alpek

Annual Report

2015

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Corporate profile

G4-4, 9

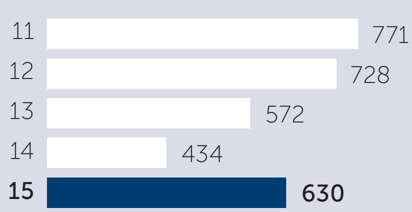
- Alpek is the leading petrochemical company in the Americas.
- Operating in two business segments: Polyester and Plastics & Chemicals.
- North America's leading integrated polyester producer.
- Only manufacturer of polypropylene (PP) and caprolactam (CPL) in Mexico.
- Operates the largest expandable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

G4-EC1

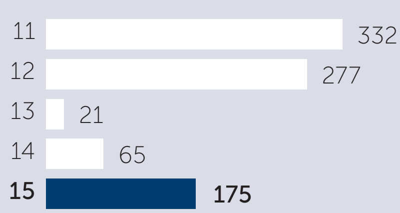
Financial highlights

	Millions of dollars			Millions of pesos		
INCOME STATEMENT	2015	2014	% var.	2015	2014	% var.
Net Sales	5,284	6,471	(18)	83,590	86,072	(3)
Operating Income	481	286	68	7,590	3,739	103
EBITDA[1]	630	434	45	9,974	5,710	75
Majority Net Income [2]	175	65	171	2,748	801	243
Net Income per Share [3] [5]	0.08	0.03		1.30	0.38	
BALANCE SHEET						
Assets	4,353	4,442	(2)	74,894	65,371	15
Liabilities	2,348	2,414	(3)	40,395	35,527	14
Stockholders' Equity	2,005	2,028	(1)	34,499	29,845	16
Majority Interest [2]	1,741	1,763	(1)	29,954	25,949	15
Book Value per Share [4] [5]	0.82	0.83		14.14	12.25	

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 (U.S. $) unless otherwise specified. The financial information for 2015 to 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 2015 and 2014 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.

21 plants in 5 countries: Mexico, the United States, Brazil, Argentina and Chile

A qualified team of over 5,000 employees operating a total capacity of 5.5 million tons per year. G4-6, 8

Our products in daily life

G4-4

Polyester

6:00
A nice workout to start the day

PET bottle and polyester fiber clothes

6:30
Vitamins for the little ones

PET bottle

7:30
Juice for breakfast

PET bottle

8:30
Safety first on the way to work

Polyester filament seatbelt

Plastics & Chemicals

10:30
Bottled water during a business meeting

PET bottle

17:30
Doctor's appointment

Polypropylene (PP) syringe

18:00
Soccer practice

Expandable polystyrene (EPS) cooler

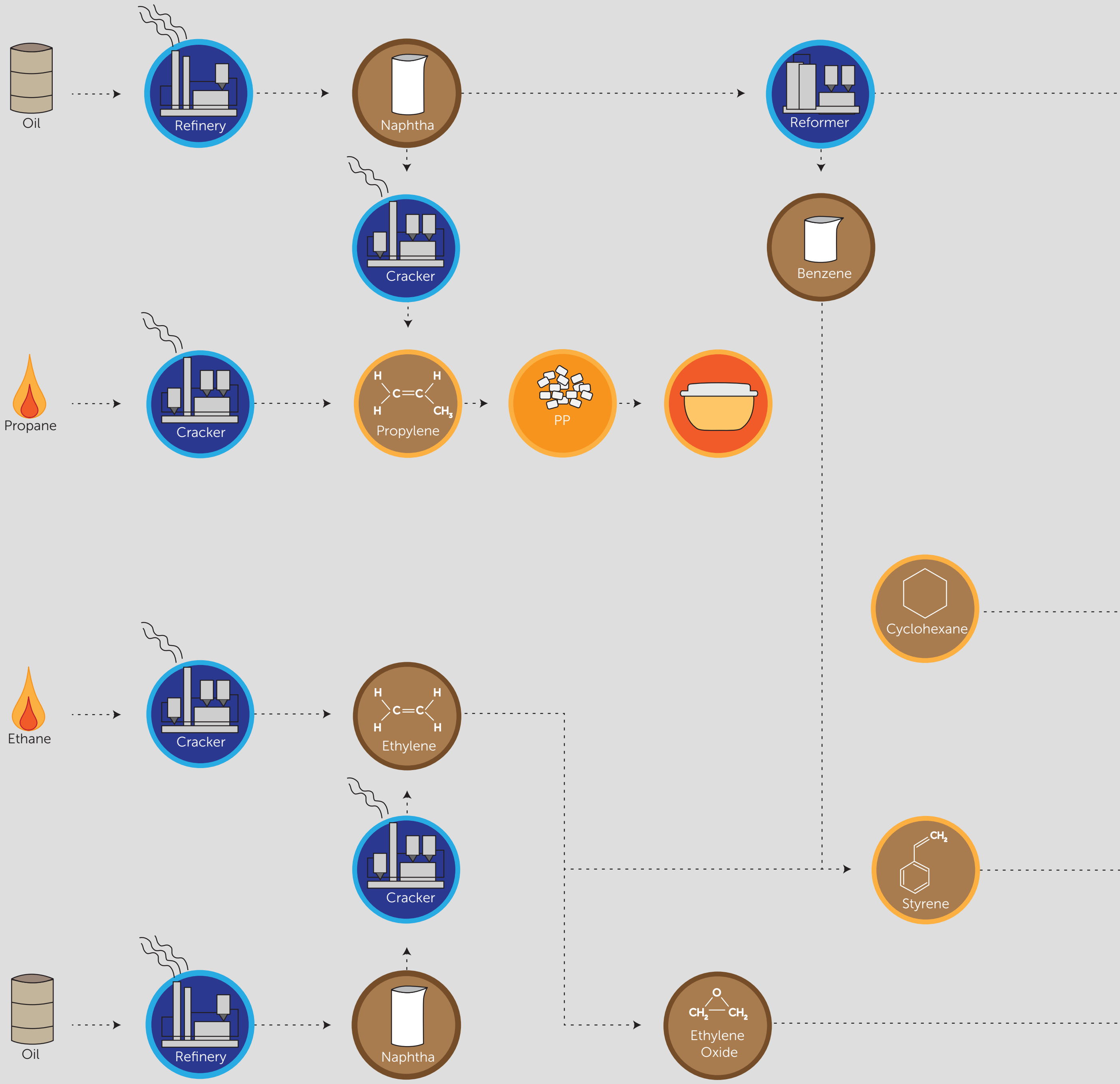
20:30
Teeth brushing

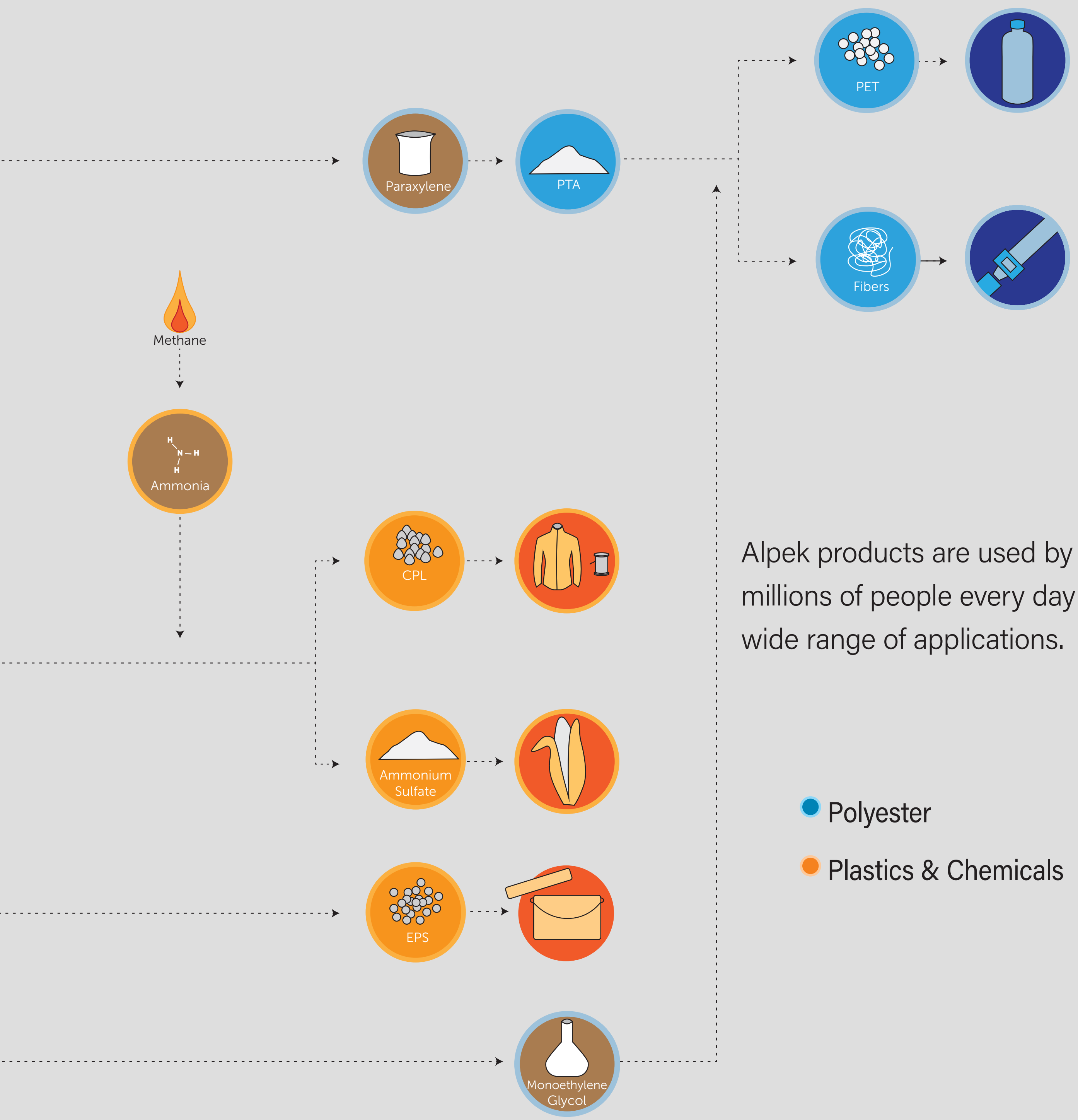
Toothbrush with PP handle and Nylon bristles

DAK Americas (PET). Pearl River, United States

G4-12

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:

G4-1, 2, 13 2015 marked a positive change in Alpek's results despite the high volatility of crude oil and feedstock prices. A number of favorable industry events and internal initiatives enhanced the profitability of our two business segments, driving up consolidated EBITDA 45% year-over-year and 26% above our initial guidance.

It is important to note that these results were obtained amid an unstable environment, with the price of reference Brent crude falling 36% compared to the previous year's close and fluctuating from a minimum of U.S. $35 per barrel to a maximum of U.S. $66 per barrel during the year. Besides impacting feedstock prices, such high volatility typically causes temporary demand and margin distortions that affect our earnings.

Alpek's 2015 consolidated sales totaled U.S. $5.3 billion, down 18% year-over-year as a result of an 18% decrease in the average consolidated price, reflecting lower oil and feedstock prices.

EBITDA reached U.S. $630 million, 45% more than in 2014, growing annually for the first time since 2011. Two extraordinary items are included in this figure: a U.S. $50 million non-cash inventory devaluation charge; and a U.S. $26 million one-time gain from the sale of our polyurethane business. Excluding these two items, comparable 2015 EBITDA was U.S. $654 million, up 30% year-over-year.

2015 Polyester segment sales were U.S. $3.8 billion, 19% below 2014. Sales were impacted by a 17% drop in average price and a 2% decrease in volume. Alpek's polyester product prices reflected lower petroleum-based feedstock prices.

However, 2015 Polyester EBITDA was U.S. $344 million, 27% higher than the previous year. This year's decline in feedstock prices resulted in a U.S. $35 million non-cash inventory devaluation charge. Excluding this item, comparable 2015 Polyester EBITDA reached U.S. $378 million, up 11% versus 2014.

The events that benefited 2015 results and contribute to the recovery of our Polyester segment were: i) a U.S. $66 per ton increase to the North American PTA price formula; ii) full-year operations at the Cosoleacaque cogeneration plant; iii) favorable preliminary determinations in the U.S. PET antidumping case; and iv) the rationalization of PTA capacity in China, including permanent and temporary shutdowns.

The Plastics & Chemicals segment posted sales of U.S. $1.4 billion in 2015, 16% less than the previous year. A 9% increase in volume, driven primarily by our polypropylene business, was more than offset by a 23% decline in the average price caused by falling feedstock prices.

In contrast, Plastics & Chemicals EBITDA grew 79% year-over-year, to U.S. $284 million. Two extraordinary items included in this figure are: a U.S. $15 million non-cash inventory devaluation charge; and a one-time gain from the sale of our polyurethane business. Thus, comparable 2015 Plastics & Chemicals EBITDA was U.S. $273 million, up 72% versus 2014.

Polypropylene margin expansion was a key driver behind the Plastics & Chemicals EBITDA growth. Favorable conditions combining increased demand, lower feedstock costs and reduced installed capacity boosted margins during the year. This dynamic is expected to be sustainable beyond 2015.

Our expandable polystyrene (EPS) business also posted better than expected EBITDA, driven by the successful integration of the businesses acquired from BASF in North and South America and a temporary upswing in margins caused by a multi-month disconnect with Asian feedstock prices.

Consolidated EBITDA growth and disciplined capital allocation further strengthened our financial position. Net debt increased 1% at the close of the year, with U.S. $160 million in dividends and U.S. $317 million in Capex offset by strong operating cash flow generation. The net debt to EBITDA ratio decreased from 1.6 times in 2014 to 1.1 times in 2015, and the interest coverage ratio reached 10.7 times, up from 6.5 times in 2014.

A solid financial structure is fundamental for us to continue the implementation of strategic projects that reinforce our competitiveness and maximize shareholder value, particularly in today's volatile environment. Hence, we moved forward with our investment program and rolled out new expansion initiatives in 2015.

Progress with strategic projects

Styropek, the company responsible of our EPS operations, successfully integrated the businesses acquired from BASF in North and South America, achieving better than expected results. This integration was the first step of a comprehensive process to transform our EPS business, which evolved during the year from being a joint venture, operating a 165 thousand ton per year plant in Mexico, to becoming the largest EPS producer in America, operating plants in Mexico, Brazil, Chile and Argentina with an aggregate capacity of 230 thousand tons per year.

Following an in-depth analysis of our new Altamira cogeneration plant that resulted in a larger project scope with higher profitability, we began initial construction work in the fourth quarter. The new facility, which is expected to come on line in 2018, will require an investment of U.S. $350 million and have a 350 Megawatt capacity, making it 3.5 times the size of our existing Cosoleacaque cogeneration plant.

It has been more than two years since construction at the Corpus Christi PTA/PET plant began. We have invested U.S. $287 million out of the U.S. $350 million commitment under the original agreement. Furthermore, we increased our participation in the project with the acquisition of additional supply rights to 100 thousand tons per year of integrated PET. In total, we have acquired supply rights to 500 thousand tons per year of integrated PET from what will be the most modern and efficient plant in the region.

Huntsman advanced with the construction of the capacity expansion required for our MEG supply contract. Startup is scheduled within the next few months, and savings are expected to be reflected in 2016 EBITDA.

New projects announced in 2015

In 2015, we announced three new initiatives that will be developed over the coming years:

- The first is a 110 thousand ton per year polyester fiber expansion at our Pearl River plant, which will increase our capacity to 405 thousand tons per year. The incremental polyester fiber capacity will allow us to meet the growing demand from our customers. Investment in this project will amount to approximately U.S. $30 million and operations are expected to begin at the end of 2016.

- The second is a 75 thousand tons per year EPS expansion at the Altamira facility, which will make it one of the world's five largest EPS plants. After a U.S. $30 million investment, operations will start in 2017, to satisfy our growing customer base in North America.

- The third is an agreement signed with BASF to acquire its 20 thousand ton per year EPS plant in Concón, Chile, thereby complementing recently acquired EPS assets in South America. This transaction should be closed in early 2016.

Styropek's aggregate installed capacity will grow 41%, reaching 325 thousand tons per year, once the Concón acquisition is integrated and the Altamira expansion begins operations.

At Alpek, we understand that our actions impact society and the environment either directly or indirectly. For this reason, we maintain a continuous improvement effort oriented towards sustainability.

In 2015, we completed a materiality analysis of social, environmental, economic and corporate governance topics, through which we identified thirteen aspects that are particularly important to our stakeholders.

The materiality determination process included an exhaustive analysis of: i) our sector's current situation in terms of sustainability, ii) issues deemed important by our internal and external stakeholders, and iii) the sustainability-related activities we undertake. The analysis will serve to guide our actions towards the issues that are most important and contribute the most to sustainable long-term value creation. This report includes a total of 99 indicators related to the thirteen material aspects identified, and 48 others related to our operations.

2015 was a year that exceeded our expectations; more importantly, we believe that the majority of developments that favored our results will bring positive long-term effects. However, we maintain a conservative outlook in the short term due to the current oil and feedstock price volatility.

We would like to take this opportunity to thank our employees, customers, suppliers and creditors, the community and, in particular, our shareholders, who put their trust once again in this Board of Directors.

Sincerely,

Armando Garza Sada
Chairman of the
Board of Directors

José de Jesús Valdez Simancas
Chief Executive Officer


Supports
Digestive Health*
Natural Flavors
FIBER SUPPLEMENT
Per Serving
Sugar Free
*Each Serving Provides as Much Fiber as 4 Prunes
Supplement

DAK Americas (PET). Cedar Creek, United States

Polyester

G4-4, 8 The Polyester segment, which accounted for 73% of our 2015 sales, manufactures PTA (purified terephthalic acid), PET (polyethylene terephthalate) and polyester fiber.

PTA is a product of the polyester chain made from paraxylene and is the main raw material in the production of PET and polyester fiber.

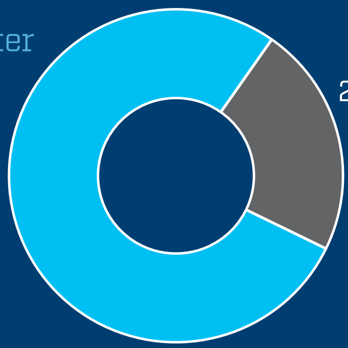
PET is a recyclable plastic employed primarily to manufacture packaging for beverages, food and consumer products. Polyester fiber is commonly used to produce clothing, safety belts and many other everyday textile products.

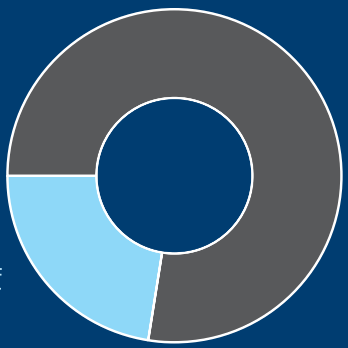
Alpek is the leading integrated PTA-PET producer in North America and the only manufacturer of virgin PET and recycled PET (r-PET) in Argentina. The businesses that comprise our Polyester segment employ 3,570 workers and operate 12 plants in the United States, Mexico and Argentina with an aggregate installed capacity of 4.4 million tons.

DAK Americas (PET). Cosoleacaque, Mexico

73% of Alpek's total 2015 revenues came from the Polyester segment

83% of Polyester sales came from Mexico, the United States and Canada





G4-EC2, EC8 Alpek is committed to sustainability, operating PET recycling plants in the United States and Argentina with an installed capacity of 89 thousand tons per year, equivalent to more than 4 billion bottles.

A total of 83% of Polyester sales are made in the NAFTA region, a very sizable, consolidated market. Moreover, our focus on stable, consumer-oriented segments and leading position in the North American market contribute to stability in the demand for our polyester products.

The Polyester segment posted 2015 sales of U.S. $3.8 billion and a volume of 3.0 million tons. Year-over-year, sales decreased 19% due to lower prices resulting from falling oil and feedstock prices.

Polyester EBITDA was U.S. $344 million, 27% above 2015. This figure includes a U.S. $35 million non-cash charge for inventory devaluation. Comparable EBITDA (without taking into account the extraordinary item) reached U.S. $378 million.

During the year, a series of favorable events combined to drive profitability, promote a gradual, sustainable recovery and improve the future prospects of our Polyester segment.

The increase of ~U.S. $66/ton in the PTA price formula in North America, which came into effect in April 2015, and the operation of our Cosoleacaque cogeneration plant contributed to EBITDA growth.

Moreover, for the first time since 2012 when the new wave of PTA plants began operating in China, a large Chinese producer filed for bankruptcy and two major Chinese players announced a series of coordinated rationalization initiatives.

In addition, during the year there was an explosion at the plant of another important Chinese producer that will keep the facility offline indefinitely.

Lastly, the United States Department of Commerce and the International Trade Commission issued favorable preliminary determinations in the packaging-grade PET resin antidumping case in the United States. As a result, since October 2015 PET imports from China, India, Oman and Canada have been subject to cash deposits based on preliminary tariffs. Final rulings are expected in the first half of 2016.

Thus, strategic projects, efficiency enhancing initiatives and favorable industry developments combined to turn around the Polyester segment's earnings trend and point to a brighter future for our polyester business.

Indelpro (PP). Altamira, Mexico

Plastics & Chemicals

The Plastics & Chemicals (P&C) segment, represented 27% of Alpek's sales in 2015

The Plastics & Chemicals segment is made up of businesses that manufacture and market polypropylene (PP), expandable polystyrene (EPS), caprolactam (CPL), specialized chemicals, industrial chemicals and ammonium sulfate (fertilizers).

PP is P&C's main product, commanding a 44% share of the segment's sales. It is a recyclable plastic made from propylene and used in a wide variety of applications, such as to make containers, food packaging, medical equipment and automobile parts.

EPS accounts for 28% of P&C sales. It is a low-density material with insulation and impact-absorption characteristics that make it ideal for the packaging of appliances and electronics and for thermal insulation and lightening structural slabs in building works.

The remaining P&C products represent 28% of the segment's sales. These include: CPL, the main raw material for producing Nylon 6, which is used in such products as clothing, engineering plastics and tire cord, and ammonium sulfate, a by-product of the CPL

Styropek (EPS). Altamira, Mexico

G4-13 production process that is used as a fertilizer because of its high nitrogen content. In addition, the specialty and industrial chemicals that the segment produces have a wide range of applications in sectors such as the oil, automotive, pharmaceutical and consumer goods industries.

All P&C products hold a leading position in their markets. In 2015, we became the leading EPS producer in the Americas with the integration of our North and South American acquisitions, and we are the only PP and CPL manufacturer in Mexico.

The creation of Styropek, a new, 100% Alpek-owned subsidiary, was a major event for our Company. Styropek integrates our EPS businesses and operates plants with an aggregate capacity of 230 thousand tons per year in Mexico, Brazil, Argentina and Chile.

Plastics & Chemicals employs 1,530 workers and operates 9 plants in Latin America, with a total production capacity of 1.1 million tons. More than 80% of the segment's sales come from the North American market, although we also serve customers in Central and South America, Asia and Europe.

The P&C segment posted 2015 sales of U.S. $1.4 billion, 16% below 2014. Volume increased 9% year-over-year, however, the average price was 23% less because of the decline in crude oil and feedstock prices.

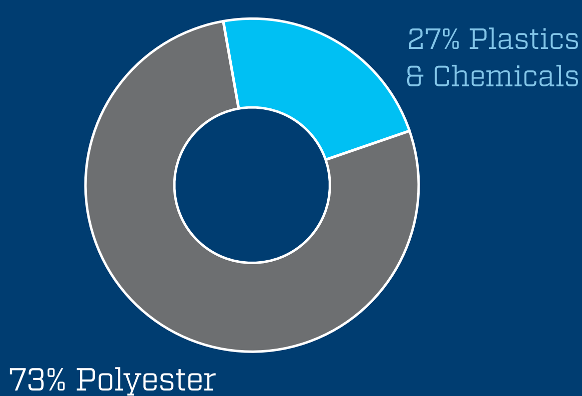
P&C EBITDA was U.S. $284 million, 79% increase over the previous year, driven by higher PP and EPS margins. Our EPS business benefitted both from a temporary disconnect with Asian feedstock prices due to unscheduled shutdowns in China, and from the integration of recently acquired plants, with which we increased our annual capacity from 165 thousand to 230 thousand tons.

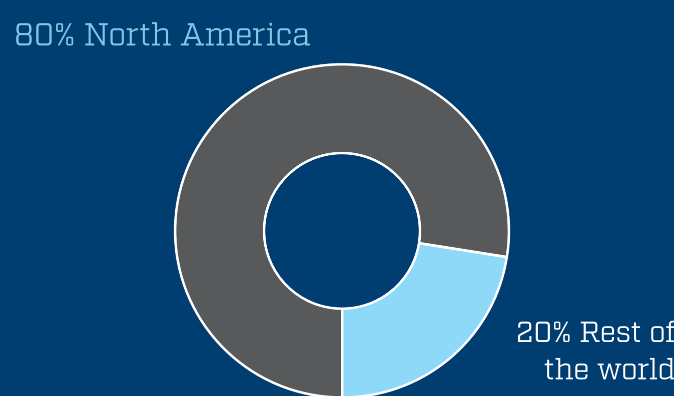
During 2015, the PP margin grew significantly due to the availability and competitiveness of its main feedstock, propylene, in North America. This new regional dynamic makes it likely that polypropylene margins will remain near current levels beyond 2015.

This combination of improved P&C product margins, the consolidation of the EPS business and favorable market dynamics leads us to expect good performance from this segment going forward.

G4-9 **27%** of Alpek's total 2015 revenues came from the Plastics & Chemicals segment

80% of Plastics & Chemicals sales came from Mexico, the United States and Canada





Grupo Petrotemex (Cogeneration). Cosoleacaque, Mexico

Strategic investments

G4-EC2, 7, 8 Alpek's growth strategy is based on our proactive search for new investment opportunities, capacity to select and implement strategic projects, and solid financial position.

The discipline with which we choose where to invest ensures that our resources are focused on the most profitable initiatives and that financial flexibility is maintained throughout their development.

Our first cogeneration plant in Cosoleacaque, Veracruz, began to produce savings in 2015. In its first full year of operations, the facility generated a total of 623 GW/h of electricity and produced 1.1 million tons of steam, resulting in benefits of U.S. $18.3 million. This project is particularly important because it was the first major investment we concluded since we started our strategic Capex program in 2012.

As we moved forward with our established plan, we also announced new initiatives in our two business segments.

Progress with strategic projects

All our projects advanced as planned during 2015, with total Capex of U.S. $317 million. We maintain a firm commitment to implementing the initiatives included in our development plan.

The integration to monoethylene glycol (MEG) through a supply contract signed with Huntsman will be the next project to come on line. It will result in savings as early as the first half of 2016.

The Corpus Christi PTA/PET plant was our largest investment of 2015. In addition to our commitment under the original agreement, we increased our participation in the project through the acquisition of additional supply rights to 100 thousand tons of PET per year. This integrated site, which will use our IntegRex® PTA technology, will have the most competitive cost structure in North America.

In 2015, we began the construction of our second largest investment after Corpus Christi: the cogeneration plant in Altamira, Tamaulipas. A comprehensive analysis resulted in both a larger project scope and higher profitability of this plant, which will have a 350 MW capacity, require an investment of U.S. $350 million over the next three years, and begin operations in 2018.

New projects announced in 2015

During 2015, we announced three new initiatives that will complement those already in progress, one in the Polyester segment and two in Plastics & Chemicals.

In the Polyester segment, we approved a 110 thousand tons per year polyester fiber expansion at our Pearl River plant in the United States. With an investment of U.S. $30 million, this project will help to satisfy the growing market demand before the end of 2016.

The two new investments announced for the Plastics & Chemicals segment complement the transformation process that recently made us the leading EPS producer in America.

The first project announced was a U.S. $30 million investment in our EPS plant in Altamira, Tamaulipas, to increase its annual capacity by 75 thousand tons starting in 2017. The second was the signing of an agreement with BASF to acquire its 20 thousand ton per year EPS plant in Concón, Chile, thereby complementing our other EPS facilities in South America in 2016.

These initiatives contribute to the ongoing transformation of our EPS business, which has evolved from being a joint venture operating a 165 thousand ton per year plant in a single country, to what Styropek is today: a wholly-owned Alpek company, with a 230 thousand ton per year aggregate capacity in Mexico, Brazil, Chile and Argentina.

The projects in progress and those announced in 2015 are a crucial part of the growth strategy that involves more than U.S. $1 billion in investments to capture an annual incremental EBITDA of U.S. $250 million over the next 4 years.

Grupo Petrotemex (PTA). Altamira, Mexico


School maintenance in Cosoleacaque, Mexico

Sustainability

At Alpek we understand that every action we undertake, every product we offer and every decision we make has a direct or indirect impact on society and the environment. For this reason, we make a continuous effort to innovate, review and improve processes to be ever more responsible in the world in which we operate.

We present our fourth sustainability report with actions taken in this area in 2015, based on the standards of the Global Reporting Initiative, version G4. For its development we conducted a materiality process through which we clearly identified the aspects of greatest importance to our stakeholder groups. We report a total of 99 indicators that respond to the material aspects identified as well as 48 additional indicators relative to our operations, which are described in this section and throughout the document. The full list of GRI indicators and their location in the report can be found at: http://www.alpek.com/gri-report.html G4-32

Forestation in Altamira, Mexico

Materiality study

Material aspect: CSR management.

G4-18-21 Based on the model and actions implemented in previous years, in 2015 we conducted a materiality analysis on social, environmental, economic and corporate governance issues for our operation. This process included approaching our stakeholder groups and the thorough investigation of the information about our company. As a result, we identified thirteen material aspects:

The process to determine materiality included an analysis of the sustainability situation specific to our sector, as well as what our internal and external stakeholder groups want to know about the company and the actions we undertake. In addition to using the results to organize this report in order to disclose the aspects that are most relevant to the public, the analysis will serve to guide our actions towards the most important areas that contribute to create sustainable long-term value.

Material aspect
Operation and risk strategy
Investor relations
CSR management
Corporate governance
Labor practices
Distribution of wealth
Health and safety
Energy eco-efficiency
Water management
Climate change and emissions strategy
Community engagement
Relations with NGOs and regulatory agencies
Customer and supplier relations

Materiality results

Our Sustainability Strategy

Material aspect: Operation and risk strategy, CSR management.

G4-1, 25, 46 The sustainability model we defined in 2014 has been of enormous value to the way in which Alpek adapts to the context of social responsibility. This model allows us to align any business decision to the strictest sustainability standards. It exists thanks to the communication with our stakeholder groups and to our participation in the ALFA Sustainability Committee, a body responsible for combining the efforts of the Group's companies to achieve the sustainability goals we share.

Our sustainability strategy is a reflection of the ongoing commitment of the company's governance body to contribute to international efforts in terms of environmental care, employee fairness and equality, and active participation in community development.

COMMUNICATION WITH STAKEHOLDERS

In addition to the materiality analysis conducted this year, our communication channels were kept open permanently to hear and address any concerns expressed by our stakeholder groups. G4-24, 26, 27

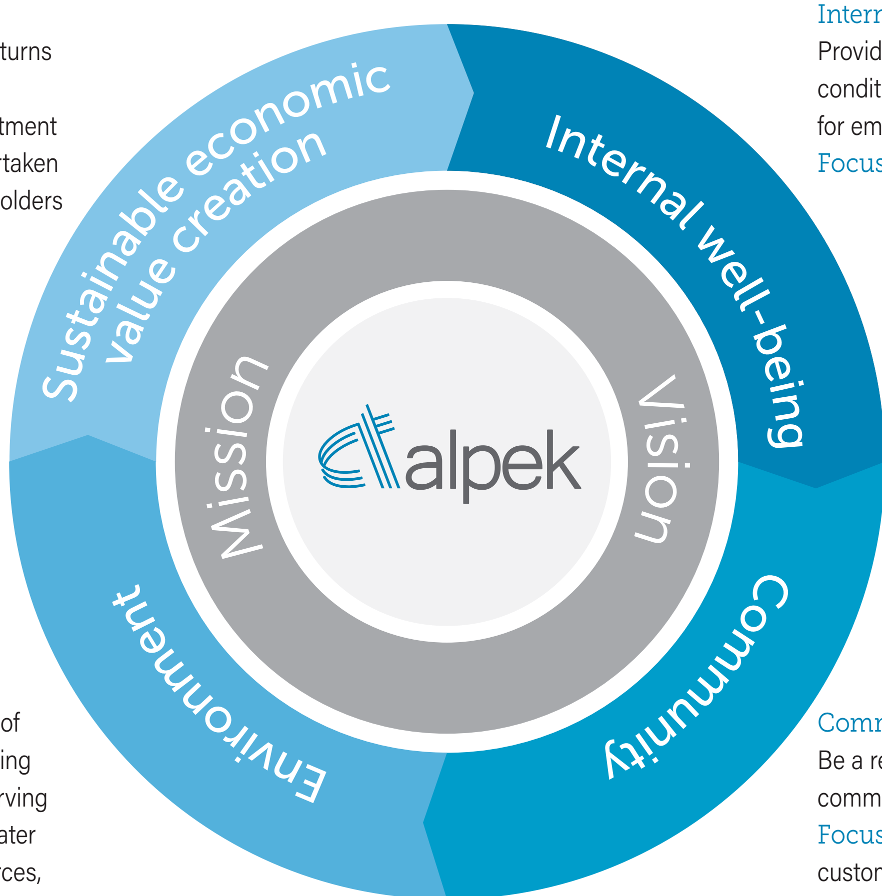
Stakeholder Group	Form of Communication	Frequency	Main Concerns	Response to Concerns
Employees	Intranet, suggestion box	Ongoing	Innovation and improvement ideas	Review and approval of innovation ideas, putting the best suggestions into practice.
	Bulletins, e-mails, presentations and diverse events	Ongoing	Quarterly results	Generation of reports, memos and agreements.
	Work environment diagnostics	Annual	Work environment	Results are discussed in Board meetings and agreements are met.
	Informative talks	Twice a year	Business review	Encourage personnel participation and ideas.
Customers	Telephone calls, internet, plant visits , surveys and e-mail.	Ongoing	Product quality, business issues and their timely and proper delivery; technical services	Improve time frames and procedures that enable quality assurance. Technical visits and information sharing.
Shareholders	Meetings, telephone calls, internet and e-mails.	Ongoing	Strategy, profitability, financial situation and operating performance	Strict follow-up of indicators compliance. Concerns are addressed and agreements are made at Board meetings.
Suppliers	Meetings, telephone calls, internet, plant visits, surveys and e-mail	Ongoing	Business and quality aspects. Clarifications, quotes and deliveries.	Implementation of suppliers' development programs. Agreements and delivery of detailed .information of the company's needs.
Communities	Meetings, perception surveys, alliances with NGOs and community groups like GIREL (*Grupo Industrial de Respuesta a Emergencias Lerma*)	Monthly, quarterly, twice a year	Industrial safety and contingency management. Company perception and support.	Report on safety and emergency processes and mechanisms. Neighborhood evacuation brigade training. Support civil protection activities. Give support and training.

G4-56 Both in this model and in our daily operations, our values and ethical behavior standards are aligned with the ALFA Group Code of Ethics, available at: http://www.alfa.com.mx/NC/filosofia.htm. Moreover, as part of ALFA we support its adhesion to the principles of the United Nations Global Compact.

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

Sustainable Economic Value Creation

Material aspect: CSR Management.

G4-42 All our operations are carried out based on responsible practices towards society, the environment and the economy knowing that our long-term viability depends on it. This conviction begins with the Board of Directors and permeates throughout the company. Our Board is constantly driving initiatives towards sustainable operations, as well as becoming involved in the evaluation, development and approval of Alpek's mission, vision, values and integrated business strategy.

GOVERNANCE OF THE ORGANIZATION G4-35

The Board of Directors is supported in many ways by the governing body of the company to carry out activities related to the development and fulfillment of environmental, economic and social objectives. Each of these areas is dealt within specific departments, both in Alpek and in each of its companies, and the results are evaluated periodically in order to improve and / or continue specific strategies accordingly.

Water treatment plant at Grupo Petrotemex in Altamira, Mexico

Economic Sustainability

Material aspect: Investor relations, Distribution of wealth.

G4-EC1 The company's primary purpose is the responsible creation of economic value. At Alpek we do this in a sustainable way, generating benefits for our shareholders, employees, the environment in which we operate and the communities that welcome us.

Aspect	Quantity (millions of dollars)
Consolidated Revenues	5,284
Consolidated Net Income	233
Majority Net Income	175
Basic and diluted earnings per share (dollars)	0.08
Income tax	54
Dividends	160
Capital Expenditures and Acquisitions	317
Net Debt	722
Net Debt/EBITDA (times)	1.1

Alpek has an Investor Relations area that is dedicated to communicating the financial and operating performance of the company.

Financial Opportunities and Risks due to Climate Change

Material aspect: Distribution of wealth, Operations and risk strategy, Climate change and emissions strategy.

G4- EC2 As a company with international presence, at Alpek we work hard to adapt to the highly dynamic world in which we operate. Through the constant analysis of events, trends and factors that affect our sector, we have identified the risks and competitive advantages that climate change represents for our operation. Ever stricter environmental regulations, natural disasters and increasing sea levels and storm intensity that affect the transportation logistics of our product, and water and oil shortages not only represent huge challenges for our industry, but for the entire planet.

To confront these we invest in technology, the improvement of equipment and processes and strategic acquisitions to increase our competitiveness and optimize resources. Examples of these are the cogeneration plant in Veracruz, which went into full operation in 2015, and the start of the first stage of construction of the second plant, which will be located in Tamaulipas and have 3.5 times the capacity of the first.

These facilities allow us to reduce CO_2 emissions into the atmosphere, significantly decrease our energy costs and assure a constant supply. The return on investment is tangible: in 2015 the Cosoleacaque plant generated a total of 623 GigaWatts/hr of electrical energy and produced 1.1 million tons of steam, delivering U.S. $18.3 million in benefits.

Internal well-being

We work every day to ensure the full development of our employees since we believe that creating internal well-being is a basic condition for contributing to the construction of a better future for all.

Our Employees

Material aspect: Distribution of wealth, Labor practices.

Alpek's employees are our main strength and greatest wealth. Although due to the nature of our operations our workforce consists mainly of men, we are committed to gender equality in every sense. The wages we pay are based on the experience and skills of each employee and not their gender. Furthermore, growth and integrated development opportunities are provided to all employees equally. G4-EC5, LA12, 13

Gender equality and diversity in Alpek are guaranteed by the ALFA Code of Ethics and other established policies in each of our companies, such as DAK Americas' Equal Employment Opportunity Policy.

Similarly, the ratio between the basic salary of men compared to women is 1:1, no difference whatsoever.

Diversity and inclusion are key factors in the richness of our work culture. As a company that competes in various markets around the world, our vision as a global citizen aligns with international trends and allows us to strengthen our practices. This year we identified certain factors that characterize the new generations that will join the workforce in the short term, which are significantly different from the traditional. We have the opportunity to develop and drive a positive change in our operational approach and workforce development.

Alpek's workforce in 2015 was distributed as follows:

G4-10,11

Group	Under 30 years	Between 30 and 50 years	Over 50 years	Total
Men	995	2,309	1,195	4,499
Women	178	304	115	597
Total	1,173	2,613	1,310	5,096

Type of Employment	Men	Women	Total
Executives and employees	2,031	569	2,600
Unionized	2,468	28	2,496
Total	4,499	597	5,096

Each one of Alpek's operations respect their employee's freedom of association. 48% of our employees are unionized.

Training and Development

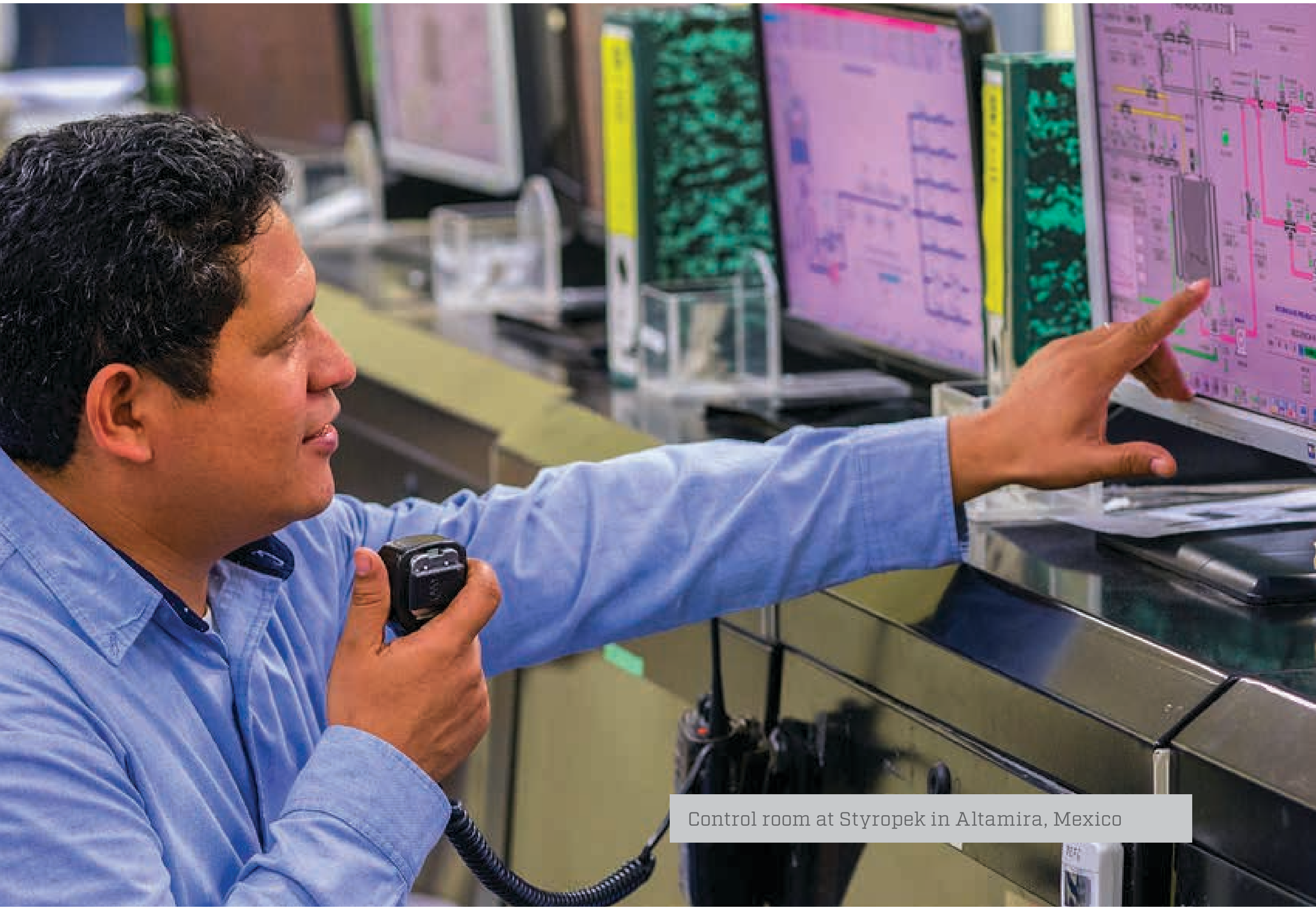
G4-LA9, 10

Training and talent retention are strategic priorities. In 2015, our companies continued to expand their initiatives in this area through the generation and strengthening of alliances with universities around the world; an example of this is the Masters in polymerization in Italy, where we send our process engineers to conduct studies which help them develop professionally and Alpek to further increase the capacity of its human capital.

In total, in 2015 Alpek granted 437 schoolarships to employees who expressed an interest in continuing to increase their level of training and education, in diverse disciplines.

We invested a total of U.S. $5.5 million in training during 2015, 3 times more than in 2014. The results are shown in the following table:

2015 Training	
Average number of training hours per employee.	27
Average number of training hours per male employee.	33
Average number of training hours per female employee.	21
Average number of training hours per unionized employee.	20
Average number of training hours per non-unionized employee.	31



Control room at Styropek in Altamira, Mexico

Occupational Health and Safety

Material aspect: Health and safety.

G4-LA5-8 The health of our employees is a priority for Alpek. We address this issue on two fronts: the reduction of work accidents and the creation of safer work environments; and the promotion of non work-related health, through medical check-ups and awareness campaigns. In 2015 we invested nearly US $15 million in this area.

Furhtermore, we have the support of our Health and Safety Commitees, where 100% of our personnel are represented.

	2014	2015
Loss Ratio	58.7	43.8
Frequency	1.3	2.2
Accidents	12	21
Days Lost	555	416
Fatalities	0	0

Through a total of 33 implemented programs and an investment of more than U.S. $4.8 million, we were able to achieve positive results such as reducing the accident rate in the Univex plant by 33%, and completing 12 years with zero accidents in the transportation logistics operations of Petrotemex.

Talk during Sustainability Day at Grupo Petrotemex in Altamira, Mexico

Environment

G4-EN27, 31 Alpek's operations require the intensive use of natural resources, and so we have the responsibility to use them sustainably so that future generations can also benefit from them. We have a strong commitment to the environment which extends from the constant revision of our processes in order to make them cleaner and more efficient, to the preservation of the natural habitats in the vicinity of our plants.

Area of investment	Amount (Thousands of dollars)
Reduction of emissions	19,169
Environmental management costs	7,216
Waste disposal and reduction	1,331
Prevention costs	961
Other environmental actions	326
Remediation costs	0
Total	29,003

In 2015 our investment in actions to benefit the environment increased by 27% compared to the previous year.

Energy Efficiency

Material aspect: Energy eco-efficiency.

G4-EN3, 4,6 Projects like our energy cogeneration plant in Cosoleacaque, Veracruz—which began operations at the end of 2014 and generated a total of 623 GigaWatts/hr—underline the commitment we have to eco-efficiency and a lesser dependence on non-renewable energy sources. In addition, 97% of our energy needs comes from natural gas, currently the cleanest fossil fuel. This represents 4% more in comparison to 2014.

Energy source	Direct consumption (GJ x 10^6)		Indirect consumption (GJ x 10^6)	
	2014	2015	2014	2015
Natural gas	15.7	21.9		
Alternative fuel	0.2	0.9		
Coal	1.0	0.5		
Fuel oil	0.1	0.5		
Diesel	0.0	0.2		
Electricity			5.9	6.0
Totals	16.9	22.6	5.9	6.0

It is important to note that even though our energy-savings initiative yielded favorable results, the increase in direct energy consumption was due to the expansion of our operations in 2015.

Other energy saving initiatives implemented in 2015, such as the refrigeration optimizations for Akra and the installation of new compressors for monomer processes for DAK Americas, resulted in a reduction in consumption of more than 261,000 GJ in the year. In addition, we were able to decrease energy use by 346 KW per ton of polymer produced.

In our PTA and PET operations, initiatives such as the integration with cogeneration processes and the use of steam generated consumption savings of 571, 079 GJ.

Water Care

Material aspect: Water management

Water is a crucial resource for our operation and looking after it is a priority. We are working on strategies that allow us to reduce the water footprint of our products through reduced consumption and the reuse and treatment of the water we use. We have 12 water treatment plants. G4-EN8, 10

Grupo Petrotemex (PTA), Altamira, Mexico

This year Grupo Petrotemex achieved savings of 1.6 million m^3 of water by optimizing its reuse systems, and Polioles implemented broad-scope initiatives through its Water Committee that will report results in the next few years. Likewise, Indelpro continued with its inverse osmosis operation project through which it recovers blow-down water from the cooling towers. This allowed it to reduce water consumption by 23% compared to 2014. In addition, Akra reduced drinking water consumption in its installations and routine activities by 48 m^3/day by optimizing its leak detection and repair process.

Styropek Brazil has reduced its consumption by 76% since 2008.

Source	Water Consumption (millions of m^3)
Rivers, lakes and seas	89.5
Underground water	3.5
Municipal water supply	1.2
Other	0.5
Total	94.6

Due to these initiatives, our water consumption was reduced by 3%, even though our level of production increased. Moreover, we increased the volume of treated and reused water in our processes with respect to 2014.

	2014	2015
Treated and reused water (m^3)	10.3 million	15.1 million

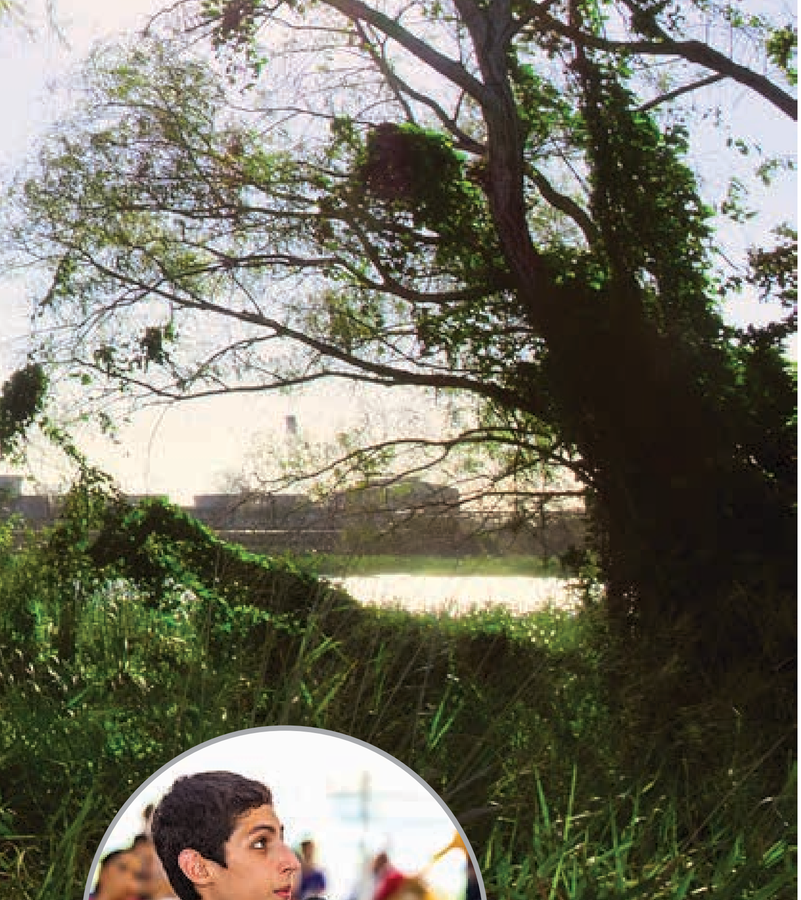
This amount represents 16% of our total consumption.

Reduction of Emissions

Material aspect: Climate change and emissions strategy.

Climate change is a reality we have to face. Alpek joins the fight through emission reduction programs and our participation with carbon credis. At year-end 2014 the UNFCCC, a United Nations international body, certified the reduction of 900 thousand ton CO_2 emissions in our operations. The 2015 results will be added by mid-2016.

G4-EN15, 16, 19, 21



Emissions of CO_2 equivalent		
	2014	2015
Direct (x 10^6 ton CO_2e)	1.3	0.9
Indirect (x 10^6 ton CO_2e)	0.9	1.2
Total	2.2	2.1

Emissions of other pollutants	
Pollutant	Amount
NOx	431.3 tons
SOx	766.1 tons

The increase in NOx emissions is due to the start up of the newly acquired installations.

The actions carried out, such as an increased use of natural gas or the optimization in the use of combustion equipments among others, achieved reductions of over 209 thousand CO_2 tons of emissions in our processes, equivalent to the yearly emissions of 43 thousand cars. It is important to note that even with the increase of our operations, these reductions allowed us to maintain our emissions on a similar level than those of 2014.

Waste and Spills

Besides being committed to the reduction of pollutants we send G4-
into the atmosphere, we are also working to eliminate our solid EN23,
waste. DAK Americas is at the forefront of this effort with its Zero 24
Waste program, which enabled its plants to stop emitting waste entirely in 2015.

Waste	Weight (tons)	Treatment method
Non-hazardous sludge	9,305	Landfill
Hazardous sludge	471	Reused as fuel

Forestation in Altamira, Mexico

In 2015, one of our external contractors had a substance spillage during transport operations in Veracruz, where a train used by Polioles and other companies in the region to transport chemicals derailed and ignited. Polioles, like all Alpek companies, has a strict protocol for action in such situations, which was implemented in a timely and proper manner.

It must be said that the contractor and local government responded to the emergency by evacuating the nearby towns and controlling the fire and spillage. As part of our responsibility to the health of people and the environment, this incident has been reviewed in order to avoid similar occurrences in the future.

Raw Materials and Use of Resources

G4-EN27 Companies in the petrochemical industry are challenged with finding increasingly efficient and environmentally friendly ways to obtain the resources we need to manufacture the products our customers require. This becomes even more relevant since our raw materials derive from oil, which is non-renewable and whose extraction is associated with the emission of pollutants.

Recycling is an important part of our sustainability strategy. We have PET bottle recycling plants in the United States and Argentina with a total annual capacity of 89 thousand tons. In 2015 our plants recycled 53.8 thousand tons of this material.

Our Community

Material aspect: Community engagement.

G4-EC7 Our neighboring communities give us their license to operate. In exchange, Alpek contributes to the local and national economy, implements programs to improve the quality of life of the people around us and promotes the sustainable development of the places where it operates.

Alpek companies conduct programs that meet the different needs of our communities in terms of health and safety, support for local schools and care of the natural environment, among others. Among the most important activities we carry out are the following:

- All subsidiaries participate in Family Day, an event that includes activities to promote family life among our employees. In addition, all our companies contribute to the ALFA Foundation.
- Univex grows produce like green beans, lettuce, onions and other vegetables to test its fertilizers, and donates them to the local community. It should be noted that these fertilizers, although often still in the testing stage, are completely safe for use in the production of food for human consumption.
- Petrotemex helped the local communities through the maintenance of three schools, the construction of paved roads with an investment of almost U.S. $250,000, and ViveVerde, a series of talks about the care of the environment in neighboring schools.

Our Customers and Suppliers

Material aspect: Customer and supplier relations:

G4-12, EN33, LA14, LA15, HR4, HR10, HR11, SO9, SO10

Material aspect: Relations with NGOs and regulatory agencies:

G4-15, 16, 24-26

In 2015 the ALFA Sustainability Committee rolled out a project aimed at the companies' supply chain. The project envisages the creation of a frame of reference and methodology to understand the sustainability practices of the suppliers and their progress in that area. This will enable the companies to create sustainable development plans which are reflected in their performance and, hence, in their economic growth.

Developing mutually beneficial relationships with our customers and suppliers is at the center of the way we operate.

We also participated in a number of initiatives of the chambers and associations to which we subscribe, to benefit both the participating companies and the surrounding communities. In 2015 we played an active role in the following:

Company	Association	Participation in steering committees or special projects	Above minimum economic support	Participation for reasons of strategy
Akra	ANIQ (Asociación Nacional de la Industria Química)	No	No	Yes
DAK Americas	ACIA (Asociación de Crédito Industrial Argentina)	No	No	Yes
	AFMA (America Fiber Manufacturers Association)	Yes	Yes	Yes
	CAIRPLAS (Cámara Argentina de la Industria de Reciclados Plásticos)	Yes	No	Yes
	Chambers of commerce near our facilities	No	Yes	Yes
	Campana - Zarate Safety-Hygiene Committee	No	No	Yes
	CAPCA (Carolinas Air Pollution Control Association)	Yes	No	Yes
	Capital Associate Industries	No	No	Yes
	CCAM (Cámara de Comercio Argentina-Mexicana)	No	No	Yes
	CEMPRE (Compromiso Empresario para el Reciclado)	No	No	Yes
	CERA (Cámara de Exportadores de la República Argentina)	No	No	Yes
	CICAZ (Comité Interindustrial de Conservación del Ambiente Zárate Campana)	Yes	No	Yes
	CIPETAR (Cámara de la Industria del PET Argentina)	Yes	No	Yes
	CIQyP (Cámara de la Industria Química y Petroquímica)	No	No	Yes
	CIRA (Cámara de Importadores de la República Argentina)	No	No	Yes
	IAE (Instituto Argentino del Empaque)	No	No	Yes
	INDA (Association of the Nonwoven Fabrics Industry)	No	No	Yes
	IPA (Instituto Petroquímico Argentino)	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 (Unión Empresaria de Municipio Tigre)	No	No	Yes
	UIZ (Unión Industrial de Zárate)	Yes	No	Yes

Company	Association	Participation in steering committees or special projects	Above minimum economic support	Participation for reasons of strategy
Petrotemex	ANIQ (Asociación Nacional de la Industria Química)	Yes	No	Yes
	Asociación de Industriales del Sur de Tamaulipas, A.C.	Yes	No	Yes
	CRIS	Yes	No	Yes
Indelpro	ANIQ (Asociación Nacional de la Industria Química)	Yes	No	No
	Asociación de Industriales del Sur de Tamaulipas, A.C.	Yes	No	No
Polioles	ANIQ (Asociación Nacional de la Industria Química)	Yes	No	Yes
Styropek	ABIQUIM (Asociación Brasileña de la Industria Química)	Yes	No	Yes
	ANIQ (Asociación Nacional de la Industria Química)	Yes	No	Yes
Univex	ANIQ (Asociación Nacional de la Industria Química)	Yes	No	Yes

Families during Sustainability Day at Grupo Petrotemex, Indelpro and Styropek

Board of Directors

G4-34, 38

Armando Garza Sada [3]
Chairman of the Board of Alpek, S.A.B. de C.V.
- Chairman of the Board of ALFA and NEMAK.
- Member of the Boards of CEMEX, FEMSA, Frisa Industrias, Grupo Financiero Banorte, Grupo Lamosa, Liverpool, Proeza, and ITESM.

Álvaro Fernández Garza [3]
President of ALFA, S.A.B. de C.V.
- Co-Chairman of the Board of Axtel. Member of the Boards of Alfa, Nemak, Cydsa, Grupo Aeropuertario del Pacífico, Vitro, Universidad de Monterrey (UDEM), Georgetown University (Latin American Board), and Museo de Arte Contemporáneo de Monterrey.
- Chairman of the Advisory Board of the Centro Roberto Garza Sada of the UDEM.

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, and Universidad de Monterrey (UDEM), and as Alternate Member of the Boards of FEMSA, and Coca Cola FEMSA.

Rodrigo Fernández Martínez [3]
President of Sigma México
- Previously Marketing and Finance Director of Sigma.

Andrés E. Garza Herrera [1A]
Chief Executive Officer of Qualtia Alimentos, S.A. de C.V.
- President of Mexican Consumer Products Industry Council / Consejo Mexicano de la Industria de Productos de Consumo, A.C. (ConMéxico). Member of the Boards of Xignux, Regional Board of Banorte, Universidad de Monterrey (UDEM), and Ciudad de los Niños.

Merici Garza Sada [4]
Investor

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

Jaime Serra Puche [1A]
Founding Partner and Chief Executive Officer for 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 for Grupo Proeza, S.A. de C.V.
- Member of the Boards of Grupo Proeza, CFE, and ITESM.

Carlos Jiménez Barrera
Secretary of the Board

Key
1. Independent Board Member
2. Independent Patrimonial Board Member
3. Related Patrimonial Board Member
4. Patrimonial Board Member
A. Audit and Corporate Practices Committee

Management Team

G4-34, 39

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 undergraduate degree and 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 an undergraduate degree from ITESM and 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 undergraduate degree from Stanford University and 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 undergraduate degree from ITESM and 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 a former Vice President of Alpek's Industrial Filaments Business Unit. Holds an undergraduate degree and an MBA from ITESM.

6. Alejandro Llovera Zambrano
President of the Polypropylene Business Unit

President of Alpek's Polypropylene Business Unit since 2008. Joined Alfa in 1985, is a 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 undergraduate degree and 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 an undergraduate degree and 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 an undergraduate degree from ITESM and a graduate degree from IPADE.

Corporate Governance

G4-38, 42, 47, 49, 58

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 2015 and updated where necessary:

- 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.

- 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.

- 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.

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

- 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.

- 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.

- 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.

- 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.

- 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.

- 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 (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.

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).

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.

Megawatt
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 barriers, 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 by-product at oil refineries. It is used in the petrochemical industry to produce PP, propylene oxide, cumene, isopropanol, acrylic acid and acrylnitrile. 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, 2015 and 2014

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Management's Analysis

2015

The following analysis complements the Letter to the shareholders and the Audited financial statements. Unless otherwise specified, figures are expressed in millions of nominal pesos, with some figures being expressed in millions of dollars (U.S. $) due to the high dollarization of Alpek's revenues. Percentage variations are stated in nominal terms and all information is presented in accordance with International Financial Reporting Standards (IFRS).

Economic Environment

2015 was characterized by weakness in the global economy. Institutions such as the International Monetary Fund and the World Bank reduced their initial growth expectations in face of doubt about the strength of the economic recovery. Contrasting circumstances were observed in different countries. The United States and the United Kingdom reported improved growth figures compared to previous years, while countries such as China and some countries in the Euro Zone disappointed. Financial markets were volatile in advance of the Fed's decision on an interest-rate increase in the United States, prompting an important appreciation of the dollar vis-à-vis the majority of world currencies, including the Mexican peso. In fact, the Fed began its hike in benchmark rates as expected, albeit gradually. China's lower than expected growth and the potential entry of Iranian oil into the market increased pressure on oil prices, so that at year end, the price of Brent crude was 36% below December 2014. Oil prices have continued to fall and the dollar to appreciate into early 2016.

The GDP and other economic variables in Mexico and the United States, which are part of the context for Alpek's earnings, are described below:

Gross Domestic Product (GDP) in the United States grew 2.4%[a] (estimated) in 2015, the same as the previous year. 2015 consumer inflation was 0.7%[b], below the 0.8%[b] reported in 2014.

Mexico's GDP grew 2.5% (estimated) in 2015, slightly more than in 2014. Consumer inflation was 2.1%[d] in 2015, lower than the 4.0%[d] reported in 2014. The Mexican peso depreciated nominally by 17.0%[e] in 2015, compared to 12.5%[e] in 2014. In real terms, the average annual overvaluation of the Mexican peso against the dollar was 11.8%[f] in 2015 and 15.6%[f] in 2014.

With regard to interest rates in Mexico, the TIIE (Interbank Equilibrium Interest Rate) was 3.3%[d] in 2015 in nominal terms, compared to 3.5% in 2014. In real terms, interest rates increased from -0.5% in 2014 to 1.9% in 2015.

The annual average nominal 3-month dollar LIBOR rate was 0.3%[d] in 2015, above the 0.2%[d] seen of 2014. If the nominal depreciation of the peso is included in the figure, LIBOR in constant pesos rose from 8.4%[c] in 2014 to 14.9%[c] in 2015.

Sources:

(a) Bureau of Economic Analysis (BEA).
(b) Bureau of Labor Statistics (BLS).
(c) National Institute of Statistics and Geography (INEGI).
(d) Banco de México (Banxico).
(e) Banxico. exchange rate for liquidating liabilities denominated in foreign currency and payable in Mexico.
(f) Own calculations with data from INEGI, bilateral with the United States, considering consumer prices.

Volume – (thousand tons)	2015	2014	2013	VAR. % 2015 vs 2014	VAR. % 2014 vs 2013
Polyester	3,015	3,082	3,035	(2)	2
Plastics & Chemicals	922	849	839	9	1
TOTAL VOLUME	3,937	3,931	3,874	0	1

Revenue	2015	2014	2013	VAR. % 2015 vs 2014	VAR. % 2014 vs 2013
Polyester					
Million pesos	60,769	63,228	68,636	(4)	(8)
Million dollars	3,840	4,752	5,356	(19)	(11)
Plastics & Chemicals					
Million pesos	22,821	22,844	21,425	0	7
Million dollars	1,444	1,719	1,671	(16)	3
TOTAL REVENUE					
Million pesos	**83,590**	**86,072**	**90,061**	**(3)**	**(4)**
Million dollars	**5,284**	**6,471**	**7,028**	**(18)**	**(8)**

Price Index	2015	2014	2013	VAR. % 2015 vs 2014	VAR. % 2014 vs 2013
Polyester					
Million pesos	89	91	100	(2)	(9)
Million dollars	72	87	100	(17)	(13)
Plastics & Chemicals					
Million pesos	97	105	100	(8)	5
Million dollars	79	102	100	(23)	2
TOTAL					
Million pesos	**91**	**94**	**100**	**(3)**	**(6)**
Million dollars	**74**	**91**	**100**	**(18)**	**(9)**

Revenue

Net revenue in 2015 amounted to $83,590 million (U.S. $5.284 billion), 3% less than the $86,072 million (U.S. $6.471 billion) of 2014, reflecting a 3% drop in average prices, which were mainly affected by the decline in oil prices. The average dollar-denominated price fell by 18% but was offset by the depreciation of the peso against the dollar.

Revenue by Business Segment

In 2015, Polyester's net revenue was $60,769 million (U.S. $3.840 billion), 4% less than the $63,228 million (U.S. $4.752 billion) of 2014. The Polyester segment posted a decline of 2% in both average sales prices and volume, which reduced revenue year-over-year. In dollar terms, the average price of Polyester fell 17% in 2015, driven by the downward trend in crude and feedstock prices. However, the depreciation of the peso against the dollar offset this effect.

The Plastics & Chemicals segment had a revenue of $22,821 million (U.S. $1.444 billion) in 2015, compared to $22,844 million (U.S. $1.719 billion) the previous year. In 2015, a volume growth of 9%, driven primarily by the demand for polypropylene, offset the 8% decline in average sales price. Excluding the foreign exchange rate effect, the average price of this segment's products was 23% less than in 2014 due to the fall in crude and feedstock prices.

Operating Profit and EBITDA

2015 operating profit was $7,590 million (U.S. $481 million), 103% more than the $3,739 million (U.S. $286 million) of 2014. Our two business segments posted year-over-year operating profit improvement.

In 2015, EBITDA reached $9,974 million (U.S. $630 million), 75% above the $5,710 million (U.S. $434 million) of 2014.

Polyester EBITDA grew by $1,878 million (U.S. $74 million) in 2015, mainly due to the increase in the North American PTA price formula and the benefits generated by the operation of the cogeneration plant in Cosoleacaque, Veracruz. Plastics & Chemicals EBITDA rose by $2,399 million (U.S. $125 million), reflecting enhanced margins for polypropylene and expandable polystyrene (EPS) compared to 2014.

EBITDA growth in 2015 also reflected two extraordinary items: a gain of $394 million (U.S. $26 million) from the sale of our polyurethane business and an inventory devaluation of $181 million (U.S. $21 million) below 2014.

Operating Income (EBITDA) – (million pesos)	2015	2014	2013	VAR. % 2015 vs 2014	VAR. % 2014 vs 2013
Polyester	5,420	3,541	4,974	53	(29)
Plastics & Chemicals	4,508	2,110	2,304	114	(8)
Others and eliminations	46	59	66	(22)	(11)
TOTAL EBITDA	**9,974**	**5,710**	**7,344**	**75**	**(22)**

Operating Income (EBITDA) – (million dollars)	2015	2014	2013	VAR. % 2015 vs 2014	VAR. % 2014 vs 2013
Polyester	344	270	388	27	(30)
Plastics & Chemicals	284	159	180	79	(12)
Others and eliminations	3	5	5	(35)	(11)
TOTAL EBITDA	**630**	**434**	**572**	**45**	**(24)**

Finance cost, net

The finance cost, net was -$1,862 million (-U.S. $116 million) in 2015, 24% more than in 2014. The finance expense increased from -$791 million (-U.S. $59 million) in 2014 to -$933 million (-U.S. $59 million) in 2015, due to the depreciation of the peso against the dollar. The higher exchange rate also resulted in the recognition of a non-cash exchange rate loss of -$1,114 million (-U.S. $68 million) in 2015, compared to an exchange rate loss of -$629 million (-U.S. $46 million) in 2014.

Finance cost, Net (million pesos)	2015	2014	2013	VAR. % 2015 vs 2014	VAR. % 2014 vs 2013
Finance expense	(1,177)	(956)	(1,114)	(23)	14
Finance income	244	166	159	47	4
Net Finance Expense	**(933)**	**(791)**	**(955)**	**(18)**	**17**
Foreign exchange gain (loss)	(1,114)	(629)	(146)	(77)	(331)
Valuation of financial derivative instruments	184	(77)	(71)	340	(8)
FINANCE COST, NET	**(1,862)**	**(1,497)**	**(1,172)**	**(24)**	**(28)**

Taxes

Income tax in 2015 totaled $2,040 million (U.S. $130 million), 131% more than the $883 million (U.S. $68 million) reported in 2014. The increase is due to a 160% growth in before-tax income.

Taxes - (million pesos)	2015	2014	2013	VAR. % 2015 vs 2014	VAR. % 2014 vs 2013
Income tax					
Profit before income taxes	5,704	2,197	1,723	160	27
Statutory tax rate	30%	30%	30%		
Income tax at statutory rate	(1,711)	(659)	(517)	(160)	(27)
Taxes for permanent differences between accounting-taxable profit	(328)	(224)	(300)	(47)	25
Total income tax	(2,040)	(883)	(817)	(131)	(8)
Effective tax rate	36%	40%	47%		
Made up as follows:					
Current	(2,252)	(975)	(1,137)	(131)	14
Adjustment to the provision of income tax from prior years	9	(7)	(44)	235	86
Deferred	203	98	364	108	(73)
Total income tax	**(2,040)**	**(883)**	**(817)**	**(131)**	**(8)**

Net Income Attributable to the Controlling Interest

The net income attributable to the controlling interest of $2,748 million (U.S. $175 million) in 2015 was 243% higher than the net income of $801 million (U.S. $65 million) posted in 2014. Increases in finance cost, net and taxes were more than offset by the growth in operating profit.

Statement of income - (million pesos)	2015	2014	2013	VAR. % 2015 vs 2014	VAR. % 2014 vs 2013
Operating profit	7,590	3,739	2,926	103	28
Finance cost, net	(1,862)	(1,497)	(1,172)	(24)	(28)
Share in losses of associates	(23)	(45)	(30)	49	(48)
Income tax	(2,040)	(883)	(817)	(131)	(8)
Net consolidated profit	**3,665**	**1,314**	**906**	**179**	**45**
Profit attributable to controlling interest	**2,748**	**801**	**262**	**243**	**206**

Investment in Fixed and Intangible Assets

In 2015, investments in fixed and intangible assets totaled $4,482 million (U.S. $275 million), 7% more than the $4,191 million (U.S. $307 million) reported in 2014. During the year, resources were used primarily for strategic projects such as the integrated PTA/PET plant in Corpus Christi, the MEG supply agreement signed with Huntsman, and the construction of two propylene spheres. In addition to its investments in fixed and intangible assets, Alpek also invests in shares, as in the case of the acquisition of the EPS businesses in North and South America which is not included in these figures.

Net Debt[1]

As of December 31, 2015, net debt was $12,420 million (U.S. $722 million), 18% higher than the $10,519 million (U.S. $715 million) as of December 31, 2014. Excluding the effect of the depreciation of the peso against the dollar, the net debt balance increased 1% year-over-year. Alpek's cash balance at the close of 2015 was $6,653 million (U.S. $387 million).

	million dollars			% integrated	
Short and long-term debt	2015	2014	Var.	2015	2014
Short-term debt	39	21	86	4	2
Long-term debt, 1 year	21	1	2,000	2	0
2 years	71	24	196	6	2
3 years	27	22	23	2	2
4 years	1	48	(98)	0	4
5 years or more	949	978	(3)	86	89
TOTAL DEBT	**1,108**	**1,094**	**1**	**100**	**100**
Avg. maturity long-term debt (years)	6.3	7.3			
Avg. maturity total debt (years)	6.1	7.2			

FINANCIAL INDICATORS - (Times)	2015	2014	2013
Net Debt / EBITDA (U.S.$)	1.1	1.6	1.3
Interest Coverage (U.S.$)	10.7	6.5	7.1
Total Liabilities / Stockholder's equity	1.2	1.2	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.

2015 HIGHLIGHTS

Acquisition of EPS business from BASF

On April 2015, the expandable polystyrene (EPS) businesses acquired from BASF in North and South America were successfully integrated. Styropek, S.A. de C.V., the new, wholly-owned Alpek subsidiary created for this purpose, is now the leading EPS producer in America, with an aggregate annual capacity of 230,000 tons in Mexico, Brazil, Argentina and Chile.

Acquisition of additional PET supply rights from the integrated plant in Corpus Christi

Alpek acquired additional rights to supply 100,000 tons of integrated PET per year from the M&G plant in Corpus Christi. As reference, on April 16, 2013, Alpek announced it had acquired contractual supply rights for 400,000 tons of integrated PET per year from this facility. Alpek's contractual supply rights increased to 500,000 tons of integrated PET per year from the M&G plant in Corpus Christi, once construction is completed.

Construction of the cogeneration plant in Altamira

A comprehensive analysis of an alternative configuration for Alpek's cogeneration plant in Altamira, Tamaulipas, resulted in enhanced profitability from lower investment and greater generation capacity. Construction began in December 2015. Approximately U.S. $350 million will be invested in the new plant, which will have a capacity of 350 MW and start operations during the first half of 2018.

MEG supply agreement with Huntsman

The contract signed with Huntsman consists of a U.S. $65 million investment for annual supply rights to approximately 150,000 tons of monoethylene glycol (MEG) from its site in Port Neches, Texas. The agreement assures a portion of our MEG needs at a cost based on ethylene prices.

Acquisition of new EPS plant in Chile

Alpek signed an agreement with BASF Chile, S.A. to acquire its EPS plant in Concón, Chile, which has an annual capacity of 20,000 tons. The transaction should be closed during the first half of 2016.

Expansion Projects

Pearl River

A 110,000 tons per year polyester fiber expansion was initiated at Alpek's Pearl River plant (in the United States) to meet growing customer demand. The project, which leverages existing on-site infrastructure, is expected to come on line before the end of 2016.

EPS Altamira

An expansion project of 75,000 tons of EPS per year was started at our Altamira plant (in Mexico). Through this investment, the Altamira EPS plant will become one of the world's five largest. The plan envisages that the new capacity will begin operations before year-end 2017.

Dividends

On April 15, 2015, the Ordinary Shareholders' Meeting approved the payment of a cash dividend of U.S. $95 million, which was paid as of April 24, 2015.

Report of the Independent Auditors

Monterrey, N. L., February 2, 2016

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

PricewaterhouseCoopers, S. C.

Héctor Rábago Saldívar
Audit Partner

Consolidated Statements of Financial Position

At December 31, 2015 and 2014

In thousands of Mexican pesos

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

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

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

Consolidated Statements of Income

For the years ended December 31, 2015 and 2014

In thousands of Mexican pesos

	Note	2015	2014
Revenue	3.u	Ps 83,590,460	Ps 86,072,058
Cost of sales	25	(73,029,596)	(79,757,100)
Gross profit		10,560,864	6,314,958
Selling expenses	25	(1,377,196)	(1,218,824)
Administrative expenses	25	(1,839,073)	(1,325,744)
Other income (expenses), net	26	244,993	(31,807)
Operating profit		7,589,588	3,738,583
Finance income	27	2,795,360	135,437
Finance cost	27	(4,657,563)	(1,632,107)
Finance cost, net		(1,862,203)	(1,496,670)
Share of losses of investments accounted for the equity method		(22,976)	(44,779)
Profit before income taxes		5,704,409	2,197,134
Income taxes	29	(2,039,745)	(883,032)
Net consolidated profit		Ps 3,664,664	Ps 1,314,102
Profit attributable to:			
Controlling interest		Ps 2,748,400	Ps 800,901
Non-controlling interest		916,264	513,201
		Ps 3,664,664	Ps 1,314,102
Basic and diluted earnings per share in pesos		Ps 1.30	Ps 0.38
Weighted average of outstanding shares (in thousands of shares)		2,118,164	2,118,164

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

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2015 and 2014

In thousands of Mexican pesos

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

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

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2015 and 2014

In thousands of Mexican pesos

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

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

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014
In thousands of Mexican pesos

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

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

José de Jesús Valdez Simancas
Chief Executive Officer

Eduardo Alberto Escalante Castillo
Chief Financial Officer

Note 1 – General Information

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

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

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

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

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

Note 2 – Significant events

2015

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

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

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

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

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

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

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

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

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

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

Transactions included in this agreement were as follows:

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

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

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

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

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

Current assets [1]	Ps	622,520
Property, plant and equipment		424,940
Current liabilities [2]		(183,078)
Other current liabilities		(140,002)
Deferred income tax		(88,867)
Other liabilities		(30,283)
Consideration paid	Ps	605,230

[1] Current assets consist mainly of accounts receivable and inventories amounting to Ps 333,318 and Ps 289,202, respectively.

[2] Current liabilities consist mainly of suppliers in the amount of Ps 100,643.

Total purchase consideration was paid in cash.

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

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

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

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

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

c) Monoethylene Glycol (MEG) manufacturing agreement

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

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

2014

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

On December 1, 2014, Cogeneración de Energía Limpia de Cosoleacaque, S. A. de C. V. ("Cogeneradora") began operations. This cogeneration plant, which will supply its PTA and PET plants located in Cosoleacaque, Veracruz, Mexico, will generate approximately 95 megawatts of electricity as well as all the steam needed to cover the requirements of these plants. The cogeneration plant will also supply energy to other Alfa entities outside of Cosoleacaque.

e) Joint venture agreement

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

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

Due to particulars circumstances of UPC during the month of December 2014, Grupo Petrotemex decided to terminate the agreement with UPC and proceed to sell the shares of JVC. The Deed of settlement and termination establishes a selling price of the shares of approximately Ps 63,271 (€3,552). According to this, Management recorded an impairment of its joint venture amounting to Ps 126,906 (see Note 26) and reclassified this investment, net of impairment, as an asset held for sale and it is presented in the consolidated statement of financial position within the line of prepayments and other. At December 31, 2015, this transaction was concluded with the sale of this investment.

Note 3 - Summary of significant accounting policies

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

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

a) Basis for preparation

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

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

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

b) Consolidation

i. Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

(2) Ownership percentage that Alpek has in the holding companies which in turn has in other companies. Ownership percentages and the voting rights are the same.

(3) Companies acquired in 2015, See Note 2 b).

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

ii. Absorption (dilution) of control in subsidiaries

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

iii. Sale or disposal of subsidiaries

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

iv. Associates

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

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

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

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

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

v. Joint arrangements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Cash and cash equivalents

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

e) Restricted cash and cash equivalents

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

f) Financial instruments

Financial assets

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

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

i. Financial assets at fair value through profit or loss

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

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

ii. Accounts receivable

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

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

iii. Investments held to maturity

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

iv. Financial assets available for sale

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

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

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

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

Financial liabilities

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

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

Offsetting financial assets and liabilities

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

Impairment of financial instruments

a. Financial assets measured at amortized cost

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

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

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

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

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

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

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

Impairment amounts of accounts receivable are mentioned in Note 8.

b. Financial assets available for sale

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

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

g) Derivative financial instruments and hedging activities

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

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

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

Fair value hedges

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

Cash flow hedges

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

Net investment hedge

Net investment hedge in a foreign operation is recorded similarly to cash flow hedges. Any gain or loss of the hedged instrument related to the effective portion of the hedge is recorded in other comprehensive income. The gain or loss of the ineffective portion is recorded in the statement of income. Accumulated gains and losses in equity are transferred to the statement of income on the disposal or partial disposal of the foreign operation. At December 31, 2015 and 2014, the Company has no derivative financial instruments classified as net investment hedges.

Discontinuation of hedge accounting

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

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

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

h) Inventories

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

i) Property, plant and equipment

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

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

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

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

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

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

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

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

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

j) Leases

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

Leases in which a significant portion of the risks and rewards relating to the leased property are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received by the lessor) are recognized in the income statement based on the straight-line method over the lease period.

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

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

k) Goodwill and intangible assets

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

Intangible assets are classified as follows:

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

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

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

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

(a) Goodwill

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

(b) Development costs

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

(c) Intangible assets acquired in a business combination

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

l) Impairment of non-financial assets

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

m) Income taxes

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

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

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

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

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

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

n) Employee benefits

i. Pension plans

Defined contribution plans:

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

Defined benefit plans:

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

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

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

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

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

ii. Other post-employment benefits

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

iii. Termination benefits

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

iv. Short-term benefits

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

v. Employees' profit sharing and bonuses

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

o) Provisions

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

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

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

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

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

p) Share-based payments

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

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

q) Treasury shares

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

r) Capital stock

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

s) Comprehensive income

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

t) Segment reporting

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

u) Revenue recognition

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

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

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

Revenues from services are recognized as follows:

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

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

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

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

v) Earnings per share

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

w) Changes in accounting policies and disclosures

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

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

- Defined benefit plans: Contributions - Changes to IAS 19

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

x) New accounting pronouncements not early adopted by the company

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

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

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

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

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

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

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

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

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

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

Note 4 - Risk management

4.1 Financial risk factors

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

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

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

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

a) Market risk

i. Exchange rate risk

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

The respective exchange rates of the Mexican peso and the 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 US dollar, the Company's profit margins have been reduced. On the other hand, when the Mexican peso has lost value, the Company's profit margins have been increased. However, although this factor correlation has appeared on several occasions in the recent past, there is no assurance that it will be repeated if the exchange rates between the Mexican peso and other currencies fluctuate again.

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

ii. Price risk

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

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

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

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

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

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

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

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

iii. Interest rate risk and cash flow

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

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

b) Credit risk

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

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

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

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

c) Liquidity risk

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

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

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

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

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

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

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

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

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

4.2 Capital management

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

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

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

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

4.3 Fair value estimation

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss with trading accounting treatment	Ps -	Ps -	Ps -	Ps -
Derivative with hedge accounting treatment	-	-	-	-
Financial assets available for sale	-	-	128,475	128,475
Total	Ps -	Ps -	Ps 128,475	Ps 128,475
Liabilities				
Financial liabilities at fair value through profit or loss with trading accounting treatment	Ps -	Ps 85,113	Ps -	Ps 85,113
Employees' benefits based on shares	59,506	-	-	59,506
Financial assets available for sale	-	959,823	-	959,823
Total	Ps 59,506	Ps 1,044,936	Ps -	Ps 1,104,442

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

Level 1

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

Level 2

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

Level 3

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

Specific valuation techniques used to value financial instruments include:

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

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

Note 5 - Critical accounting estimates and judgments

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

5.1 Critical accounting estimates and assumptions

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

a) Property, plant, equipment and finite life intangibles

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

b) Income taxes

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

c) The fair value of derivative financial instruments

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

d) Pension benefits

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

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

5.2 Critical judgments in applying the entity's accounting policies

a) Basis for Consolidation

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

Note 6 - Cash and cash equivalents

The cash and cash equivalents are comprised as follows:

	At December 31,			
	2015		2014	
Cash and bank accounts	Ps	3,225,765	Ps	1,792,869
Short-term bank deposits		3,424,139		3,950,947
Cash and cash equivalents	Ps	6,649,904	Ps	5,743,816

Note 7 - Restricted cash and cash equivalents

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

Note 8 - Trade and other receivables, net

Trade and other accounts receivable are comprised as follows:

	At December 31,	
	2015	2014
Trade receivables	Ps 8,351,069	Ps 10,169,506
Provision for impairment of trade receivables	(155,365)	(392,579)
Trade receivables, net	8,195,704	9,776,927
Accounts receivable from related parties (Note 9)	2,954,039	1,389,713
Recoverable taxes	1,977,585	1,819,293
Interest receivable	13	15
Other debtors	256,594	260,422
Current portion	Ps 13,383,935	Ps 13,246,370

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

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

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

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

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

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

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

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

Note 9 - Related party transactions

Related party transactions were carried out at market values.

At December 31, 2015

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

At December 31, 2014

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

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

Revenue and other with related parties

Year ended December 31, 2015

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

Year ended December 31, 2014

	Finished goods	Raw materials	Interests	Dividends	Administrative services	Energetics	Leases	Others
Holding	Ps -	Ps -	Ps 23,731	Ps -	Ps -	Ps -	Ps -	Ps -
Affiliate	267,274	4,860	8,602	-	84,863	56,129	-	-
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

Cost of sales and expenses with related parties

Year ended December 31, 2015

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

Year ended December 31, 2014

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

[5] Under the caption of others, the effects of the agreements between Alpek and BASF Polyurethane (PU businesses) are included. See Note 2 b).

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

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

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

Note 10 - Inventories

	At December 31,			
	2015		2014	
Finished goods	Ps	5,794,742	Ps	5,937,774
Raw material and other consumables		5,081,622		4,175,773
Materials and tools		792,721		877,025
Work in process		417,032		495,336
	Ps	12,086,117	Ps	11,485,908

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

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

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

Note 11 – Property, plant and equipment, net

	Land	Buildings and constructions	Machinery and equipment	Transportation equipment	Furniture, lab and information technology equipment	Construction in process	Other fixed assets	Total
Year ended December 31, 2014								
Beginning balance	Ps 2,750,382	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 value 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
At December 31, 2014								
Cost	Ps 2,988,204	Ps 9,965,060	Ps 47,019,030	Ps 243,598	Ps 1,131,484	Ps 918,761	Ps 494,380	Ps 62,760,517
Depreciation charge recognized in the year	-	(6,341,452)	(27,958,491)	(174,484)	(893,815)	-	-	(35,368,242)
Carrying value 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
Year ended December 31, 2015								
Beginning balance	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
Additions	-	7,077	47,493	3,157	6,596	1,477,320	36,465	1,578,108
Additions through business acquisitions	36,773	103,746	257,130	2,671	16,010	8,610	-	424,940
Disposals	-	-	(27,911)	(1,280)	(303)	(994)	(10,717)	(41,205)
Impairment	-	-	(13,816)	-	(82)	(27,449)	(1,291)	(42,638)
Translation effect	236,463	534,133	2,856,459	8,515	37,228	121,353	101,773	3,895,924
Depreciation charge recognized in the year	-	(221,908)	(1,696,600)	(11,958)	(76,078)	-	-	(2,006,544)
Transfers	2,740	88,872	661,134	4,518	67,082	(850,178)	146,743	120,911
Carrying value at December 31, 2015	Ps 3,264,180	Ps 4,135,528	Ps 21,144,428	Ps 74,737	Ps 288,122	Ps 1,647,423	Ps 767,353	Ps 31,321,771
At December 31, 2015								
Cost	Ps 3,264,180	Ps 11,763,540	Ps 55,398,958	Ps 283,283	Ps 1,410,940	Ps 1,647,423	Ps 767,353	Ps 74,535,677
Accumulated depreciation	-	(7,628,012)	(34,254,530)	(208,546)	(1,122,818)	-	-	(43,213,906)
Carrying value at December 31, 2015	Ps 3,264,180	Ps 4,135,528	Ps 21,144,428	Ps 74,737	Ps 288,122	Ps 1,647,423	Ps 767,353	Ps 31,321,771

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

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

Note 12 - Goodwill and intangible assets, net

	Finite life						Indefinite life		
	Development costs	Supply rights	Non-complete agreements	Customer relationships	Software and licenses	Intellectual property rights and others	Goodwill	Others	Total
Cost									
At January 1, 2014	Ps 583,486	Ps 540,735	Ps 61,460	Ps 475,853	Ps 62,416	Ps 1,566,964	Ps 221,868	Ps 5,904	Ps 3,518,686
Additions	5,710	2,155,469	94,387	-	21,316	547,947	-	310	2,825,139
Translation effect	73,599	230,494	10,324	59,735	6,422	198,537	27,851	777	607,739
Additions through business combination	-	-	31,709	-	-	-	-	-	31,709
Transfers	-	-	-	-	-	27,760	-	-	27,760
At December 31, 2014	662,795	2,926,698	197,880	535,588	90,154	2,341,208	249,719	6,991	7,011,033
Aditions	5,485	1,741,330	-	-	11,498	99,148	4,702	-	1,862,163
Translation effect	111,693	619,968	(1,940)	90,557	9,730	391,975	42,222	1,182	1,265,387
At December 31, 2015	Ps 779,973	Ps 5,287,996	Ps 195,940	Ps 626,145	Ps 111,382	Ps 2,832,331	Ps 296,643	Ps 8,173	Ps 10,138,583
Amortization									
At January 1, 2014	(Ps 198,405)	Ps -	(Ps 44,816)	(Ps 104,196)	(Ps 35,941)	(Ps 228,858)	Ps -	Ps -	(Ps 612,216)
Amortization	(39,544)	-	(45,515)	(38,363)	(3,607)	(86,417)	-	-	(213,356)
Transfers	-	-	-	-	-	(7,425)	-	-	(7,425)
Translation effect	(28,663)	-	(8,445)	(17,180)	(3,651)	(37,187)	-	-	(95,126)
At December 31, 2014	(266,522)	-	(98,776)	(159,739)	(43,199)	(359,887)	-	-	(928,123)
Amortization	(47,923)	-	(44,085)	(45,723)	(4,267)	(105,241)	-	-	(247,239)
Translation effect	(47,673)	-	(54)	(30,926)	(5,985)	(66,517)	-	-	(151,155)
At December 31, 2015	(Ps 362,118)	Ps -	(Ps 142,915)	(Ps 236,388)	(Ps 53,451)	(Ps 531,645)	Ps -	Ps -	(Ps 1,326,517)
Net carrying amount									
Cost	Ps 662,795	Ps 2,926,698	Ps 197,880	Ps 535,588	Ps 90,154	Ps 2,341,208	Ps 249,719	Ps 6,991	Ps 7,011,033
Amortization	(266,522)	-	(98,776)	(159,739)	(43,199)	(359,887)	-	-	(928,123)
At December 31, 2014	Ps 396,273	Ps 2,926,698	Ps 99,104	Ps 375,849	Ps 46,955	Ps 1,981,321	Ps 249,719	Ps 6,991	Ps 6,082,910
Cost	Ps 779,973	Ps 5,287,996	Ps 195,940	Ps 626,145	Ps 111,382	Ps 2,832,331	Ps 296,643	Ps 8,173	Ps 10,138,583
Amortization	(362,118)	-	(142,915)	(236,388)	(53,451)	(531,645)	-	-	(1,326,517)
At December 31, 2015	Ps 417,855	Ps 5,287,996	Ps 53,025	Ps 389,757	Ps 57,931	Ps 2,300,686	Ps 296,643	Ps 8,173	Ps 8,812,066

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

Incurred research and development expenses that have been recorded in the Consolidated Statement of Income were Ps 54,939 and Ps 40,994, respectively.

Impairment testing of goodwill

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

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

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

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

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

Note 13 - Other non-current assets

	At December 31,			
	2015		2014	
Other receivables, net	Ps	109,796	Ps	103,202
Financial assets available for sale (1)		143,407		128,475
Investment in associates (2)		253,387		149,931
Other non-current financial assets (3)		1,227,972		316,271
Total other non-current assets	Ps	1,734,562	Ps	697,879

(1) Financial assets available for sale:

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

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

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

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

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

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

(2) Investments in associates

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

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

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

(3) Other non-current assets

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

Note 14 – Subsidiaries with significant non-controlling interest

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

	Non-controlling ownership percentage	Non-controlling interest income for the period 2015		2014		Non-controlling interest at December 31, 2015		2014	
Indelpro, S. A. de C. V. and subsidiary	49%	Ps	699,007	Ps	303,590	Ps	2,917,152	Ps	2,574,644
Polioles, S. A. de C. V. and subsidiary	50%		215,676		226,241		1,153,410		829,038
Non-controlling portion of non-significant subsidiaries			1,581		(16,630)		473,966		491,493
		Ps	916,264	Ps	513,201	Ps	4,544,528	Ps	3,895,175

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

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

Note 15 - Financial instruments

a) Financial instruments by category

At December 31, 2015

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

At December 31, 2014

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

b) Credit quality of financial assets

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

	At December 31, 2015	At December 31, 2014
Trade and other receivables Counterparties with external credit rating		
"A+"	Ps 22,666	Ps -
"A-"	26,245	633
"A"	50	124
"AAA"	32,367	45,518
"AA"	42,628	97,023
"AA-"	60	32
"B"	8,394	159,072
"B+"	18,848	15,543
"BBB+"	34,044	58,729
"BBB"	509,813	325,326
"BBB-"	111	1,908
"BB"	2,989	8,718
"BB+"	7,748	-
"BB-"	913,720	1,180,048
Other categories	235,040	461,277
	1,854,723	2,353,951
Counterparties without external credit rating		
Type of customers X	7,774,909	9,208,510
Type of customers Y	95,916	907,124
Type of customers Z	-	22,493
	7,870,825	10,138,127
Total not impaired trade receivables	Ps 9,725,548	Ps 12,492,078

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

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

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

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

c) Fair value of financial assets and liabilities

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

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

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

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

Note 16 - Derivative financial instruments

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

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

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

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

a) Exchange rate derivatives

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

At December 31, 2015

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

At December 31, 2014

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

b) Interest rate swaps

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

At December 31, 2015

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

At December 31, 2014

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

[1] Cash flow hedges

c) Energy

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

At December 31, 2015

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

At December 31, 2014

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

[1] Cash flow hedges

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

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

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

Note 17 - Suppliers and other accounts payable

	At December 31, 2015	At December 31, 2014
Suppliers	Ps 9,521,436	Ps 9,881,574
Balances with related parties (Note 9)	279,116	683,196
	Ps 9,800,552	Ps 10,564,770

Note 18 - Provisions

	Restructuring and demolition	Environmental remediation	Indemnities from dismissal and others	Other	Total
At January 1, 2014	Ps 433,354	Ps 371,611	Ps 79,349	Ps -	Ps 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	332,360	400,398	57,137	-	789,895
Additions	-	-	-	32,554	32,554
Payments	(249,138)	(102,663)	(29,077)	(10,659)	(391,537)
Translation effects	30,171	59,724	6,956	(4,604)	92,247
At December 31, 2015	Ps 113,393	Ps 357,459	Ps 35,016	Ps 17,291	Ps 523,159

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

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

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

Note 19 – Debt

	At December 31,	
	2015	2014
Current:		
Bank loans [(1)]	Ps 439,713	Ps 290,388
Current portion of non-current debt	50,342	11,166
Interest payable	182,004	160,689
Notes payable [(1)]	6,272	25,360
Current debt	Ps 678,331	Ps 487,604
Non-current:		
Senior Notes [(3)]	Ps 16,203,450	Ps 13,846,890
Unsecured Bank loans [(3)]	2,122,632	1,829,928
Total [(2)]	18,326,082	15,676,818
Less: current portion of non-current debt	(50,342)	(11,166)
Non-current debt	Ps 18,275,740	Ps 15,665,652

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

(2) The total amounts are the amortized cost and include debt issuance costs of Ps 118,585 and Ps 112,373, for 2015 and 2014, respectively.

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

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

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

	2017	2018	2019	2020 onwards	Total
Bank loans	Ps 367,628	Ps 1,214,835	Ps 469,110	Ps 20,717	Ps 2,072,290
Senior notes	-	-	-	16,203,450	16,203,450
	Ps 367,628	Ps 1,214,835	Ps 469,110	Ps 16,224,167	Ps 18,275,740

Covenants:

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

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

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

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

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

Note 20 - Employee benefits

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

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

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

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

Pension benefits

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

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

	At December 31,	
	2015	2014
Present value of defined benefit obligations	Ps 3,545,493	Ps 3,288,794
Fair value of plan assets	(2,687,551)	(2,524,014)
Employees' benefits in the statement of financial position	Ps 857,942	Ps 764,780

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

	2015	2014
At January 1	Ps 3,288,794	Ps 2,700,267
Service cost	40,397	34,622
Interest cost	138,029	128,846
Remeasurements:		
(Losses) gains from changes in financial assumptions	(120,021)	183,286
(Losses) gains from change in demographic assumptions and experience adjustments	(17,078)	221,456
Translation effect	482,191	286,754
Benefits paid	(261,637)	(261,005)
Plan reductions	(1,415)	(1,280)
Settlements	(3,767)	(4,152)
At December 31	Ps 3,545,493	Ps 3,288,794

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

	2015	2014
At January 1	(Ps 2,524,015)	(Ps 2,318,980)
Interest income	(111,858)	(115,407)
Remeasurements return on plan assets, excluding interest income	119,432	(26,394)
Translation effect	(344,998)	(228,358)
Contributions	(62,454)	(74,899)
Paid benefits	236,342	240,023
At December 31	(Ps 2,687,551)	(Ps 2,524,015)

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

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

The principal actuarial assumptions are as follows:

	At December 31,	
	2015	2014
Discount rate	MX 6.75%	MX 6.75%
	US 4.08%	US 3.75%
Inflation rate	4.25%	4.25%
Salary increase rate	5.25%	5.25%

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

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

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

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

Post-employment medical benefits

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

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

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

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

The movements of defined benefit obligations are as follows:

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

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

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

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

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

Employee benefits

Plan assets are comprised as follows:

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

Note 21 – Deferred income taxes

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

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

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

	2015	2014
At January 1	(Ps 3,998,609)	(Ps 4,127,671)
Translation effect	(596,323)	(421,032)
To retained earnings	-	(777)
Business acquisitions	(83,550)	(23,919)
Credit to income statement	202,947	97,746
Credit to other items of comprehensive income	129,692	477,044
At December 31	(Ps 4,345,843)	(Ps 3,998,609)

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

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

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

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

Note 22 - Other current liabilities

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

Note 23 - Stockholders' equity

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

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

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

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

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

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

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

Foreign currency translation

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

Effect of derivative financial instruments

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

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

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

Note 24 – Share-based payments

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

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

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

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

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

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

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

Note 25 - Expenses classified by their nature

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

	2015	2014
Raw materials and others	(Ps 58,781,952)	(Ps 66,910,490)
Employee benefit expenses (Note 28)	(3,799,459)	(2,845,866)
Human resource expenses	(75,985)	(22,543)
Maintenance	(1,092,973)	(917,758)
Depreciation and amortization	(2,253,783)	(1,839,420)
Advertising expenses	(2,185)	(2,229)
Freight charges	(3,864,535)	(3,380,333)
Energy consumption and fuel (gas, electricity, etc.)	(2,884,788)	(3,294,676)
Travel expenses	(131,647)	(113,923)
Operating lease expenses	(639,433)	(495,350)
Technical assistance, professional fees and administrative services	(1,042,131)	(794,478)
Others (insurance and finance, water, containers and packaging, etc.)	(1,676,994)	(1,684,602)
Total	(Ps 76,245,865)	(Ps 82,301,668)

Note 26 - Other income (expenses), net

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

	2015	2014
Gain on sale of wastes	Ps 8,558	Ps 3,509
Gain on sale of property, plant and equipment	381,585	286
Impairment of investment in joint ventures	-	(126,906)
Impairment of property, plant and equipment [1]	(130,166)	(4,948)
Valuation of derivative financial instruments	(6,267)	(18,669)
Other (expenses) income, net	(8,717)	114,921
Total	Ps 244,993	(Ps 31,807)

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

Note 27 - Finance income and cost

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

	2015		2014	
Finance income:				
Interest income on short-term bank deposits	Ps	187,639	Ps	100,611
Interest income on loans from related parties		41,581		32,498
Others		14,977		2,328
Foreign exchange gains		2,366,892		-
Gains for changes in the fair value of financial assets at fair value through profit or loss		184,271		-
Total finance income	Ps	2,795,360	Ps	135,437
Finance expenses:				
Interest expense on bank loans	(Ps	128,023)	(Ps	134,642)
Non-bank interest expense		(787,463)		(648,787)
Interest cost on employees benefit		(31,155)		(19,964)
Other finance expenses (factoring and others)		(230,107)		(122,719)
Foreign exchange loss [1]		(3,480,815)		(629,298)
Loss for changes in the fair value of financial assets at fair value through profit or loss		-		(76,697)
Total finance cost	(Ps	4,657,563)	(Ps	1,632,107)
Finance cost, net	(Ps	1,862,203)	(Ps	1,496,670)

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

Note 28 - Employee benefit expenses

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

	2015		2014	
Salaries, wages and benefits	(Ps	2,853,545)	(Ps	2,101,118)
Social security contributions		(262,450)		(211,667)
Employee benefits (Note 20)		(36,991)		(30,580)
Other contributions		(646,473)		(502,501)
Total	(Ps	3,799,459)	(Ps	2,845,866)

Note 29 - Income taxes

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

	2015	2014
Total current income tax	(Ps 2,251,532)	(Ps 974,546)
Adjustment to the provision of income tax from prior years	8,840	(6,232)
Total deferred tax	202,947	97,746
Income taxes	(Ps 2,039,745)	(Ps 883,032)

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

	2015	2014
Profit before income tax	Ps 5,704,410	Ps 2,197,134
Statutory tax rate	30%	30%
Income tax at statutory rate	(1,711,323)	(659,140)
Add (deduct) effect of income tax on:		
Differences resulting from the financial cost, net	(235,313)	(137,375)
Non-deductible expenses	(20,554)	(22,400)
Non-taxable income	4,739	1,574
Effect of different tax rates of countries other than Mexico	(79,241)	(46,024)
Adjustment to the income tax liability of prior years	8,840	(6,232)
Share in losses of associates	(6,893)	(13,434)
Total income tax	(Ps 2,039,745)	(Ps 883,032)
Effective tax rate	36%	40%

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

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

Note 30 - Segment reporting

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

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

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

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

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

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

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

For the year ended December 31, 2015:

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

For the year ended December 31, 2014:

	Polyester		Plastic and Chemicals		Others		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

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

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

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

	2015		2014	
Mexico	Ps	40,986	Ps	48,056
United States		36,455		33,836
Argentina		4,762		4,180
Brazil		853		-
Chile		369		-
Canada		165		-
Revenues	Ps	83,590	Ps	86,072

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

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

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

Note 31 - Commitments and contingencies

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

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

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

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

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

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

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

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

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

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

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

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

Note 32 - Subsequent events

In preparing the financial statements the Company has evaluated the events and transactions for their recognition or disclosure subsequent to December 31, 2015 and through February 2, 2016 (date of issuance of the financial statements), and has concluded that there are no subsequent events affecting them.

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Design & Photography: 33Visual | Printer: Earthcolor, Houston

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