materials and others	(Ps 66,910,490)	(Ps 69,019,660)
Employee benefit expenses (Note 28)	(2,845,866)	(2,909,920)
Human resource expenses	(22,543)	(17,796)
Maintenance	(917,758)	(858,716)
Depreciation and amortization	(1,839,420)	(2,024,584)
Advertising expenses	(2,229)	(2,037)
Freight charges	(3,380,333)	(3,211,218)
Energy consumption and fuel (gas, electricity, etc.)	(3,294,676)	(3,115,816)
Travel expenses	(113,923)	(102,370)
Operating lease expenses	(495,350)	(371,723)
Technical assistance, professional fees and administrative services	(794,478)	(875,522)
Others	(1,684,602)	(2,096,935)
Total	(Ps 82,301,668)	(Ps 84,606,297)

Note 26 - Other expenses, net

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

	2014	2013
Gain (loss) on sale of wastes	Ps 3,509	(Ps 542)
Gain on sale of property, plant and equipment	286	2,505
Impairment of investment in joint ventures (See Note 2 2014 c)	(126,906)	-
Impairment of property, plant and equipment	(4,948)	(170,276)
Valuation of derivative financial instruments	(18,669)	45,882
Other income, net	114,921	14,575
Total	(Ps 31,807)	(Ps 107,856)

Note 27 - Financial cost, net

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

	2014	2013
Financial income:		
Interest income on short-term bank deposits	Ps 100,611	Ps 95,245
Interest income on loans from related parties	32,498	37,313
Others	2,328	4,245
Total financial income	Ps 135,437	Ps 136,803
Financial expenses:		
Interest expense on bank loans	(Ps 134,642)	(Ps 212,820)
Non-bank interest expense	(648,787)	(735,068)
Interest cost on employees benefit	(19,964)	(40,086)
Other	(122,719)	(103,863)
Foreign exchange loss	(629,298)	(145,898)
Loss for changes in the fair value of financial assets at fair value through profit or loss	(76,697)	(71,002)
Total financial cost	(1,632,107)	(1,308,737)
Financial cost, net	(Ps 1,496,670)	(Ps 1,171,934)

Note 28 - Employee benefit expenses

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

	2014	2013
Salaries, wages and benefits	(Ps 2,101,118)	(Ps 2,122,757)
Social security contributions	(211,667)	(197,794)
Employee benefits (Note 20)	(30,580)	(5,183)
Other contributions	(502,501)	(584,186)
Total	(Ps 2,845,866)	(Ps 2,909,920)

Note 29 - Income tax expense

New Income Tax Law

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

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

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

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

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

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

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

	2014	2013
Total current income tax	(Ps 974,546)	(Ps 1,136,767)
Adjustment to the provision of income tax from prior years	(6,232)	(44,149)
Total deferred tax	97,746	363,586
Income tax expense	(Ps 883,032)	(Ps 817,330)

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

	2014	2013
Profit before income tax	Ps 2,197,134	Ps 1,723,460
Statutory tax rate	30%	30%
Income tax at statutory rate	(659,140)	(517,038)
Add (deduct) effect of income tax on:		
Differences resulting from the financial cost, net	(137,375)	(66,134)
Non-deductible expenses	(22,400)	(18,643)
Non-taxable income	1,574	5,511
Tax losses for which no deferred income tax assets were recognized	-	(10,274)
Effect of different tax rates of countries other than Mexico	(46,024)	84,814
Adjustment to the income tax liability of prior years	(6,232)	(44,149)
Effect in change of rate	-	(231,854)
Effect in deferred taxes for the non-deductibility of labor obligations	-	(10,489)
Share of losses of associates	(13,434)	(9,074)
Total income tax	(Ps 883,032)	(Ps 817,330)
Effective tax rate	40%	47%

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

	2014			2013		
	Before taxes	Tax charge (credit)	After taxes	Before taxes	Tax charge (credit)	After taxes
Translation effect of foreign currency	Ps 2,416,988	Ps -	Ps 2,416,988	Ps 27,918	Ps -	Ps 27,918
Remeasurement of obligations for employee benefits	(343,760)	126,271	(217,489)	598,160	(220,226)	377,934
Effect of derivative financial instruments for hedging purposes of cash flow	(1,025,280)	350,773	(674,507)	282,016	(85,085)	196,931
Other comprehensive income items	Ps 1,047,948	Ps 477,044	Ps 1,524,992	Ps 908,094	(Ps 305,311)	Ps 602,783
Deferred tax		Ps 477,044			(Ps 305,311)	

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 millions of pesos):

For the year ended December 31, 2014

	Polyester		Plastics and Chemicals		Other		Total	
Statement of income								
Revenue by segment	Ps	63,316	Ps	23,071	(Ps	315)	Ps	86,072
Inter-segment revenue		(88)		(227)		315		-
Revenue from external costumers	Ps	63,228	Ps	22,844	Ps	-	Ps	86,072
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

For the year ended December 31, 2013:

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

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

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

	2014		2013	
Adjusted EBITDA	Ps	5,710	Ps	7,344
Depreciation, amortization and impairment of non-current assets		(1,971)		(4,419)
Operating profit		3,739		2,925
Financial cost, net		(1,497)		(1,172)
Share of losses in associates		(45)		(30)
Income before taxes	Ps	2,197	Ps	1,723

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

	2014		2013	
Mexico	Ps	48,056	Ps	49,276
United States		33,836		36,331
Argentina		4,180		4,454
Revenues	Ps	86,072	Ps	90,061

The Company's main costumer generated revenue amounting to Ps 8,488 and Ps 10,116 for the years ended December 31, 2014 and 2013, respectively. This revenue is obtained from the Polyester reporting segment and represent 11% for both years of consolidated revenue with external costumers.

The following table shows the intangible assets and property, plant and equipment of the country of origin:

	At December 31,			
	2014		2013	
Mexico	Ps	1,986	Ps	1,727
United States		4,061		1,179
Argentina		36		-
Total intangible assets	Ps	6,083	Ps	2,906

	At December 31,			
	2014		2013	
Mexico	Ps	20,981	Ps	18,818
United States		6,045		5,703
Argentina		366		185
Total property, plant and equipment	Ps	27,392	Ps	24,706

Note 31 - Contingencies and commitments

At December 31, 2014, the Company has the following commitments:

- During 2013, the Company through its subsidiary Grupo Petrotemex, signed an agreement with M&G for the rights to supply the plant for 400 thousand tons of PET (manufactured with 336 thousand tons of PTA) a year, by which it is obliged to pay an amount of Ps 4,576,775 (US$350 million) during the construction of the plant subject to the fulfillment of predefined milestones. At December 31, 2014 Grupo Petrotemex had made a payment of Ps 2,925,938 (US$198.8 million), presented within goodwill and intangible assets, net. See Note 12.

- At December 31, 2014 and 2013, 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.

- On February 1, 2005, the subsidiary Polioles and BASF Corporation (the other partner of the Affiliate) signed a licensing agreement in relation with the use of patents and technical information for the production of polystyrene pearl in the Altamira plant located in Tamaulipas. According to the aforementioned agreement, Polioles pays BASF Corporation the difference between the annual minimum of US$9 million and the gain before financing and taxes plus depreciation and amortization generated by the polystyrene pearl line. This agreement will be effective until Polioles has paid a consideration of US$15 million over an accumulated basis. For the years ended December 31, 2014 and 2013 the agreed parameter was not reached and therefore, a payment obligation was not generated.

- The Company leases equipment under non-cancellable operating lease agreements, related mainly to transportation equipment for the PTA and PET businesses, which normally include renewal options. These 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:

2015	Ps	169,766
2016		138,219
2017		109,971
2018		93,159
Onwards		401,234

At December 31, 2014, the Company has the following contingencies:

- 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 events and transactions for recognition or disclosure subsequent to December 31, 2014 and up to January 28, 2015 (date of issuance of the financial statements), and has identified the next subsequent event:

In the Ordinary General Meeting of Indelpro, held on January 28, 2015, the stockholders agreed to declare and pay dividends in cash for a total of US$ 9,800 to the non-controlling portion.

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
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