LARGE SCALE
DISTRIBUTION

pochteca®

2015 Integrated Annual Report

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pochteca®

We are a Mexico based company with a considerable international presence dedicated to the sale of value added industrial raw materials in more than 40 industrial sectors including water treatment, mining, food and automotive industries, oil exploration and drilling, personal care, cleaning and sanitation products, metalworking and dozens of other industries.

G4-56

VISION

To reach annual sales of more than USD1 billion in the Americas

MISSION

To be the preferred distributor of raw materials to customers and suppliers

VALUES

-Safety and compliance
-Austerity and frugality
-Open and dynamic communication
-Honesty and best practices

-Focus on results and continuous improvement
-Passion for growth
-Vocation of service
-Sustainability

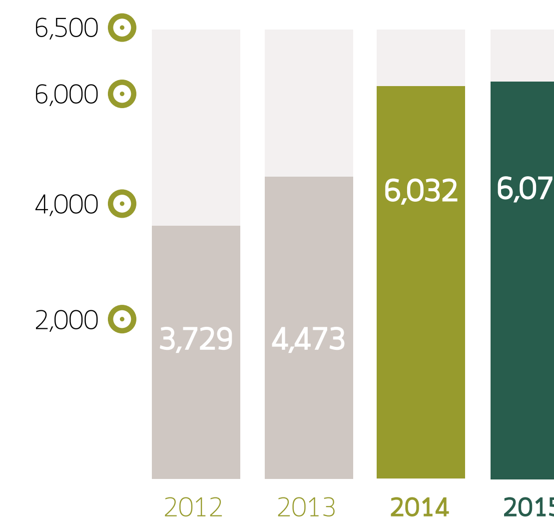
FINANCIAL DATA

G4-9, G4-EC1

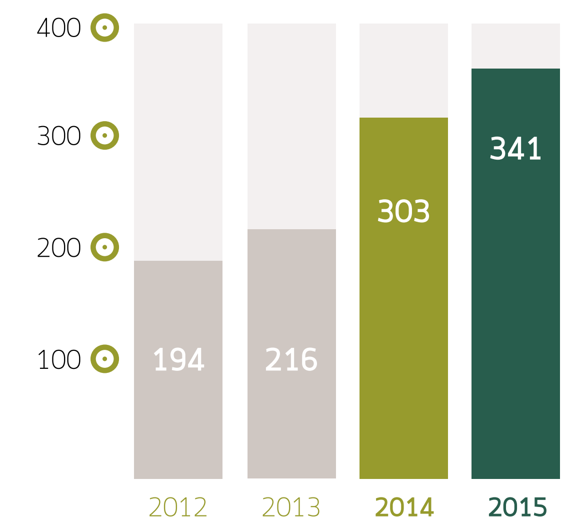
(millions of pesos)

	2015	2014	(%) 2015 vs 2014
Sales	6,079	6,032	**1%**
Gross Profit	1,106	1,051	**5%**
Gross Margin (%)	18.2%	17.4%	**80pb**
Operating Profit	223	195	**14%**
Operating Margin (%)	3.7%	3.2%	**50pb**
Depreciation	118	108	**9%**
EBITDA	341	303	**13%**
EBITDA Margin (%)	5.6%	5.0%	**60pb**
Interest Expense	99	101	**-2%**
Foreign Exchange Loss	(94)	(77)	**22%**
Income Before Tax	30	18	**67%**
Net Income / (Loss)	34	5	**641%**
Net Debt / EBITDA 12 M	1.6x	2.0x	
Interest Coverage	3.0x	2.7x	

Sales (millions of pesos)



EBITDA (millions of pesos)



Relevant data

G4-EC1

- Sales +1% year on year to Ps 6.079 billion
- Gross Margin +80 basis points, growing from 17.4% to 18.2%
- Operating Income +14%, to Ps 223 million
- Consolidated EBITDA +13%% to Ps 341 million
- EBITDA Margin of 5.6%, +60 basis points above that of 2014
- Net Income of Ps 34 million was six times greater than that of 2014, even after accounting for a Ps 94 million foreign exchange loss
- Net Debt / EBITDA fell to 1.6 times from 2.0 times at the end of 2014

LETTER TO OUR SHAREHOLDERS

G4-1, G4-2

- **Sales grew 1% to Ps 6.1 billion**, despite sharp reductions of between 10% and 35% in the peso prices of the products that we sell as that effect was offset by an improved product mix as we privileged products with higher unit value and greater value added.
- Our operating efficiency and greater emphasis on value added products had a positive effect on our operating income, **which increased 14% to Ps 223 million**.
- **Operating Income plus Depreciation** (operating flow or EBITDA) grew **13% to Ps 341 million.**
- **Operating cashflow totaled Ps 358 million**, which resulted in an excellent 1.05x conversion index.
- **Free cashflow reached Ps 228 million**, which allowed for a Ps 2 million or 19% increase in our cash position in 2015, which expanded from Ps 324 million at the end of 2014 to Ps 386 million at the end of 2015.
- **Net income of Ps 34 million** was six times greater than that of 2014, even after accounting for a Ps 94 million foreign exchange loss.
- Our financial position remains solid **as Net Debt / EBITDA narrowed to 1.6 times from 2.0 times at the end of 2014**, in line with our internal policy of keeping it to a maximum of 2 times.

Dear shareholders,

2015 was a very complicated year in which we faced multiple adversities. However, we are proud of the solid results we are reporting. These numbers speak to Pochteca's strengths that allowed us to successfully overcome the challenges we were confronted by including the deflationary and recessionary environment being experienced by industries that are key to the products we distribute and the double digit reductions registered in oil prices (-30% in 2015), and many raw materials (some which fell as much as 50%), a development that has now affected us for two consecutive years.

Factors that supported the solid growth achieved in 2015:

High degree of client and product diversification

At Pochteca we regard risk diversification as a top priority. We attend to more than 19,000 customers in more than 40 industrial sectors, offering them more than 5,500 products. Our goal is to maintain low levels of dependence on both clients and products.

No client accounted for more than 2% of sales in 2015 (our five biggest clients jointly represented less than 6%), and no product accounted for more than 2.0% of revenues (less than 7% of sales consisted of our five most popular products).

We believe that this high degree of diversification has proven to be highly beneficial for the company over the years, and even more so in periods of high volatility and when multiple sectors of the economy experience a deceleration of activity.

One-stop-shop proposal and diversification into mixes

We offer a broad portfolio in a single channel, developing products tailored to meet our clients' needs, and with professional technical support at both the pre- and post-sales level. We are convinced that this one-stop-shop approach greatly aided our 2015 results, mitigating the negative effects of sharp price decreases and allowing us to grow our gross margins.

Another factor that has helped us to boost profitability in an adverse environment is our increasing diversification into higher-margin and less-volatile products such as blends and sales of packaged products. Both product categories have played an important role in improving our profitability despite the complex environment we were faced with.

Financial Position

At the end of 2015, net debt totaled Ps 554 million, 9% or Ps 57 million less than at the end of 2014. It is important to note that we concluded our refinancing of a Ps 610 million, syndicated credit on December 4, 2014. The original credit had been scheduled to mature in June 2015 while the new loan is for four years with a one-year grace period.

We enjoy a strong financial position as reflected in our debt metrics. The solid results we achieved in the year allowed us to lower our net debt to EBITDA to 1.6 times from 2.0 times at the end of 2014, a level in line with our policy of keeping it to a maximum of 2 times. We should also note that net debt to EBITDA rose to a record high of 2.8 times in 1Q13, following the acquisition of Coremal.

2016 Outlook G4-EC2

We do not expect the environment to improve substantially during 2016. More specifically, we do not anticipate a sudden reactivation of economic activity or of the oil industry. However, we do expect continuing growth in demand for the products we distribute. Moreover, we expect the prices of most of our products to remain depressed. Nevertheless, we are confident that our one-stop-shop proposal will continue to help us penetrate new businesses and expand market share.

However, consumption in other sectors such as lubricants, food and chemicals will continue to stoke demand for the products we distribute. We believe that product prices have finally bottomed and will continue to gradually recover. Our one-stop-shop proposal will continue to serve as an important mitigating factor. We believe that this strategy will assist us in our quest to continue penetrating businesses and expanding market share.

We continue to view export manufacturing and Mexico's energy reform as growth drivers in Mexico. Our exposure to the export manufacturing industry is a source of strength. We expect Mexico's energy reform to further bolster manufacturing albeit in a less pronounced way than what was anticipated when the reform was first adopted in 2013. We reiterate our confidence that the competitive gap relative to China will continue to shift in Mexico's favor, thereby encouraging more foreign firms to move operations to Mexico in order to better supply the US market.

Our operations in Brazil face major hurdles due to the complex environment the country is experiencing. However, we believe that Pochteca enjoys major growth opportunities in that market.

We will continue to harmonize our processes in both countries while expanding the sale of Pochteca products that were not in Coremal's pre acquisition portfolio such as chemicals for the food industry, for oil exploration and drilling and lubricants.

Sustainability

At Pochteca we are making efficient use of natural, economic and social resources in ways that conform with our commitment to sustainability.

Our Integrated Management System (IMS) is the basis for assuring the successful realization of our financial objectives and growth targets while complying with the national and international standards that we have voluntarily adopted. Similarly, our secure and world-class chain of custody adds value to the producers of raw materials (our suppliers) and of chemical products (our clients).

We will also continue to endeavor to establish performance indicators that allow us to measure and control product safety, occupational health, quality and safety risks and environmental impact risks.

Pochteca is well prepared to continue handling challenges such as those we encountered in 2015 and we will do so in 2016. We have capable personnel, solid cash generation and a strong financial position. Those are the factors that underpin our optimism regarding the business' future prospects.

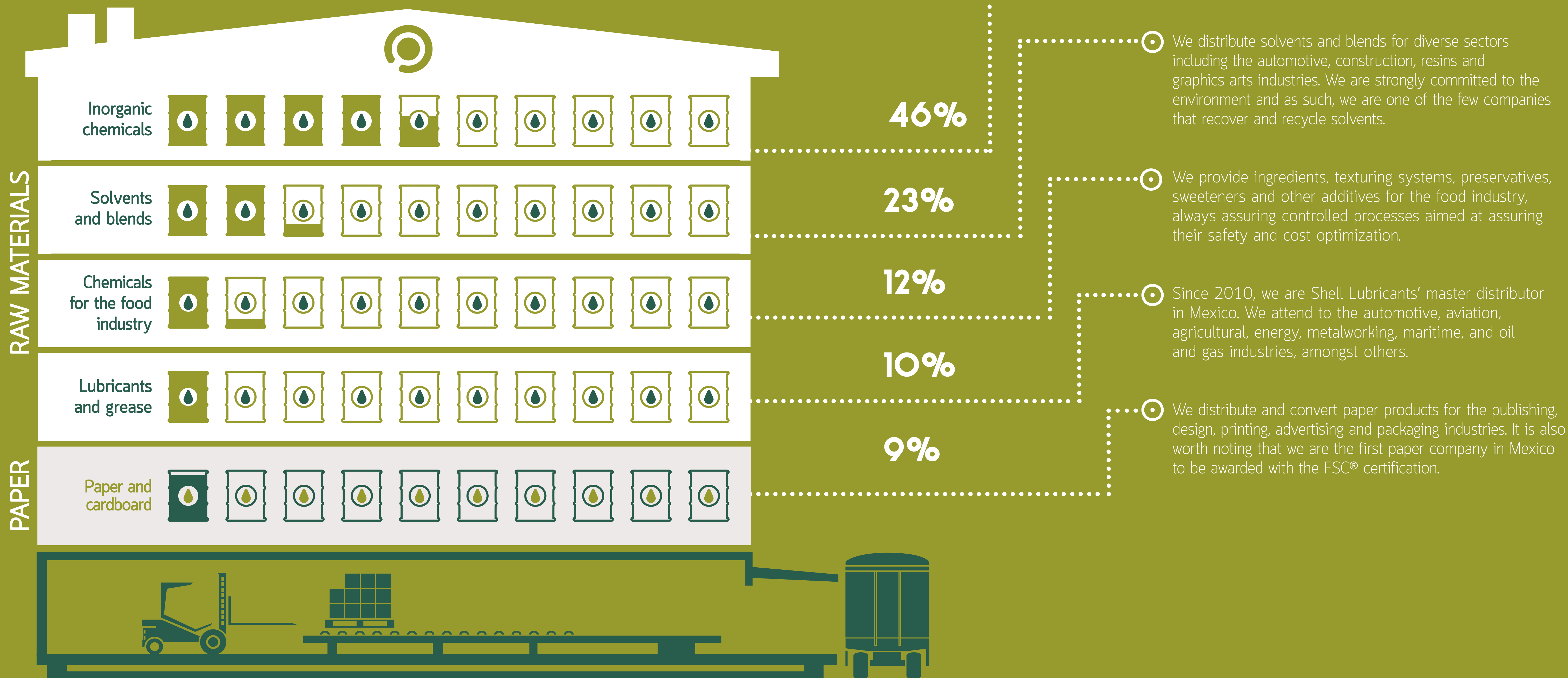
We wish to recognize and thank our shareholders, colleagues, clients, suppliers, and financial institutions for the support they gave us during 2015.

Ricardo Gutiérrez Muñoz
Chairman of the Board

Armando Santacruz González
Chief Executive Officer

ABOUT GRUPO POCHTECA

G4-4



We supply generic, organic and specialty chemicals for use in practically all industrial processes. We adhere to established standards and offer our customers training in the safe handling and application of these chemicals.

We distribute solvents and blends for diverse sectors including the automotive, construction, resins and graphics arts industries. We are strongly committed to the environment and as such, we are one of the few companies that recover and recycle solvents.

We provide ingredients, texturing systems, preservatives, sweeteners and other additives for the food industry, always assuring controlled processes aimed at assuring their safety and cost optimization.

Since 2010, we are Shell Lubricants' master distributor in Mexico. We attend to the automotive, aviation, agricultural, energy, metalworking, maritime, and oil and gas industries, amongst others.

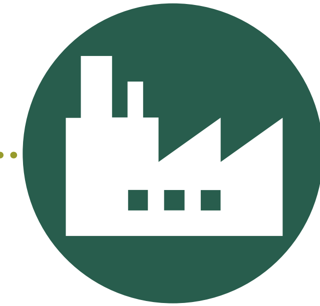
We distribute and convert paper products for the publishing, design, printing, advertising and packaging industries. It is also worth noting that we are the first paper company in Mexico to be awarded with the FSC® certification.

G4-6, G4-8, G4-9

2015 Highlights:

More than **5,500** products in our catalogue

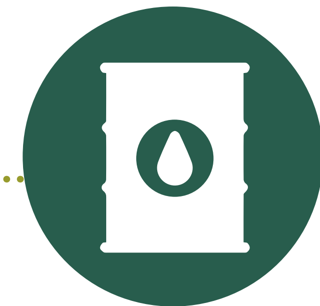
More than **19,000 active customers** in more than **500 cities**



33 distribution centers in Mexico, **3** in Central America, and **7** in Brazil

7 quality control laboratories and **5** research and application development laboratories

More than **319,000 deliveries** and **361,000 tons** delivered per year



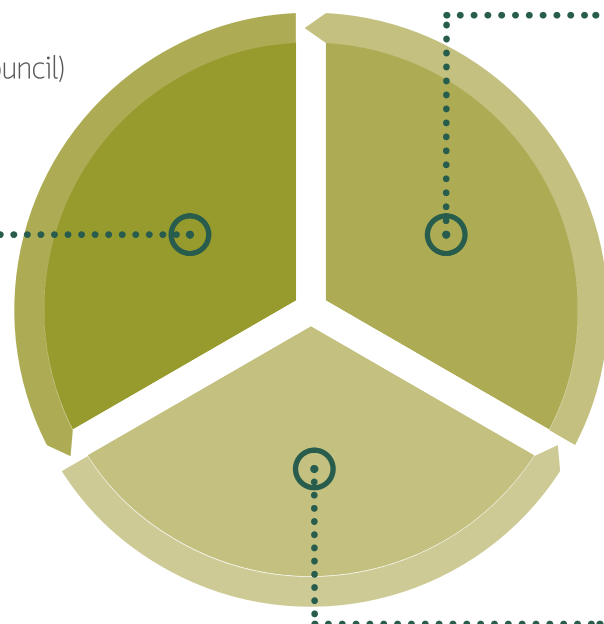
More than **319,000 square meters** of logistics capacity and more than **19.8 million** liters of storage capacity for our clients

VALUE ADDED

G4-6, G4-15

World class secure custody chain

FSC® (Forest Stewardship Council) and ISO 9001 certification.



Our management system has been evaluated and approved by ANIQ (National Association of Chemical Industries, A.C.) as guaranteeing security in our custody chain, thereby enabling us to use the SARI (Integral Responsible Management System) logo.

Only Latin America Company, with RDP (Responsible Distribution Process) certification, from the NACD (National Association of Chemical Distributors) for excellence in responsible distribution.

Diversification

Our 5 main clients

=

account for 5.6% of sales

and the 5 main products

=

6.5%

No customer or product surpasses the 2% mark

This formula has proven highly valuable in a double-digit deflationary environment for most of our products and one in which some of our clients have experienced lower demand.

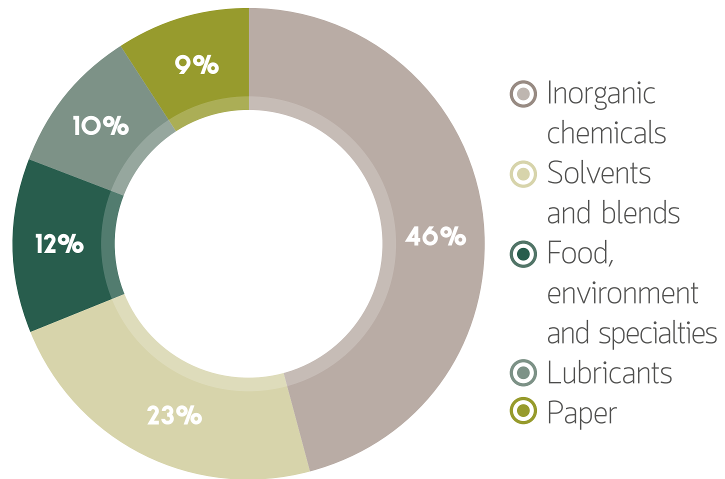
	% of sales 2015	% of sales 2014
Customer 1	1.7%	1.8%
Customer 2	1.1%	1.2%
Customer 3	1.0%	1.2%
Customer 4	1.0%	1.2%
Customer 5	0.9%	1.1%
Total	**5.6%**	**6.6%**

	% of sales 2015	% of sales 2014
Product 1	1.9%	2.1%
Product 2	1.4%	1.8%
Product 3	1.2%	1.6%
Product 4	1.1%	1.3%
Product 5	1.0%	1.1%
Total	**6.5%**	**8.0%**

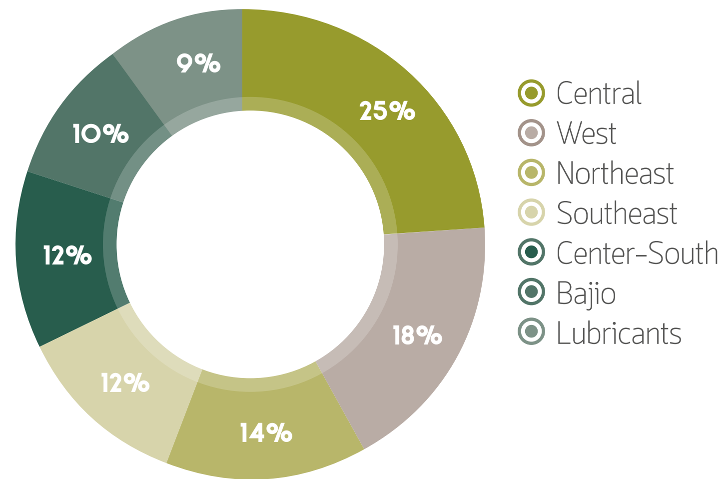
GEOGRAPHIC DISPERSION

G4-6, G4-9

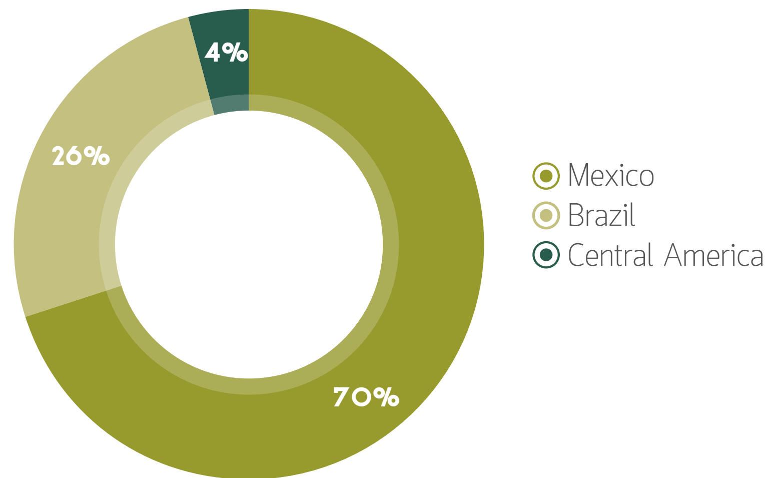
Portfolio by segment (% of consolidated sales)



Percentage of sales by region (Mexico)



Percentage of sales by geography (Americas)



Geographic dispersion

ANOTHER YEAR OF CHALLENGES MET

G4-DMA ECONOMIC PERFORMANCE

We were confronted with many challenges in 2015 that we managed to successfully overcome, and that, in turn, allowed us to meet and in some cases surpass the goals we had set for ourselves for 2015.

An adverse environment owing to falling prices for oil and its derivatives

In 2015, the price of a barrel of West Texas Intermediate (WTI) fell 30% from USD53.27 to USD37.04, and that came on top of the 46% price reduction accumulated between oil's price peak in June 2013 and the end of December 2014. The price of oil fell a total of 62% between June 2013 and the end of 2015, but the related difficulties posed obstacles that we managed to surpass.

Lower prices for the products we distribute

Although the drop in dollar prices was partially offset by the weakening of the Mexican currency relative to the US dollar, the peso prices of the oil derivatives that Grupo Pochteca distributes fell by between 10% and 35% over the course of the year.

Oil industry slowdown

The severe contraction in the number of active oil rigs has continued unabated in a sign of the profoundly recessive environment enveloping the oil industry. According to data published on line by Baker Hughes, the number of active rigs in the United States, Mexico and Brazil continued to fall significantly during 2015 with declines of 61%, 42% and 10%, respectively.

Those reductions in activity came on top of the collapse experienced during 2014, when the number of active rigs fell by 38% in Mexico and 42% in Brazil and experienced no growth in the United States.

OPERATING PERFORMANCE

Once again we managed to grow our gross margin. Operating profit grew 14%, a double-digit performance achieved on the strength of effective cost controls and our increased focus on higher margin products such as blends, packaged products and chemicals for the food industry. As a result, EBITDA grew 13% above that of 2014.

Net income totaled Ps 34 million in 2015, six times more than in 2014 on the strength of growth in operating income and EBITDA, and by lowering interest expense. Our increased net profit was achieved despite our Ps 94 million foreign exchange loss for the year.

Some significant product lines experienced deflation in 2015 such as dairy and corn derivatives, whose prices fell between 30% and 55%, in the case of the former, and 26% to 40%, in the case of the latter. The current sales prices of both lines of products are the lowest in four years. Moreover, the prices of mining inputs fell by close to 30%.

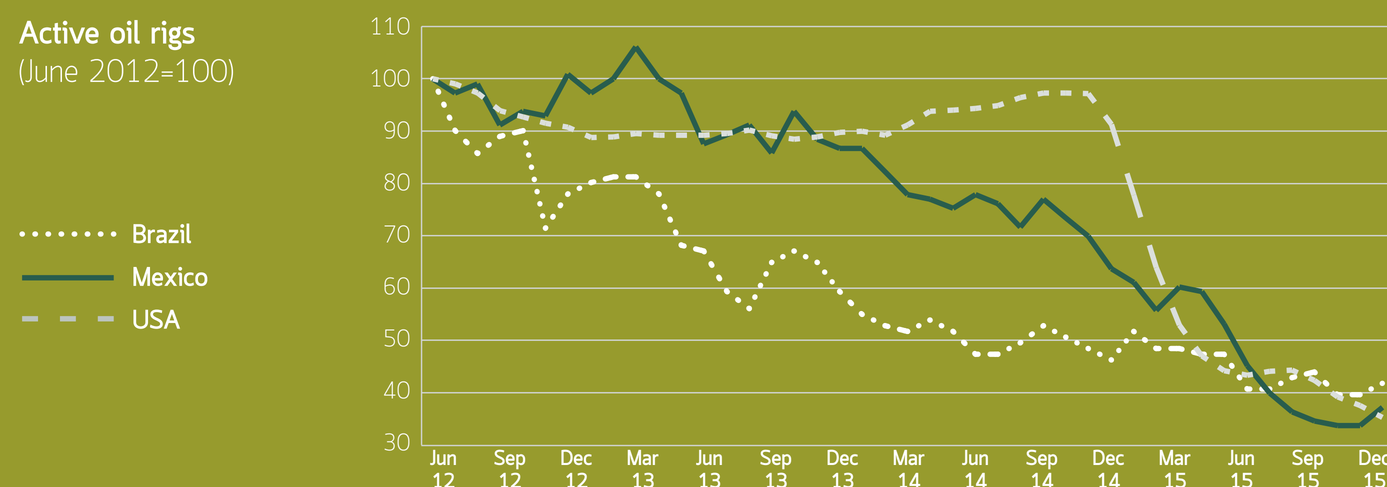
Lastly, we ended the year with net debt to EBITDA of 1.6 times, down from 2 times at the end of 2014. This level remains in line with our internal policy of assuring that it does not surpass 2 times.

At Pochteca we remain focused on cashflow generation through a proper management of working capital, as well as cost and expense controls in order to grow EBITDA.

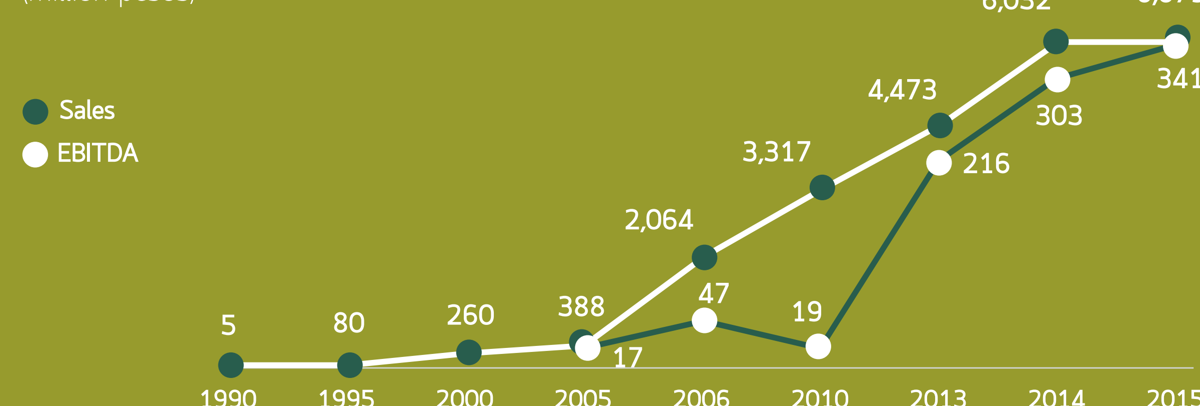
In Brazil, we have begun to successfully penetrate sectors such as oil exploration and drilling as well as chemicals used in the production of food, markets in which Coremal did not participate prior to the arrival of Pochteca. We regard this as a slow process, but one that will eventually pay off.

These results demonstrate the resilience and efficacy of our "one-stop-shop" model and our broad product and client diversification.

Active oil rigs
(June 2012=100)



Trajectory of sales and EBITDA
(million pesos)



MATERIALITY

G4-17, G4-18, G4-19, G4-20, G4-21

For the purpose of identifying those material aspects of our operations that impact our stakeholders and which we must include in our sustainability report, in 2015 we undertook a Materiality Study that was conducted by an external consultant.

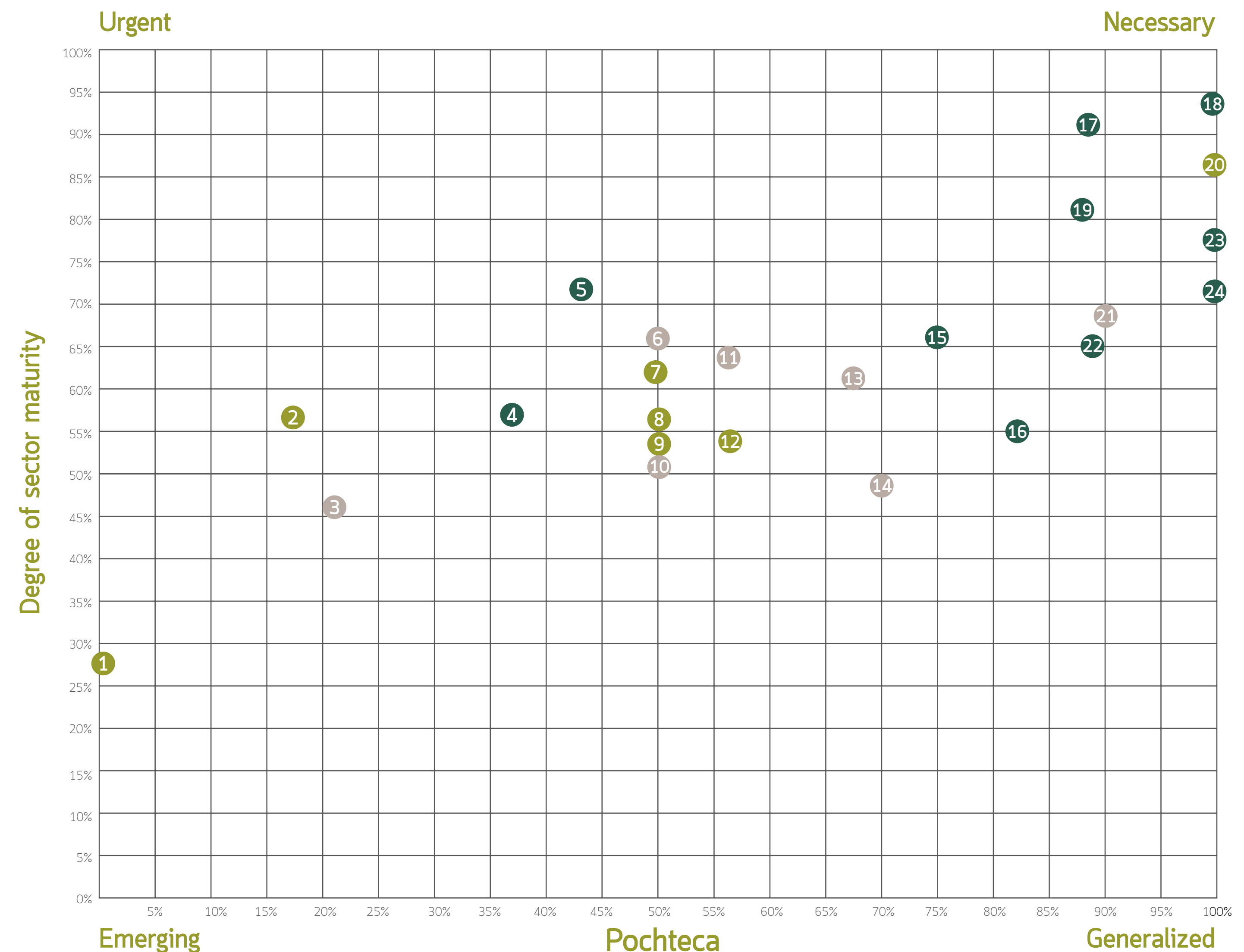
That study took as its point of reference a benchmark between the maturity of major companies in the sector dedicated to the distribution of specialized consumer chemical products, and the risk characterized by social and sector prescriptors, for economic, social and environmental matters.

The study included a review of public information from the four major companies in the sector dedicated to the distribution of specialized consumer chemical products, four social and four sector prescriptors.

The aspects and indicators to be reported on include the information regarding our operations in Mexico unless otherwise specified to the contrary.

G4 Material aspects	GRI G4 Indicators
Organizational profile	G4-3 – G4-16
Customer health and safety	G4-PR1 – G4-PR2
Product and service labeling	G4-PR3 – G4-PR5
Customer privacy	G4-PR8
Marketing communications	G4-PR6 – G4-PR7
Compliance	G4-PR9
Ethics and integrity	G4-56 – G4-58
Governance	G4-34 – G4-55
Strategy and analysis	G4-1 – G4-2
Economic performance	G4-EC1- G4-EC4
Products and services	G4-EN27 – G4-EN28
Compliance	G4-EN29
General	G4-EN31
Effluents and waste	G4-EN22 – G4-EN26
Training and education	G4-LA9 – G4-LA11
Investment	G4-HR1 – G4-HR2
Security practices	G4-HR7
Occupational health and safety	G4-LA5 – G4-LA8
Procurement practices	G4-EC9

G4 Material aspects	GRI G4 Indicators
Supplier environmental assessment	G4-EN32 – G4-EN33
Supplier assessment for labor practices	G4-LA14 – G4-LA15
Supplier human rights assessment	G4-HR10 – G4-HR11
Supplier assessment for impacts on society	G4-SO9 – G4-SO10



1 Biodiversity
2 Climate change
3 Human rights
4 Corruption
5 CSR management
6 Talent attraction
7 Materials
8 Energy Eco-efficiency
9 Water resource management
10 Diversity
11 Health and safety
12 Waste management
13 Supplier standards
14 Social impact
15 Corporate governance
16 Customer management
17 Risk management
18 Operations
19 Product development
20 Environmental policies
21 Human capital
22 Financial issues
23 Ethics
24 Brand management

OUR STAKEHOLDERS

G4-24, G4-25, G4-26, G4-27

We have identified our stakeholders from the perspective of strategic planning and seek to engage them while keeping open channels of communication with varying frequencies in order to be more aware of their needs and expectations.

G4-56

MISSION

To be the preferred distributor of raw materials to customers and suppliers

VISION

To reach annual sales of more than USD1 billion in the Americas

COMMITMENTS

- **To our clients:** offer the best value proposal
- **To our suppliers:** develop a long-term business relationship
- **To our competitors:** professionalism and honest competition
- **To our shareholders:** transparency and a competitive return on investment
- **To our associates:** promote their personal and professional development
- **To society:** make beneficial contributions and avoid risks

Operating efficiency and secure custody chain	Financial strength	Commercial excellence	Talent excellence

Sustainability and safety: Integrated Management System

VALUES

- Safety and compliance
- Austerity and frugality
- Open and dynamic communication
- Honesty and best practices
- Focus on results and continuous improvement
- Passion for growth
- Vocation of service
- Sustainability

Clients

We provide our clients with services in addition to the sale of products, such as:

- Training in safety requirements and compliance for product handling
- Safety evaluations and recommendations on installations and infrastructure
- Advisory services on product application and functionality through our application laboratories
- Post sales service
- Sustainable product alternatives
  - FSC certified papers
  - Sugar substitutes
  - Low in sodium materials
  - Recycling of used solvents
  - Biodegradable materials

Associates

With our associates:

- Strict labor compliance
- Agreements with suppliers of goods and services that set preferential conditions and prices
- Policy regarding working from home and flexible hours
- *Orienta* line
- Transparency line

Society G4-SO1

With society in general

- Participation in mutual support groups
- Training in learning centers and institutions
- Donations to communities
  - Each year we support the Kardias race, with donations made by our personnel
  - *Fundación Julián* with donations made by our personnel.
- Annual donations to institutions and government bodies
  - Fire fighters, equipment donation and materials for training exercises
  - Red Cross, equipment donations
  - DIARQ, office materials
  - Fundasida, cash donation

Organization memberships G4-16

We are constantly engaged in a number of civil organizations including:

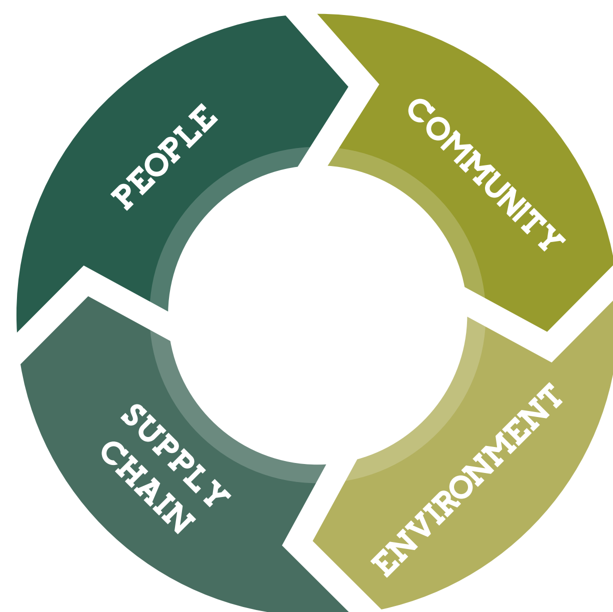
- ANIQ
- CANACAR
- AMEDIR
- ANAFAPYT
- AIVAC
- CANACINTRA
- NACD
- AIIPM
- OMNICHEM
- FSC
- NPTA

GRUPO POCHTECA, A RESPONSIBLE COMPANY

Through our Management Model, we add value for our clients and suppliers by simplifying their supply chain, offering an extensive product catalogue and low distribution costs thanks to our extensive coverage in Mexico, Brazil and Central America.

Sustainability Strategy

As a sustainable company we comply with applicable regulations, and assure that our products have the best quality and meet the highest sustainability standards. We have established the following guidelines for reaffirming our commitment, as well as regulations, policies, manuals and procedures for guaranteeing their fulfillment.



Our people

We maintain a strong commitment to our workers and for that reason we invest in programs and tools to assure a working environment that is healthy and equitable, and which encourages professional growth and development.

1,114
ASSOCIATES IN MEXICO
G4-10

Ethics and integrity G4-56, G4-57, G4-58, G4-HR6

At Pochteca we promote equal opportunities, which is why 100% of our associates are given training in our Code of Ethics as part of their induction process. In addition, we periodically re-certify this training through the mechanism of the Pochteca Virtual University (UVP).

We also have the "line of transparency" tool, which is an open line to all personnel and which allows for anonymous reports regarding any situation that fails to comply with the Code.

We reject child and forced labor, and our contracts are in compliance with Mexico's Federal Labor Law. In the same way, we seek to be an inclusive company, and as such we do not discriminate based on race, sex, age, marital status, religion, physical abilities, sexual preference, political orientation or social class.

CODE OF ETHICS
- Integrity and equality of people
- Ethical conduct
- Respectful leadership
- Veracity in information
- Good use of tools
- Confidentiality
- Fair treatment
- Discretion

For additional information on our Code of Ethics, see: http://www.pochteca.com.mx/wp-content/uploads/2015/09/NUESTRO-CODIGO.pdf

Furthermore, we have prepared a series of regulations and internal policies that complement our Code of Ethics such as: non-disclosure agreements, unfair competition and information management, our internal work regulations, IMS (Integrated Management System) policy and credit policy.

We believe it is of essential importance to the company that we transmit these values to the families of our workers, and to that end, in 2015 we held a comics competition based on values. The competition was led by the children of our associates with their parents' support.

We have an internal company auditing process through which we conduct regularly programmed audits based on the risks posed by each operation. The results of our findings and follow-up are reported to the Board of Directors, including those cases in which deviations from any element of control and good practices are detected, including corruption risks.

G4-10, G4-LA1, G4-LA12

During 2015 we had no confirmed reports of corruption-related activity. We have no policies or mechanisms that support any political parties, candidates, or specific causes.

pochteca

Participa

Vive los valores Pochteca y haz tu historieta

Bases

1) El colaborador deberá revisar en el manual de cultura Pochteca la sección de valores y principios generales, explicarlos a sus hijos y desarrollar la historieta sobre la forma en que vive al menos 5 de los elementos que se mencionan en dichas secciones.

2) Los trabajos pueden ser electrónicos o hechos a mano con cualquier técnica.

3) Los trabajos deberán enviarse a Nieves Ochoa o Blanca Garcés.

4) Fecha límite 27 febrero de 2015.

5) Los ganadores serán dados a conocer el 30 de abril y se les convocará para la entrega de sus premios en fecha posterior.

Categorías

Podrán participar niños y niñas en dos categorías:
1. Hasta 7 años
2. De 8 a 12 años

Premiación

1° Lugar una laptop
2° Lugar un iPad mini
3° Lugar una bicicleta

Our Workforce

Managers and directors	
Female (%)	Male (%)
21	79

Hiring breakdown by gender	
Gender	People hired
Female	126
Male	289
Total	415

Hiring breakdown by age	%
Less than 30	29
Between 30 and 50	60
Between 51 and 70	11
Total	100

Our workforce		
Type of employment	Female (%)	Male (%)
Administrative	35	65
Directors	0	100
Managers	27	73
Operational	7	93
Sales	50	50
Total	**28%**	**72%**

Hirings by age

Category	%
19	4
20	4
21	9
22	9
23	14
24	30
25	39
26	31
27	24
28	25
29	21
30	21

Category	%
31	18
32	19
33	15
34	20
35	12
36	22
37	14
38	5
39	11
40	5
41	4
42	5

Category	%
43	12
44	5
45	2
46	3
47	1
48	3
50	3
51	1
52	1
54	1
63	1
64	1
Total	**415**

Benefits and Compensation

G4-LA2, G4-EC3

Company	Year-end bonus	Vacations	Vacation bonus	Medical insurance policy	Life insurance	Car
Asesoría en Servicios Pochteca	30 days	10 working days off during the first three years and thereafter as mandated in labor law	25%	Managers	During first five years, 12 months salary; between 5 to 10 years, 18 months salary and after 10 years 24 months. (In the event of accidental death or a job related death, the payout would be double the aforementioned amounts)	Managers and sales
Pochteca Servicios Corporativos	30 days	10 working days off during the first three years and thereafter as mandated in labor law	25%	Directors and Managers	24 months of normal salary	Directors and Managers
DEMSER	30 days	10 working days off during the first three years and thereafter as mandated in labor law	25%	Managers	During first five years, 12 months salary; between 5 to 10 years, 18 months salary and after 10 years 24 months. (In the event of accidental death or a job related death, the payout would be double the aforementioned amounts)	Managers and sales

For purposes of attending to the concerns of our associates we operate a 24-hour "Transparency Line" that is accessible 365 days a year by phone, through a website, and an e-mail account. Over that line it is possible to report any violations of our Code of Ethics, and the line is managed through an external service and an Ethics Committee that is made up of Pochteca's CEO and Executive Director.

In 2015, we received 27 complaints, 15 of which were referred for investigation; 9 cases have been solved and 3 more are still being investigated.

Occupational health and safety

Safety

G4-14, G4-DMA OCCUPATIONAL HEALTH AND SAFETY

Since 2013, we have been strengthening our health and safety strategy through training, supervision and monitoring, as well as by raising safety awareness among our personnel both within and outside our facilities.

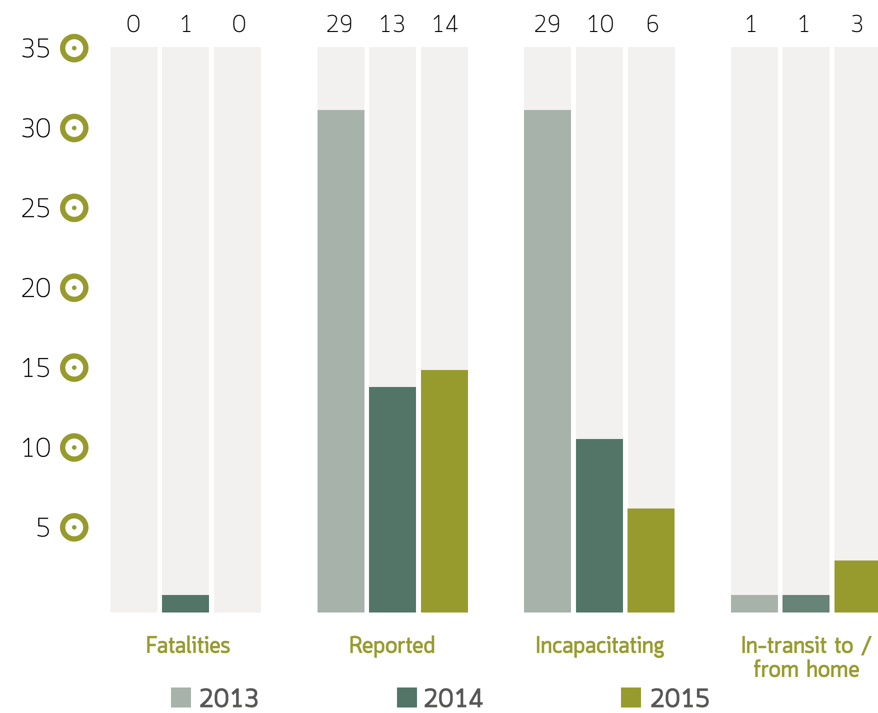
G4-LA5

At each of our workplaces, we have health and safety commissions and brigades in compliance with the terms of Mexico's Federal Labor Law. Approximately 10% of our entire personnel are engaged in these commissions and brigades, but a full 100% of our employees and supervised workers are represented by these commissions.

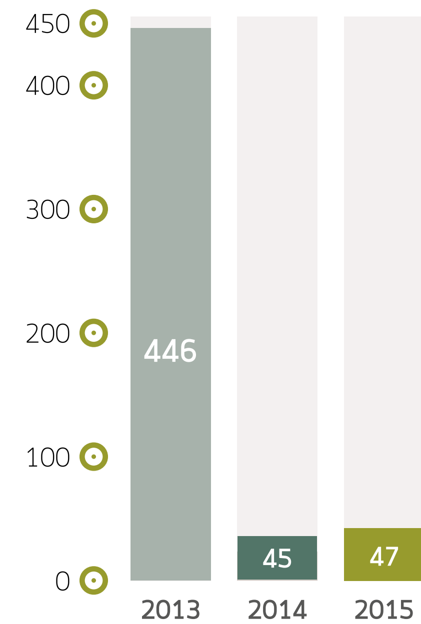
We have conducted risk and hazard evaluations for each job position, on the basis of which we define the necessary personnel protection equipment as well as the corresponding training and health plans. Given that most of the materials we handle are catalogued as hazardous chemicals, it is necessary for us to evaluate all new materials, as well as generate the workplace hazard studies and accident prevention program required by Mexico's Ministry of the Environment and Natural Resources (SEMARNAT) before such materials may be handled in our facilities.

Accidents and Injuries

G4-LA6



Disability Days



According to the parameters recommended by the US Occupational Health and Safety Administration, we remain well below the OSHA standard for each 100 fulltime workers' hours which states 3.2 as the maximum limit.

Year	Accidents ratio in operating areas for each 100 hours of full-time workers	Overall rate of incidents per 100 hours of full-time workers
2013	1.381	1.676
2014	0.418	1.778
2015	0.650	3.034

Pochteca makes sure that all of our associates may take maternity leave in compliance with local regulations keeping with the rules spelled out in Mexico's Federal Labor Law, and also makes it possible for our associates to extend such leaves through a combination of flex time and time spent working from home before returning to work. To that end we have made substantial investments in infrastructure and equipment to assure associates have connectivity with their jobs at all times.

Equipment availability is as follows:
• 80% with portable computer equipment
• 60% with smart phones

In addition, we have upgraded connections to voice and data connections such as VPN networks, VOIP telephony, and cloud-based information access through "pochtecaNET", with an investment of more than Ps 10 million.

Total employees with disability in 2015	70
Female employees with maternity leave in 2015	10
Days subsidized due to maternity leave in 2015	581
Percentage of women with maternity leave in 2015	14.3%

Occupational health

The health of our workers is of great importance. During 2015 we conducted complete health check-ups for 385 workers which represent 30% of our active workforce. Based on the results of those studies we designed health plans and fairs in an effort to minimize health risks. The activities we promote at such fairs include discussions of gender equity, HIV, vaccinations and screening for diabetes and hypertension.

The company's investment was Ps 526,791 and the plan for 2016 is to complete these studies for 80% of the employees.

Another of the tools Pochteca uses to promote the wellbeing and health of its associates is the "Orienta line", which all of our employees know about in their "welcome kit", when joining the company. Additionally we do releases regularly reminding the advantages of "Orienta".

"Orienta" employee assistance program

General information

Type of user	
Family	6%
Empleoyee	94%

Rate of use
22.40%

Gender	
Male	40%
Female	60%

Number of people who used the service
203

Type of session	
First time	86%
Follow-up	14%

Online visits to *Orienta-me* (web)
91

Type of service			
Electronic material	82%	Workmate	5%
Printed material	9.5%	Talk	3.5%
Boss /Supervisor	-		

Type of request	
Financial	8%
Legal	24%
Psychological	37%
Nutritional	12%
Medical	19%

Affects productivity	
Yes	78%
No	21.1%

* According to the EAPA (Employee Assistance Professionals Association), an international organization for employee assistance in the US, and regulator of PAE's (employee assistance programs), a healthy rate of employee usage of PAE is between 8 and 10%. Our 22.40% rate is far above the average rate.

G4-LA10, G4-DMA TRAINING AND EDUCATION

Training and evaluation

At Pochteca we are aware that talent development is of fundamental importance to fulfill the company's objectives. To that end the company has diverse tools for managing personnel abilities and development.

Pochteca Virtual University (UVP)

The Pochteca Virtual University (abbreviated as UVP in Spanish), was launched at Pochteca in 2010, and was later redesigned for more functionality. Its characteristics allow us to:

- Create certified training plans that provide each associate with a clear view of his or her trajectory in company training programs.
- Link documents uploaded by the various departments to pochtecaNET, thereby allowing everyone to acquire the version of each department document that is most up to date.
- Manage online both classroom and e-learning course work.
- Generate the documentation needed for the legal requirements of the Ministry of Labor and Social Provision and for any audits.
- Assure that the promotion of our associates is done in a way that benefits their own development.
- Allow people to decide when and where to spend time on their e-learning courses within the time period designated for the entire course, whether or not they are connected to the company's intranet network.

CoastalFlix

CoastalFlix is part of a strategic alliance with a leading chemical products company that we entered into in 2015, and will be implemented in 2016.

The program's fundamental purpose is to establish a permanent campaign to raise awareness and sensibility, educate and train all company employees in matters of safety, care of the environment and the community using videos and related testing in both classroom and online courses.

Onboarding

Since 2015 it has been implemented with the company's sales force along with mentors, who act as facilitators from the moment a new employee joins the company until he or she becomes initially adjusted to the processes. It allows each person in a relatively short period of time to be able to conduct his or her responsibilities in an autonomous manner.

Strategic alliances with universities and business schools

We have built strategic alliances with specialized institutions that involve diploma courses, certifications, seminars and workshops promoting training, specialization and the development of the company's associates.

G4-LA9

2015 58,625 HOURS OF TRAINING

52.6 HOURS OF INSTRUCTION PER EMPLOYEE

Average number of hours of employee training (female)	102.1
Average number of hours of employee training (male)	33.3
Average number of hours administrative personnel	6.8
Average number of hours for directors	6.3
Average number of hours for managers	156.1
Average number of hours for operating personnel	5.4
Average number of hours for sales personnel	156.4

G4-HR7, G4-DMA SECURITY PRACTICES

We currently have a staff of 50 security personnel (security guards and industrial security guards), 30% of whom have formal training in human rights issues though instruction in:

- Code of ethics
- Internal policies and procedures
- SEDEX requirements
- TFS requirements

Since we changed the firm that provides security services, a process that concluded during the second half of the year, those members who had yet to be trained in such matters are engaged in the 2016 training program.

G4-LA11

Pochteca Development Potential (DPP)

Pochteca applies its performance evaluation in two ways. For all personnel with computer equipment we use what we call the Pochteca Development Potential tool (DPP in Spanish). We continue to track fulfillment of objectives and conduct the annual performance evaluation for all personnel lacking access to computer equipment without employing the DPP tool, but we are currently undertaking actions needed to incorporate all the necessary information into the same platform.

Percentage of those evaluated

Women	87%
Men	50%
Administrative	84%
Operational	27%
Sales	100%
Managerial	100%
Directors	88%

GRUPO POCHTECA
A SUSTAINABLE COMPANY

G4-DMA PRODUCTS AND SERVICES, COMPLIANCE, GENERAL, G4-EN34

We are aware of our responsibility to the environment. For that reason we strictly abide by national and international standards for identifying, managing and resolving problems that can arise in this regard. We also intend to expand and improve our product catalogue in ways that can contribute to mitigate the impact we generate.

The environment is one of the values that guide our management strategy. For that reason, we maintain compliance with municipal, state and federal regulations. These obligations are considered part of the control, monitoring and reports included in our IMS (Integrated Management System) nationwide. These reports are reviewed each month by Management to assure that we maintain the necessary compliance.

G4-EN29

In 2015, we went through three environmental inspections, two of which were by federal authorities and the other by a state authority. These took place in the State of Mexico and Puebla and led us to pay Ps 51,000 in fines. The violations detected in each instance were addressed promptly and to the full satisfaction of the authorities.

In addition to such governmental inspections, our clients and suppliers conduct an annual environmental performance evaluation through second and third hand audits.

In 2015 we were the subject of 14 audits, ten of which comprised environmental aspects. In all of these, we received favorable evaluations and in some cases suggestions for improvement.

The results of such verifications are communicated to the organization through our communications and collaboration portal pochtecaNET. Moreover, we share each branch's performance though their site within this same portal.

G4-14, G4-EN24

Leaks and spills are among the environmental risks we contemplate in our operational risk matrix. To that end we have the necessary infrastructure and equipment both for storage and transport containment of liquids as well as very specific emergency protocols and procedures.

2015
9 SPILLS
4,123 LITERS LOST

The ratio of kilos removed to the amount of liters spilled was 0.00002%.

The most significant event in 2015 took place at our San Luis Potosí branch, where we experienced a spill of 1,586 liters of methanol and 543 liters of thinner.

In all cases, the spills experienced took place in the primary contention zones designated for managing the product in question, which is to say on concrete surfaces that included containment ditches. The spilt material was collected and disposed in accordance with our procedures for handling hazardous waste.

In our investigation of these spills, we identified the need for training our forklift operators, and we proceeded to include such additional instruction on top of what was already contemplated in our annual training plan.

These events had a Ps 103,000 economic impact.

Water

G4-EN9

The supply of water for all of our facilities except that of Cancun comes from municipal waterlines or from the purchase of tanker trucks of water. Only the Cancun facility has its own well because it exclusively uses that resource for its sanitation needs. For the year, we are within the level of water consumption authorized by Mexico's National Water Commission (CONAGUA).

Emissions

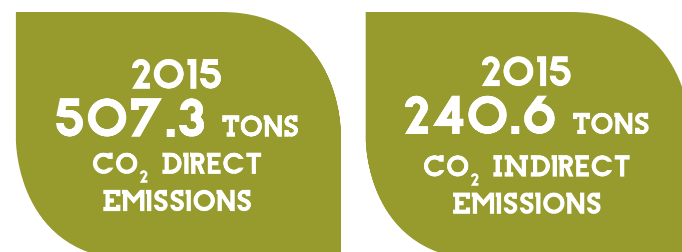
G4-EN15, G4-EN16, G4-EN17

Direct emissions

For the first time we conducted an estimation of the CO_2 emissions generated by our processes.

This calculation was limited to the consumption of electricity, gasoline and diesel, as well as mobile sources, which due to the nature of our business extend only to storage and distribution activities. These emissions are generated by our transport vehicles and not by any processing equipment, which is to say fixed sources. For purposes of calculating these values we employed the emissions calculator of the National Emissions Registry (RENE) published by Mexico's Ministry of the Environment and Natural Resources (SEMARNAT).

In all of these cases, we will use the year of this report (2015) as a reference point for future comparisons in relation to results from subsequent years.



We have undertaken a number of actions aimed at lowering our greenhouse gas emissions that are basically focused on our transportation vehicles.

We made the following improvements to our supply chain process compared to 2014:

- An 11% reduction in inventory from Ps 699 million to Ps 627 million
- We lowered by 2% our rate of error in forecasting the amount of inventories needed to fulfill sales, which fell from 18% to 16%.

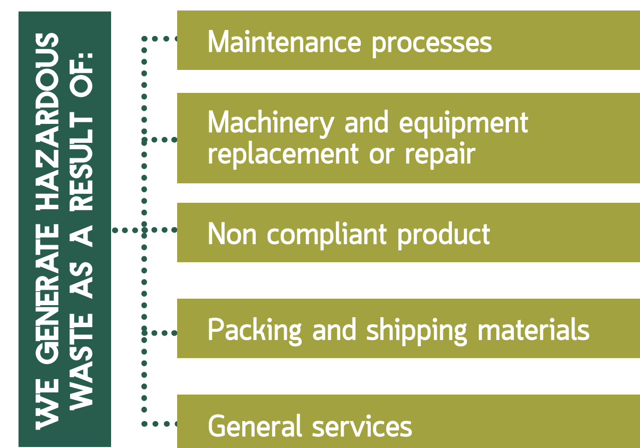
G4-EN20

We have 1,349 extinguishers nationwide, 80% of which are dry chemical powder units and the rest CO_2 and water extinguishers; we lack any halon extinguishers. We are currently taking bids for the procurement of environmentally sound, non-hazardous, non-corrosive, biodegradable, non-toxic, and CFC's free dry chemical extinguishers, that are to be installed in 2016.

Requirements in environmental legislation are one of the main criteria to be used when evaluating possible new projects. For that reason, during the year we requested the necessary permits and studies for the installation and operation of three solvent distillation units at our facilities in the city of León, Guanajuato.

Waste

G4-EN23, G4-EN27, G4-EN28, G4-DMA EFFLUENTS AND WASTE, PRODUCTS AND SERVICES



G4-DMA EFFLUENTS AND WASTE

In all cases, effluents and waste are disposed in a responsible manner in keeping with SEMARNAT legislation. Most of our installations have been registered as being "small hazardous waste generators" and only three of our installations as "major hazardous waste generators". In no case did they surpass the maximum quantity limits that would alter those categories.

G4-EN27

In order to reduce the amount of waste, we have sales processes, procedures, controls and, when necessary, the permits needed under the applicable regulatory norms.

Drums

We lowered our waste generation by washing and controlling returns of drums.

DURING 2015 WE DISPOSED 47,587 DRUMS

Tires

At the end of their useful life, we return tires to their suppliers, who provide us with documentation as to their reception and final disposal.

WE DISPOSED 64 TIRES

Paper

Waste from the conversion of paper, board, plastic and wood containers and wrapping is sold for recycling.

IN 2015 WE SOLD 318 TONS

Non-compliant material for clients. We sell non-compliant material to clients whose processes allow them to employ such materials, informing them before hand of the product's status and obtaining their consent to receive the product through the evaluation of a sample. We sold 778 tons of products under such arrangements.

Machinery and equipment as scrap. This process includes applying for the necessary permits from SEMARNAT depending on the type of product being offered. Our scrap sales totaled Ps 117 thousand in 2015.

Materials

G4-EN1, G4-EN2

Container	Total
Metal drum	473,472
Plastic jugs	363,665
Metal buckets	87,978
Plastic drums	63,647
Plastic cans	16,625
Metal cans	1,723
Wood Pallets	173,232
Overall Total	**1,180,341**

G4-EN27

By washing the metal drums in our San José and Minatitlán plants, we were able to reuse 89% of them at an effective rate of 4.5 turns per drum. Used wood pallets are purchased and reconditioned locally. The effective rate of re-use was 78%.

G4-EN31

The budget expenditure lines we have assigned for environmental protection are as follow:

- Permits and studies Ps 551,447
- Legal advisory services Ps 530,956
- Investments: Ps 35 million in three solvent recovery units

RESPONSIBLE SOURCING

G4-12, G4-EN32, G4-EN33, G4-DMA PURCHASING PRACTICES, SUPPLIER ENVIRONMENTAL ASSESSMENT

Supply Chain

We work with our partners by adhering to principles of ethics and integrity to assure that purchasing, warehousing, distribution, use and product disposition processes in our supply chain are safe both for people and the environment. To that end, we have established a Cultural Committee that will ensure respect for applicable regulations, as well as equality and inclusion in the company's working conditions. This Cultural Committee is led by the company's CEO and Executive Director, who report on the strategy's compliance and performance to the Board of Directors.

In order to guarantee a responsible supply chain, we share with our suppliers the integral management system policy and the suppliers' manual. Both documents establish our commitment to take care of the environment and we ask of our business partners' recognition of and abidance to those documents.

G4-LA14, G4-LA15, G4-EC9, G4-HR1, G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT, INVESTMENT

During 2015 we only added three raw material suppliers and 80 suppliers of inputs and services; we currently have a list of 3,000 suppliers with whom we work on a regular basis. We have established contracts with each of them that include clauses on compliance with national regulations in terms of safety, health, social repercussions and human rights. We also strive to use local suppliers.

Eighty percent of our suppliers are for inputs and services, 100% of who are local. The remaining 20% of suppliers consist of raw material suppliers:

- Inorganic chemicals, solvents and blends: 70% are local and 30% foreign
- Food segment: 18% local and 82% foreign
- Lubricants segment: 100% foreign
- Paper segment: 30% local and 70% foreign

G4-SO9, G4-SO10, G4-HR10, G4-HR11, G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT, SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

We have suppliers with whom we maintain client/supplier business relationships and who have incorporated us to the TFS (Together for Sustainability) assessment chain. In order to be part of this system it is necessary to become engaged in the EcoVadis platform and to undertake an in situ audit to validate the registration's information.

The elements on which the assessment is made are:

- Environment
- Labor practices
- Fair trade practices
- Sustainable supply

The evaluation comprises corporate practices that are applicable to all of our operations.

In addition, during the supplier selection and evaluation process we apply a pre-evaluation questionnaire in which we request evidence of fulfillment of some environmental management system or a self evaluation with regard to performance. In the last weeks of 2015 we began to apply the new version of the questionnaire, which now includes elements of sustainability; the results of those questionnaires will be reported during 2016.

The suppliers' evaluations are conducted every six months through a performance registry of services. This evaluation applies to key suppliers who affect our safety, quality and service. At present, 80% of our raw material suppliers and 70% of our transport suppliers are determined to be reliable on this point and we have established action plans for those who fail to meet the requested standards.

Only input suppliers that affect quality and safety, as well as transport suppliers, are made the subject of on-site audits on a regular basis as part of an annual program. An audit is made of domestic raw material suppliers when their six-month performance has led them to be considered as conditional suppliers.

RESPONSIBLE SALES

The sale of some of the items included in our product portfolio is regulated by Mexico's Federal Commission for Protection against Sanitary Risk (COFEPRIS); the regulated products are classified as "essential chemicals". Moreover, we work to assure that our catalogue includes products that comply with the sustainability strategies of our clients.

Our sales process for essential chemicals includes:
1) Sales to clients who have been authorized to work with those products
2) A log of all arrivals, shipments, sales and waste/spoilage.
3) Annual report to the COFEPRIS.
4) Sales staff training in applicable requirements and regulated products.
5) Internal audit of compliance with this process.
6) Client counseling for those who require the sale of these products and are unaware of the applicable requirements.

G4-PR1, G4-PR2, G4-PR6
G4-DMA CUSTOMER HEALTH AND SAFETY, MARKETING COMMUNICATIONS

7) Beyond official requirements, the company has an internal policy which asks any client that requests essential chemicals to be subject to a visit from Pochteca officers in order to determine whether the customer is engaged in a legitimate industrial activity.

Every new product is analyzed to determine whether its handling requires improvements to installations, processes or infrastructure. During 2015 there were requests to include ten new product families, two of which were rejected because the company lacked the necessary infrastructure for the products' safe handling, and because there was no profitable business justification for making the investments needed to meet such demands.

G4-PR7

None of the incidents reported during the past year involved non-compliance with regulatory requirements or voluntary codes.

G4-PR3, G4-DMA COMPLIANCE, PRODUCT AND SERVICE LABELING

Given that all the products we manage are subject to both international and national legislation, for identifying their degree of risk, it is a requirement for Pochteca and its customers that 100% of the products abide by the applicable requirements in keeping with the type of risk or product in question. The list of applicable norms includes NOM-018-STPS, OSHAS, GHS and PROFECO.

G4-PR5

We have a procedure for applying customer satisfaction surveys that is to be conducted once every two years. The last survey was made in 2014 and based on its results the necessary corrective actions were taken to address the problems of the lowest results.

The actions taken were as follows:
- A diploma course in telemarketing at the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM): With an investment of Ps 3 million, 76 people were trained, 75% of who were women
- Programs at the UVP for technical product training
- Production of folders containing the main products and their uses, segment and product fact sheets for clients and telemarketing assistance
- Product catalogue update

Customers can convey their opinions and feedback through the following mechanisms:
- Email messages to ventas@pochteca.com.mx and mercadotecnia@pochteca.com.mx, which are handled by the marketing department
- Social networks (Facebook, Twitter, Linkedin)
- Calls to the 01-800 number for the paper, raw materials and lubricants segments
- Phone calls to the various switchboards at our corporate headquarters, plants and branch offices
- By filling out a contact form on our website www.pochteca.com.mx

G4-PR8, G4-DMA CUSTOMER PRIVACY

In order to assure full compliance with federal law on personal data in possession of private parties, during the last two months of 2015 we conducted, by means of an external agency, a risk evaluation in relation to our personal and sensitive data handling. The results of that evaluation will shape a working plan to address the points of risk that were detected and the establishment of a privacy committee that will work to assure and sustain compliance with the actions and controls deemed necessary. To date, we have had no complaints in this regard.

WORKING FOR OUR COMMUNITIES

We seek to engage the communities that are in proximity to our operations and take them into account as part of our operational strategy. We offer them training programs, support programs and agreements while also striving to develop a harmonious and mutually beneficial relationship.

CORPORATE GOVERNANCE

G4-34, G4-38

Our Board of Directors is composed of a maximum of 21 proprietary members, as the Ordinary General Shareholders' Meeting determines. At least 25% of board members must be independent. As of today, seven of the 11 members are independent board members, thereby exceeding this legal requirement. In addition, the Board of Directors elects a Secretary who is not a member of the Board.

The board is supported by an Audit Committee and a Corporate Practices Committee.

Board of Directors

G4-13, G4-34, G43-36, G4-38, G4-39

Propietary members	Alternate board members
Jorge Ricardo Gutiérrez Muñoz CHAIRMAN	
Margarita Hugues Vélez*	
Eugenio Santiago Clariond Reyes*	
Eugenio Gerardo Manzano Alba	Juan Pablo del Valle Perochena
Francisco Javier del Valle Perochena	Antonio del Valle Perochena
Francisco Javier Moguel Gloria*	
Ernesto Moya Pedrola*	
Francisco Javier Ruiz Galindo and Terrazas*	
Armando Santacruz González	Federico Santacruz González
José Antonio Vértiz Pani*	
Fernando Benjamín Ruiz Sahagún*	

Juan Pablo del Río Benítez SECRETARY
Almaquio Basurto Rosas ALTERNATE SECRETARY

Audit and Corporate Practices Committee
Francisco Javier Moguel Gloria CHAIRMAN
Francisco Javier Ruiz Galindo y Terrazas MEMBER
Margarita Hugues Vélez MEMBER
Juan Pablo del Río Benítez SECRETARY, NON MEMBER

Executive Committee
Jorge Ricardo Gutiérrez Muñoz CHAIRMAN
Armando Santacruz González MEMBER
Eugenio Gerardo Manzano Alba MEMBER

ANALYSIS OF RESULTS

CEO Report on 2015 Results

Sales, Earnings and Gross Margins

Consolidated sales increased 1% for the year. The negative effect of falling prices on the products we sell was greater than the positive impact of a weaker peso. The average exchange rate for 2014 was Ps 13.30 per dollar, and Ps 15.88 per dollar in 2015, a 12 month depreciation of 19%.

Gross income grew 5% from Ps 1.05 billion in 2014 to Ps 1.11 billion. We managed to grow the gross margin despite reductions in prices for key products such as solvents, dairy derivatives, corn derivatives and mining inputs.

Our gross margin widened 80 bp to 18.2% thanks to our effective cost controls and increasing focus on higher margin products such as blends and chemicals for the food industry. The 19% weakening of the peso in relation to the US dollar (USD) in 2015 only partially cancelled out the effect of the contraction in raw material prices, especially in the case of petroleum derivatives, as the prices of such products fell between 30% and 60% in dollars.

2014		2015
17.4%	Gross margin	18.2%

Operating Income and EBITDA

Operating income increased by 14% in 2015, growing from Ps 195 million in 2014 to Ps 223 million.

The 3.7% operating margin was 50 bp greater than in 2014. The solid performance of operating income was achieved on the strength of the wider gross margin, aided by the growing emphasis on sales of value added products. EBITDA increased 13% above that of 2014 at the same time as the EBITDA margin grew 60 bp to 5.6%.

Operating expenses (excluding depreciation) rose 2% compared to 2014. As a percentage of sales, expenses grew slightly from 12.4% in 2014 to 12.6% in 2015.

2014		2015
12.4%	Expenses / sales	12.6 %

Financial expense and net income

Net interest expense decreased 2% year on year. The trend toward a reduction on financial expenses was sustained through all of 2015.

The company recorded a Ps 34 million net profit for the year, more than six times greater than what it registered in 2014. Net income was favored by the rise in operating income and EBITDA and by the reducing in interest expense. Those effects offset the negative impact of the Ps 94 million foreign exchange loss for the year.

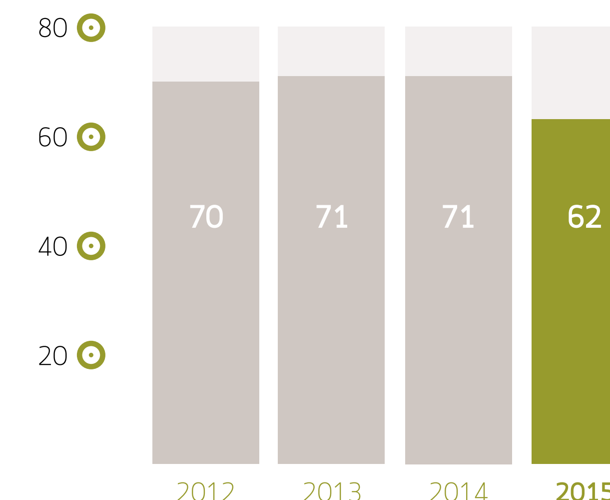
Working capital and Cash Generation

At the end of 2015, our working capital was equivalent to 22 days of sales, 11 fewer days than at the end of 2014.

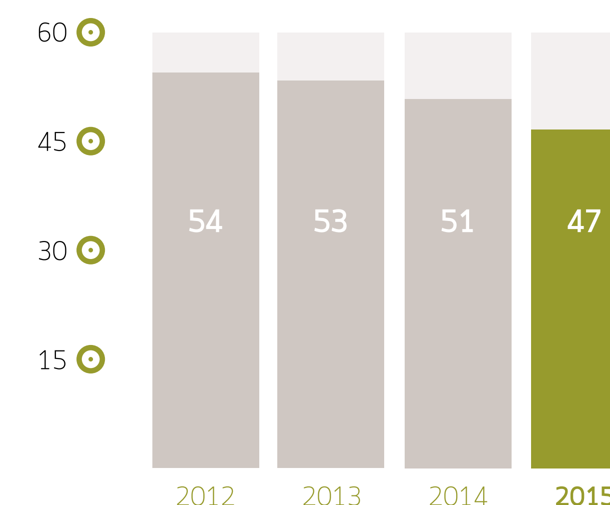
Company management reiterates our commitment to prioritizing the scaling back inventories and reducing accounts receivable in order to lower our degree of financial leverage.

As a result of the increase in EBITDA and the reduction in working capital, it was possible to expand our cash position 19% during 2015, expanding it from Ps 324 million at the end of 2014 to Ps 386 million at the end of 2015, thereby expanding cash on hand by Ps 62 million.

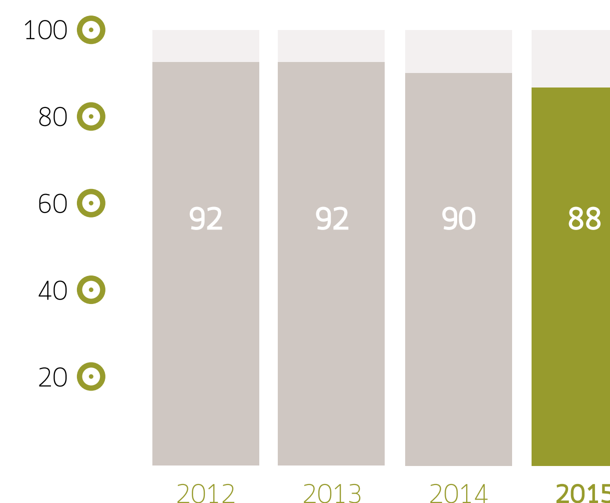
Inventory Days



Accounts Receivable Days



Accounts Payable Days



Net debt and leverage metrics

Net debt at the end of 2015 was Ps 554 million, 9% or Ps 57 million less than at the end of 2014. As we informed the public at the time, on December 4 2014, we concluded our refinancing of a Ps 610 million, syndicated credit with HSBC México, S.A., Institución de Banca Múltiple, and Grupo Financiero Inbursa, S.A. The original credit had been scheduled to come due in June 2015. The new loan is for four years with a one-year grace period.

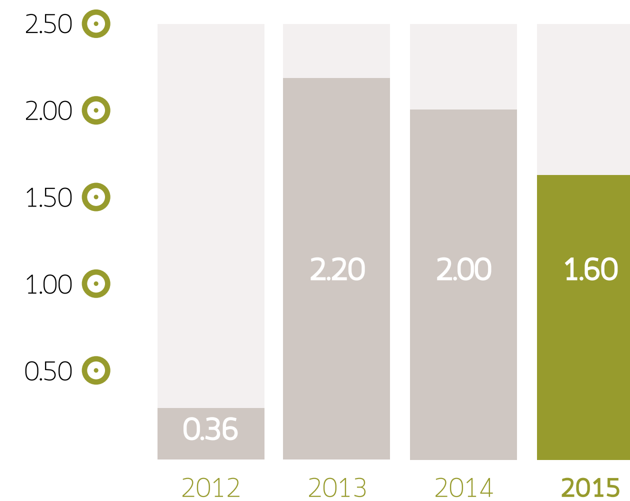
Net debt to EBITDA decreased to 1.6 times at the end of 2015, down from 2.0 times at the end of 2014. That level is in line with our internal policy of not surpassing 2 times. It is important to point out that this indicator had risen from 1.8 times prior to the Coremal acquisition, which concluded December 31, 2013, to a more than two year high of 2.8 times at the end of 2Q14. This was a result of the consolidation of the Brazilian debt of Coremal (equivalent to Ps 285 million), and the Ps 170 million in credit Pochteca acquired to finance the acquisition. At the time, we informed the market that we had a clearly defined route map for bringing this multiple back to, or below our target of 2.0 times, and we made good on that promise.

We remain focused on generating cash flow through an energetic management of working capital and both cost and expense controls as a way to increase EBITDA.

In 2015, interest coverage (EBITDA / interest) was 3.0 times, a higher level than the 2.7 times registered in 2014.

	2014	2015
Net debt (Ps million)	611	554
Net Debt / EBITDA 12 M	2.0x	1.6x
Interest coverage	2.7x	3.0x
Outstanding shares	130,522,049	130,522,049

Net Debt / EBITDA



Stock buyback fund

The managers of Grupo Pochteca's fund for repurchasing shares are:

1) Punto Casa de Bolsa, S.A. de C.V.
2) GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa (GBM)

On October 7, 2015 we informed market participants that as of that date we began to manage our share repurchase fund with GBM. This share repurchase fund had been managed by Punto Casa de Bolsa, S.A. de C.V., which will continue managing it jointly with GBM. With this initiative, Pochteca aims to increase the liquidity of its shares in the stock market with the support of these two financial institutions.

Market maker

As we informed market participants at the time, on October 22, 2015 we ended the contract for market maker services we had with UBS Casa de Bolsa, S.A. de C.V., UBS, Grupo Financiero (UBS). Pochteca thanks UBS for the services it provided during the time it acted as market maker.

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SPECIFIC STANDARD DISCLOSURES				
G4-DMA and indicators	Page number o link / Direct response	Identified omission	Reason for omission	Explanation for omission
G4-EC3	30			
G4-EC4	We do not receive financial assistance from the government			
Material Aspect: Procurement practices				
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G4-PR9	We have no record of fines for non-compliance with regulations regarding the supply and use of products and services			

Grupo Pochteca, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2015, 2014 and 2013, and Independent Auditors' Report Dated April 11, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Grupo Pochteca, S. A. B. de C. V. and Subsidiaries

We have audited the accompanying consolidated financial statements of Grupo Pochteca, S. A. B. de C. V. and subsidiaries (the "Entity") which comprise the consolidated statements of financial position as of December 31, 2015, 2014 and 2013, and the consolidated statements of income and other comprehensive income, statements of changes in stockholders' equity and statements of 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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 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 financial position of Grupo Pochteca, S. A. B. de C. V. and subsidiaries as of December 31, 2015, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

As mentioned in Note 10 to the consolidated financial statements as of December 31, 2013, the Entity bought shares of certain businesses, whose operations are reflected in the results for the year ended December 31, 2014, and therefore affect the comparability of the periods presented.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Miguel Ángel del Barrio Burgos

April 11, 2016

Grupo Pochteca, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2015, 2014 and 2013
(In thousands of Mexican pesos)

	Notes	2015	2014	2013
ASSETS				
Current assets:				
Cash and cash equivalents	5	$ 385,672	$ 324,458	$ 181,371
Accounts receivable and recoverable taxes – Net	6	1,050,658	1,027,398	986,806
Due from related parties	20	2,356	5,132	3,137
Inventories – Net	7	830,616	910,317	889,876
Prepaid expenses		46,510	50,075	34,424
Total current assets		2,315,812	2,317,380	2,095,614
Investment property	8	12,727	12,727	-
Property, plant and equipment – Net	9	813,712	860,514	921,840
Other investments		4,381	4,381	4,660
Other assets		97,359	83,849	74,482
Deferred income taxes – Net	24	42,152	27,404	26,035
Intangible assets	12	51,574	51,903	52,232
Goodwill	13	366,097	405,866	457,605
Total non-current assets		1,388,002	1,446,644	1,536,854
Total		**$ 3,703,814**	**$ 3,764,024**	**$ 3,632,468**

	Notes	2015	2014	2013
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Bank loans and current portion of long-term debt	15	$ 325,279	$ 61,525	$ 186,306
Trade accounts payable		1,199,576	1,193,008	1,052,840
Other accounts payable and accrued expenses	14	169,606	184,525	258,882
Due to related parties	20	9,909	9,486	18,017
Income taxes and statutory employee profit sharing		15,780	30,494	3,403
Total current liabilities		1,720,150	1,479,038	1,519,448
Long-term liabilities:				
Other long-term accounts payable	14	210,067	226,871	294,474
Long-term debt	15	614,323	873,988	617,761
Employee benefits		7,002	13,460	6,939
Total long-term liabilities		831,392	1,114,319	919,174
Total liabilities		2,551,542	2,593,357	2,438,622
Stockholders' equity:				
Contributed capital –				
Capital stock	17	1,093,624	1,089,689	1,088,802
Premium on sale of repurchased stock		58,176	51,060	52,618
Earned capital –				
Retained earnings		31,884	17,667	40,376
Reserve for repurchase of shares		56,582	54,652	41,938
Translation effects of foreign operations		(86,883)	(41,364)	(29,888)
Other comprehensive income		(1,111)	(1,037)	-
		472	29,918	52,426
Total stockholders' equity		1,152,272	1,170,667	1,193,846
Total		**$ 3,703,814**	**$ 3,764,024**	**$ 3,632,468**

The accompanying notes are part of the consolidated financial statements.

Grupo Pochteca, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2015, 2014 and 2013
(In thousands of Mexican pesos, except earnings per common share expressed in Mexican pesos)

	Notes	2015	2014	2013
Continuing operations:				
Net sales	21	$ 6,078,819	$ 6,031,940	$ 4,472,769
Cost of sales	22	(4,972,853)	(4,980,497)	(3,723,480)
Gross profit		1,105,966	1,051,443	749,289
Operating expenses	23	(883,069)	(856,009)	(593,453)
Income from operations		222,897	195,434	155,836
Financing costs:				
Interest income		14,893	12,262	3,601
Interest expense		(113,573)	(112,865)	(63,404)
Exchange gain (loss)		(93,888)	(77,177)	(29,636)
		(192,568)	(177,780)	(89,439)
Income before income taxes		30,329	17,654	66,397
Income taxes (benefit) expense	24	(3,213)	13,130	26,844
Consolidated net income		$ 33,542	$ 4,524	$ 39,553

	Notes	2015	2014	2013
Other comprehensive income, net of income tax –				
Items that may be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation		(74)	(1,037)	-
Exchange differences on translating foreign operations		(45,519)	(11,476)	(947)
Total comprehensive income (loss) for the year		$ (12,051)	$ (7,989)	$ 38,606
Earnings per share:				
From continuing operations:				
Basic earnings per common share (in Mexican pesos)		$ 0.2570	$ 0.0347	$ 0.3076
Weighted average shares outstanding		130,522,049	130,522,049	128,573,424

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2015, 2014 and 2013
(In thousands of Mexican pesos)

	Contributed capital								
	Common stock				Earned capital				
	Nominal	In trust	Premium on sale of repurchased stock	Total	Accumulated results	Reserve for repurchase of shares	Translation effects of foreign operations	Remeasurement of defined benefit obligation	Total stockholders' equity
Balances at the beginning of 2013	$ 1,175,096	$ (17,538)	$ (5,437)	$ 1,152,121	$ (137,598)	$ 59,142	$ (28,941)	$ -	$ 1,044,724
Capital increase	58,046	-	75,064	133,110	-	-	-	-	133,110
Cancellation of reserve for repurchase of shares	-	-	-	-	60,000	(60,000)	-	-	-
Capital reduction	(128,421)	-	-	(128,421)	128,421	-	-	-	-
Creation of reserve for repurchase of shares	-	-	-	-	(50,000)	50,000	-	-	-
Repurchase of shares	-	-	(17,009)	(17,009)	-	(7,204)	-	-	(24,213)
Payment of capital	-	1,619	-	1,619	-	-	-	-	1,619
Net comprehensive income for the year	-	-	-	-	39,553	-	(947)	-	38,606
Balances as of December 31, 2013	1,104,721	(15,919)	52,618	1,141,420	40,376	41,938	(29,888)	-	1,193,846
Cancellation of reserve for repurchase of shares	-	-	-	-	12,767	(12,767)	-	-	-
Creation of reserve for repurchase of shares	-	-	-	-	(40,000)	40,000	-	-	-
Repurchase of shares	-	-	(1,558)	(1,558)	-	(14,519)	-	-	(16,077)
Payment of capital	-	887	-	887	-	-	-	-	887
Net comprehensive loss for the year	-	-	-	-	4,524	-	(11,476)	(1,037)	(7,989)
Balances as of December 31, 2014	1,104,721	(15,032)	51,060	1,140,749	17,667	54,652	(41,364)	(1,037)	1,170,667
Payment of capital	-	3,935	-	3,935	-	-	-	-	3,935
Cancellation of reserve for repurchase of shares	-	-	-	-	24,675	(24,675)	-	-	-
Creation of reserve for repurchase of shares	-	-	-	-	(44,000)	44,000	-	-	-
Repurchase of shares	-	-	7,116	7,116	-	(17,395)	-	-	(10,279)
Net comprehensive loss for the year	-	-	-	-	33,542	-	(45,519)	(74)	(12,051)
Balances as of December 31, 2015	**$ 1,104,721**	**$ (11,097)**	**$ 58,176**	**$ 1,151,800**	**$ 31,884**	**$ 56,582**	**$ (86,883)**	**$ (1,111)**	**$ 1,152,272**

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015, 2014 and 2013
(In thousands of Mexican pesos)
(Indirect method)

	Notes	2015	2014	2013
Operating activities:				
Consolidated net income		$ 33,542	$ 4,524	$ 39,553
Adjustments for:				
Income taxes (benefit) expense	24	(3,213)	13,130	26,844
Depreciation and amortization	9	118,269	107,572	60,250
Gain on sale of property and equipment		(3,033)	(4,213)	(10,178)
Amortization of commissions paid		4,231	8,250	5,500
Interest paid		109,342	104,615	57,904
Interest income		(14,893)	(12,262)	(3,601)
Unrealized exchange loss		83,561	33,817	1,808
		327,806	255,433	178,080
(Increase) decrease in:				
Accounts receivable and recoverable taxes	6	(23,260)	(53,319)	139,514
Inventories	7	79,701	(20,441)	17,112
Prepaid expenses		3,565	(15,651)	9,633
Other assets		(22,726)	(9,368)	(14,036)
Trade accounts payable		6,568	106,351	(298,644)
Other accounts payable and accrued expenses		(84,382)	99,222	(4,328)
Due to related parties	20	3,199	(10,526)	2,969
Income taxes paid		(26,249)	(35,855)	(14,795)
Net cash provided by operating activities		264,222	315,846	15,505
Investing activities:				
Purchase of machinery and equipment		(76,082)	(99,029)	(245,810)
Sale of equipment		16,554	35,718	57,923
Acquisition of subsidiaries		(11,857)	(104,601)	(112,447)
Interest income		14,893	12,262	3,601
Other investments		-	279	-
Net cash used in investing activities		(56,492)	(155,371)	(296,733)
Financing activities:				
Borrowings	15	58,778	948,464	169,384
Repayment of loans received	15	(26,222)	(804,555)	(50,000)
Payment of financial leasing		(25,645)	(3,990)	(4,929)
Purchase of own common shares		(10,279)	(16,077)	(24,213)
Interest and commissions paid		(68,443)	(116,213)	(34,034)
Issuance and payment of common stock		3,935	887	45,400
Net cash provided by (used in) financing activities		(67,876)	8,516	101,608
Effects of changes in exchange rates on cash held in foreign currency		(78,640)	(25,904)	(947)
Net increase (decrease) in cash and cash equivalents		61,214	143,087	(180,567)
Cash and cash equivalents at beginning of year		324,458	181,371	361,938
Cash and cash equivalents at end of year		$ 385,672	$ 324,458	$ 181,371

The accompanying notes are part of the consolidated financial statements.

1. Activities and significant events

Activity

Grupo Pochteca, S. A. B. de C. V. and Subsidiaries (the "Entity", or the "Group") operates in Mexico and Brazil and its main activities are comprised of trading raw materials for the chemical, coating, plastics and food industries, as well as the processing and marketing of paper, cardboard and products for graphic arts. The offices are located at Manuel Reyes Veramendi 6, Colonia San Miguel Chapultepec, Delegación Miguel Hidalgo, Ciudad de México.

Significant events

a. **Refinancing of syndicated debt -** As mentioned in Note 15, on December 3, 2014 the Entity executed a refinancing contract for the unsecured loan (the Refinancing Contract), which had been contracted on June 14, 2012, for $440,000 (syndicated debt with the following financial institutions: HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC (HSBC) and Banco Inbursa, S. A. (Inbursa) for $190,000 and $250,000, respectively). The debt was contracted at the TIIE rate plus a spread of between 1.50% and 2.50%, depending on the leverage ratio obtained. As part of the Refinancing Contract, the following amendments are made: i) the date of maturity of the syndicated debt is now December 3, 2018, ii) Grupo Pochteca, S. A. B. de C. V. is eliminated as borrower, leaving as sole borrowers the subsidiaries Pochteca Materias Primas, S. A. de C. V. and Pochteca Papel, S. A. de C. V., iii) the refinancing is for the amount of $610,000, of which Inbursa and HSBC, provide $305,000 each, and iv) the percentage above the TIIE rate is a spread of between 1.50% and 3.00%.

b. **Business acquisitions -** On December 31, 2013, the Entity terminated the association agreement between the companies Comercio e Representações Maia Ltda., Mecotrans Transportes e Logistica Ltda. and Coremal Química Ltda. (collectively "Coremal") by acquiring 100% of the shares (see Note 10).

2. Application of new and revised International Financial Reporting Standards

a. **Application of new and revised International Financing Reporting Standards ("IFRSs") and interpretations that are mandatorily effective for the current year**

In the current year, the Group has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2015.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

The Entity has applied the amendments for the first time in the current year. Prior to the amendments, the Entity accounted for discretionary employee contributions to defined benefit plans as a reduction of the service cost when contributions were paid to the plans, and accounted for employee contributions specified in the defined benefit plans as a reduction of the service cost when services are rendered. The amendments require the Entity to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Entity recognizes the reduction in the service cost in the period in which the related services are rendered.

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognized in the Entity's consolidated financial statements.

Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 - 2013 Cycle

The Entity has applied the amendments to IFRSs included in the *Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 - 2013 Cycle* for the first time in the current year. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 *Operating Segments*. The Entity has aggregated several operating segments into a single operating segment and made the required disclosures in Note 27 in accordance with the amendments. The application of the other amendments has had no impact on the disclosures or amounts recognized in the Entity's consolidated financial statements.

b. **New and revised IFRSs in issue but not yet effective**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases
Amendments to IAS[1]	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
Amendments to IFRS	Annual Improvements to IFRS 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2014 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity.

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Entity's management anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Entity's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Entity undertakes a detailed review.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Entity's management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Entity's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Entity performs a detailed review.

IFRS 16, *Leases*

IFRS 16 "Leases" was issued in January 2016 and supersedes IAS 17 "Leases" and related interpretations. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements, although by the nature of its operations it would not expect significant impacts.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2016. The directors of the Entity do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Entity's consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue; or

b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Entity uses the straight-line method for depreciation and amortization for its property, plant and equipment, and intangible assets respectively. The Entity's management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Entity's consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Entity do not anticipate that the application of these amendments will have a material effect on the Entity's consolidated financial statements.

3. Significant accounting policies

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of properties and lands at a fair value, as explained in the accounting policies below:

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly and,
- Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation of financial statements

The consolidated financial statements incorporate the financial statements of the Entity and its subsidiaries controlled by it. Control is achieved when the Entity:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group:

Subsidiary	Main activity
Pochteca Materias Primas, S. A. de C. V.	Trading of raw materials
Suplia, S. A. de C. V. (1)	Trading of raw materials
Demser, S. A. de C. V.	Professional services
Servicios Administrativos Argostal, S. A. de C. V.	Professional services
Pochteca de Guatemala, S. A.	Trading of raw materials
Pochteca Do Brasil Participações Ltd.	Trading of raw materials
Pochteca Papel, S. A. de C. V.	Trading of paper
Transportadora de Líquidos y Derivados, S. A.	Transportation of chemical products
Pochteca de El Salvador, S. A.	Trading of raw materials
Pochteca de Costa Rica, S. A.	Trading of raw materials
Pochteca Servicios Administrativos, S. A. de C. V.	Professional services
Pochteca Servicios Corporativos, S. A. de C. V.	Professional services
Asesoría en Lubricantes Pochteca, S. A de C. V.	Professional services
Asesoría en Servicios Pochteca, S. A de C. V.	Professional services
Plásticos Argostal, S. A. de C. V.	Without operations
Químicos Argostal, S. A. de C. V.	Without operations
Comercio e Representações Maia Ltda.	Trading of raw materials
Mecotrans Tansportes e Logistica Ltda.	Transportation of chemical products
Coremal Química Ltda.	Trading of raw materials
Latam Chemicals, LLC	Trading of raw materials

Participation in investments in all subsidiaries is 100% of its share capital.

(1) *Merger of subsidiaries* – On October 31, 2013, the subsidiaries Productos Químicos Mardupol, S. A. de C. V., Servicios Corporativos Mardupol, S. A. de C. V. and Servicios Corporativos Guibert, S. A. de C. V. were merged with the subsidiaries Pochteca Materias Primas, S. A. de C. V., Demser, S. A. de C. V. and Asesoria en Servicios Pochteca, S. A: de C. V., with the latter remaining in existence as the absorbing companies. Such mergers did not have any effects on the consolidated financial statement because they were considered transactions between subsidiaries.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

d. Conversion of the financial statements of foreign subsidiaries

The individual financial statements of each of the Entity's subsidiaries are prepared in the currency of the primary economic environment in which the Entity operates (its functional currency). For the purposes of these consolidated financial statements, the results and financial position of each entity are expressed in Mexican pesos, the Entity's functional currency, as well as the presentation currency of the consolidated financial statements.

For consolidation purposes, the recording currency used for the financial statements of foreign subsidiaries is modified to enable their presentation according to IFRS. The financial statements are converted to Mexican pesos by using the following methodology:

Foreign entities that use the same recording and functional currency convert their financial statements by utilizing the following exchange rates: 1) the close exchange rate for assets and liabilities; 2) the historical exchange rate for stockholders' equity, and 3) the average exchange rates in effect during the period unless fluctuating significantly, in which case the exchange rates in effect on transaction dates are used for income, costs and expenses. If applicable, exchange rate differences are recognized in other comprehensive income and accrued to stockholders' equity.

e. Reclassifications

The consolidated financial statements as of December 31, 2014 incorporate certain modifications including the reclassification of "Investment property" from current assets to non-current assets and changes in presentation related to the reserve for repurchase of shares in the consolidated statements of changes in stockholders' equity.

For the year 2015, the Entity has defined the classification of "Investment property" as non-current assets because the sales effort will be managed over the long term. Although as of December 31, 2014, all conditions were fulfilled to maintain the property as a current asset, it was reclassified to long-term in the consolidated statement of financial position for comparative purposes.

Also, the presentation of the movements in the reserve for repurchase of shares in 2014 has been changed such that they are now identified separately instead of on a cumulative basis. The amortization of commissions paid on loans is presented separately in the consolidated statements of cash flows.

f. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

g. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1. Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

2. Financial assets at FVTPL

Financial assets are classified as of FVTPL when the financial asset is either held for trading or it is designated as of FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as of FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as of FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income (expenses) - Net' line item. Fair value is determined in the manner described in note 3b.

3. Financial assets classified as available-for-sale (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the Entity's management consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 3b. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of assets classified as held for sale are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

4. Loans and accounts receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including [trade and other receivables, bank balances and cash, and others [describe]) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short, term receivables when the effect of discounting is immaterial.

Allowance for bad debts: Tests are applied to accounts receivable from customers to determine their impairment at the end of each period. These amounts are considered to be impaired when objective evidence is obtained to the effect that, as a result of one or more events arising after their recognition, the estimated future cash flows of the financial asset have been affected. Objective evidence of impairment may include: i) the customer's financial difficulties; ii) customer noncompliance as regards the payment of invoices; iii) the customer has either started bankruptcy proceedings or a financial reorganization process; or iv) observable changes in national and local economic conditions which are correlated with payment default. Accounts receivable from customers that have not undergone individual impairment are included in the impairment evaluation performed on a collective basis.

h. Cash and cash equivalents

Cash includes bank deposits and checking accounts and cash equivalents in short-term investments, highly liquid and easily convertible into cash, which are subject to insignificant value change risks. Cash is stated at nominal value and cash equivalents are presented at fair value. Fluctuations in value are recognized in income as they accrue.

i. Inventories and cost of sales

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

j. Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any increase in the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except if it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is credited to income as it reduces spending by the decrease previously made. A decrease in carrying amount that originated from the revaluation of such land and buildings is recorded in income to the extent it exceeds the balance, if any, of the revaluation reserve of property related to a previous revaluation of that asset.

The machinery and equipment are carried at cost less any accumulated depreciation or impairment loss.

An item of property and equipment is derecognized when sold or when no expected future economic benefits arising from the continued use of the asset. The gain or loss arising from the sale or retirement of an item of property and equipment is calculated as the difference between the resources received from the sale and the carrying amount of the asset and is recognized in income.

Depreciation of these assets, as well as other properties, begins when the assets are ready for their intended use. Depreciation is calculated under the straight-line method based on estimated useful lives of the assets. The average years of useful lives used to calculate depreciation in 2015, 2014 and 2013 are as follows:

	Average years
Buildings	50 and 20
Machinery and equipment	10
Vehicles and allied equipment	4
Office furniture and equipmessnt	10
Computers	3.3
Leasehold improvements	3

The gain or loss arising from the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources received from sales and the carrying amount of the asset and is recognized in results.

k. Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounOted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

l. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Other investments

Are recognized at cost. Corresponds to the share in Unión de Crédito de la Industria Litográfica, S. A. de C. V. and Club de Industriales, A. C.

n. Other assets

They are valued at cost and are primarily represented by security deposits for leases on truck tractors.

o. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 at the acquisition date; and

Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss. When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

p. Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

q. **Goodwill**

The goodwill generated by a business acquisition is recognized as an asset at the date on which control is acquired (see Note 13); it refers to the amount by which the transferred payment exceeds fair value at the acquisition date of identifiable acquired assets and assumed liabilities.

In order to test for impairment, goodwill is assigned to each of the Entity's cash generating units (or groups of cash generating units) which is expected to benefit from the combination of synergies.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

r. **Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

s. **Financial liabilities and equity instruments**

Financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial liabilities are valued initially at fair value. Transaction costs which are directly attributable to the acquisition or issuance of financial liabilities (different from financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as the case may be, in the initial recognition. The transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognized immediately in results.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an Entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Entity's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities at FVTPL

Financial liability at fair value through profit or loss is a financial liability that is categorized as held for trading or designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'financing cost' line item.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Entity recognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

t. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange *forward* contracts, interest rate *swaps* and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 19.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

u. Employee benefits

Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing PTU payable, compensated absences, such as vacation and vacation premiums, and incentives and it is shown in the account payable and accrued liabilities.

v. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10% of the greater of the present value of the Entity's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortized over the expected average remaining working lives of the participating employees.

Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

w. Statutory employee profit sharing (PTU)

PTU is recorded in the profit or loss of the year in which it is incurred and presented under other income and operating expenses in the accompanying consolidated statements of income and other comprehensive income.

x. Stock option plan for key executives

The Entity has created an investment and administration trust to which it contributed the amount of $33,085 to acquire 22,056,811 shares of Grupo Pochteca, S. A. B. de C. V. at a price of one peso and fifty cents per share. During 2008, the Board of Directors approved this capital increase, whereby the Entity treasury held 7,943,189 shares for subsequent use in the stock option plan for key executives. The shares were irrevocably assigned to certain Entity officers and employees, who became trust beneficiaries. Likewise, the Entity executives agreed to pay the value of the assigned shares within a three-year period.

During 2015, The Entity created a Trust referred to as F/34. The Trust assets are comprised of the shares to be subscribed by investments trust management number F/34, for an amount of up to $21,105 for the share purchase option plan for key executives. Trust grantors comprise several subsidiaries, the trustee is Banco Ve por Más, Sociedad Anónima, Institución de Banca Múltiple, Grupo Financiero Vé por Más and the trust beneficiaries include several executives. As of December 31, 2015, shares have not been assigned to beneficiaries of this trust. The shares to be acquired represent the capital of Grupo Pochteca, S. A. B. de C. V.

y. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

- Current tax

  Current income tax ("ISR") is recognized in the results of the year in which is incurred.

- Deferred income tax

  Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

  The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

  Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

  The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

  For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Entity's management reviewed the Entity's investment property portfolios and concluded that none of the Entity's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, management has determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Entity has not recognized any deferred taxes on changes in fair value of the investment properties as the Entity is not subject to any income taxes on the fair value changes of the investment properties on disposal.

- Current and deferred tax for the year

  Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

z. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are classified as current or noncurrent based on the estimated period of time to attend the obligations covered.

aa. Derivative financial instruments

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

bb. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

cc. Classification of costs and expenses

Costs and expenses presented in the consolidated statements of income and other comprehensive income were classified according to their function separating the cost of sales from other costs and expenses.

dd. Earnings per share

Basic earnings per common share are calculated by dividing consolidated net income (loss) by the weighted average number of common shares outstanding during the year.

ee. Reserve for repurchase of shares

The acquisition of the Entity's own shares are shown as a decrease in the reserve for repurchase of shares included in the consolidated statements of financial position under the item, reserve for repurchase of shares and are valued at acquisition cost. The sales of shares made after the approval of the shareholders, results in an increase in the balance of the unused repurchase reserve, which relate to investments made in prior periods of amounts authorized by the Assembly.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the accounting policies, the Entity's management makes judgments, estimates and assumptions about certain amounts of assets and liabilities in the financial statements. The estimates and assumptions are based on experience and other factors considered relevant. Actual results could differ from those estimates.

The following are critical accounting judgments and key sources of uncertainty in applying accounting policies, made at the date of the consolidated financial statements, which have a significant risk of deriving an adjustment to the carrying amounts of assets and liabilities during the next financial period, are as follows:

a. Useful life of property, plant and equipment – The Entity reviews the estimated useful life of its property, plant and equipment at the end of each annual period. At the IFRS transition date, the Entity management performed a detailed analysis to modify the estimated useful life and components of property, plant and equipment. The level of uncertainty associated with the estimation of these useful lives is related to asset utilization.

b. **Allowance for doubtful accounts -** The Entity uses estimates to determine the allowance for bad debts. The factors considered for this purpose primarily involve the risks derived from the customer's financial position, customer guarantees and collection delays.

c. **Realizable value of inventories -** The Entity reviews the realizable value of its inventories at the end of each period. The factors considered by the Entity to estimate its inventories are the sales prices of its products derived from changes in market demand.

d. **Provisions and contingencies -** At the end of 2015, there are many judgements in process related to labor matters promoted in various subsidiaries which were originated in development of operations. The legal advisors of the company and its directors consider that, given its nature and even as a whole, the outcome of litigation and claims will not represent a significant economic impact and will not produce a significant effect on the consolidated financial statements for the years in which they are settled.

5. Cash and cash equivalents

In the consolidated statements of cash flows, cash includes cash and banks and highly liquidated investments. Cash equivalents are presented mainly by investments in risk-free instruments. Cash and cash equivalents at end of period as shown in the consolidated cash flow statement can be reconciled to the related items in the consolidated statement of financial position as follows:

	2015	2014	2013
Cash	$ 363,085	$ 300,769	$ 123,213
Investments	22,587	23,689	58,158
	$ 385,672	$ 324,458	$ 181,371

6. Accounts receivable and recoverable taxes

	2015	2014	2013
Trade accounts receivable	$ 938,249	$ 969,144	$ 1,061,077
Allowance for doubtful accounts	(57,056)	(54,583)	(90,851)
	881,193	914,561	970,226
Recoverable taxes Mexico	63,145	39,713	13,477
Recoverable taxes Brazil	60,879	42,232	-
Other	45,441	30,892	3,103
	$ 1,050,658	$ 1,027,398	$ 986,806

The accounts receivable from customers are valued at their applied cost.

The average credit period granted for goods sales is 60 days. The Entity does not charge interest on accounts receivable from customers. In the case of accounts receivable aged more than 120 days, the Entity recognizes an allowance for doubtful accounts by considering the unrecoverable amounts determined according to its experience with counterparty noncompliance.

The limits and ratings assigned to customers are reviewed annually. As of December 31, 2015, 71% of accounts receivable from customers which are not overdue or impaired have the highest credit rating according to the rating system used by the Entity.

The accounts receivable from customers disclosed in the preceding paragraphs include amounts which are overdue at the end of the reporting period, but for which the Entity has not recognized an allowance for doubtful accounts because there has been no significant change in customer credit ratings and the amounts in question are still deemed to be recoverable.

Aging of accounts receivable past-due but recoverable

	2015	2014	2013
60-90 days	$ 52,938	$ 46,087	$ 60,264
Greater than 90 days	54,842	64,694	8,419
Total	$ 107,780	$ 110,781	$ 68,683

With regard to the balances of $107,780, $110,781 and $68,683, as of December 2015, 2014 and 2013, $8,897, $17,471 and $16,600, respectively, comes from sales to Química Apollo (chemistry industries), Univeler (consumer products), Petróleos Mexicanos (PEMEX) and other companies from the oil exploration and drilling sector which have lagged behind during 2015, 2014 and 2013. However, the Entity considers the credit quality of such companies to be high.

Change in allowance for doubtful accounts

	2015	2014	2013
Balance at beginning of the year	$ 54,583	$ 90,851	$ 57,758
Provision for amounts deemed as bad during the year	15,454	13,244	68,505
Accounts recovered during the year	(12,981)	(49,512)	(35,412)
Balance at end of the year	$ 57,056	$ 54,583	$ 90,851

Aging of accounts receivable impaired

	2015	2014	2013
Over 120 days	$ 57,056	$ 54,583	$ 90,851

7. Inventories

	2015	2014	2013
Finished goods:			
Coatings, solvents and mixtures	$ 9,139	$ 255,544	$ 223,846
Paper	136,512	172,668	199,699
Chemicals and plastics	388,923	106,903	231,449
Food products	155,580	144,282	60,291
Lubricants	114,803	225,252	165,419
	804,957	904,649	880,704
Allowance for slow moving inventory	(21,278)	(9,169)	(12,386)
	783,679	895,480	868,318
Merchandise-in-transit	46,937	14,837	21,558
	$ 830,616	$ 910,317	$ 889,876

The allowance for slow moving inventory had been increased by $10,002 in 2015, $1,765 in 2014 and $2,844 in 2013.

Inventories that were consumed and recognized in cost of sales from continuing operations amounted to $4,806,422, $4,860,470 and $3,553,733 in 2015, 2014 and 2013, respectively.

8. Investment properties

On March 22, 2014, the Entity received as payment in kind a real property for an account receivable due from Agropur Lacpur, S. A. de C. V. At the date of the payment in kind, the balance receivable was $12,727. As the Entity does not have any plans to make use of the property, management classifies it as an investment property, subject to the requirements established.

	2015	2014	2013
Land held for sale	$ 12,727	$ 12,727	$ -

The fair value of the Entity's investment property as of December 31, 2014 has been determined in accordance with IFRS13.91 (a), 93 (d) on the basis of a valuation performed on the respective dates by an independent appraiser with the appropriate classifications and sufficient recent experience in the valuation of investment properties similar in nature and physical location to those of the Entity. Fair value as of December 31, 2014 is $21,825, of which $11,700 refers to the land and $10,125 to the construction. However, the Entity has decided to maintain the property at its book value and recognize potential income only when it is realized through the sale of the asset. As of December 31, 2015 and 2014 the Entity has not identified any indicators of impairment.

For the year 2015, the Entity has classified "Investment property" within non-current assets because the sales effort will be managed over the long term. Although as of December 31, 2014, all conditions were fulfilled to classify the property within current assets, it was reclassified to long-term assets in the consolidated statement of financial position for comparative purposes.

9. Property, plant and equipment

	Balances as of December 31, 2014	Additions	Disposals	Reclassifications and translation effects	Balances as of December 31, 2015
Investment:					
Land	$ 205,580	$ -	$ (2,283)	$ (4,940)	$ 198,357
Building and constructions	518,994	20,782	(10,608)	3,546	532,714
Industrial machinery and equipment	385,816	16,081	(951)	(12,893)	388,053
Office furniture and equipment	48,369	3,000	(29)	(1,383)	49,957
Vehicle	208,301	15,852	(14,684)	(46,185)	163,284
Computers	57,135	2,764	(116)	(3,011)	56,772
Equipment acquired under financial leases	127,308	51,414	(262)	(1,262)	177,198
Total investments	1,551,503	109,893	(28,933)	(66,128)	1,566,335
Accumulated depreciation:					
Building and constructions	(179,480)	(27,862)	3,489	11,515	(192,338)
Industrial machinery and equipment	(216,151)	(24,603)	437	2,054	(238,263)
Office furniture and equipment	(26,129)	(2,723)	5	1,407	(27,440)
Vehicle	(178,093)	(23,242)	11,416	14,521	(175,398)
Computers	(28,702)	(15,927)	58	3,403	(41,168)
Equipment acquired under financial leases	(62,434)	(14,367)	7	(1,222)	(78,016)
Total accumulated depreciation	(690,989)	(108,724)	15,412	31,678	(752,623)
Net investment	$ 860,514	$ 1,169	$ (13,521)	$ (34,450)	$ 813,712

	Balances as of December 31, 2013	Additions	Disposals	Reclassifications and translation effects	Balances as of December 31, 2014
Investment:					
Land	$ 214,981	$ 1,300	$ (10,753)	$ 52	$ 205,580
Building and constructions	493,418	15,085	(5,908)	16,399	518,994
Industrial machinery and equipment	329,168	14,763	(1,508)	43,393	385,816
Office furniture and equipment	44,993	2,678	(172)	870	48,369
Vehicle	285,571	16,662	(24,788)	(69,144)	208,301
Computers	67,770	14,705	(127)	(25,213)	57,135
Equipment acquired under financial leases	93,472	33,836	-	-	127,308
Total investments	1,529,373	99,029	(43,256)	(33,643)	1,551,503
Accumulated depreciation:					
Building and constructions	(157,568)	(28,103)	1,084	5,107	(179,480)
Industrial machinery and equipment	(176,509)	(27,356)	105	(12,391)	(216,151)
Office furniture and equipment	(23,389)	(3,072)	-	332	(26,129)
Vehicle	(179,553)	(24,921)	8,072	18,309	(178,093)
Computers	(18,314)	(11,066)	-	678	(28,702)
Equipment acquired under financial leases	(52,199)	(12,725)	2,490	-	(62,434)
Total accumulated depreciation	(607,532)	(107,243)	11,751	12,035	(690,989)
Net investment	$ 921,841	$ (8,214)	$ (31,505)	$ (21,608)	$ 860,514

	Balances at the beginning of 2013	Additions	Assets acquired in business combinations	Disposals	Reclassifications and translation effects	Balances as of December 31, 2013
Investment:						
Land	$ 190,004	$ 1,587	23,385	$ -	$ 5	$ 214,981
Building and constructions	323,470	32,750	146,301	(115)	(8,988)	493,418
Industrial machinery and equipment	226,125	49,473	55,444	-	(1,874)	329,168
Office furniture and equipment	13,342	49,346	24,529	(39,547)	(2,677)	44,993
Vehicle	134,715	19,851	143,386	(911)	(11,470)	285,571
Computers	19,949	25,739	42,361	(7,172)	(13,107)	67,770
Equipment acquired under financial leases	51,677	41,795	-	-	-	93,472
Total investments	959,282	220,541	435,406	(47,745)	(38,111)	1,529,373
Accumulated depreciation						
Building and constructions	(76,384)	(22,618)	(70,969)	-	12,403	(157,568)
Industrial machinery and equipment	(122,348)	(15,089)	(47,346)	-	8,274	(176,509)
Office furniture and equipment	(15,986)	(2,062)	(6,472)	-	1,131	(23,389)
Vehicle	(132,566)	(13,090)	(41,075)	-	7,178	(179,553)
Computers	(7,163)	(3,106)	(9,748)	-	1,703	(18,314)
Equipment acquired under financial leases	(36,819)	(4,285)	(13,445)	-	2,349	(52,200)
Total accumulated depreciation	(391,266)	(60,250)	(189,055)	-	33,038	(607,533)
Net investment	$ 568,016	$ 160,291	$ 246,351	$ (47,745)	$ (5,073)	$ 921,840

10. Business acquisitions

In 2013, the Entity acquired businesses that were recorded using the purchase method. The results of the acquired businesses were included in the consolidated financial statements since the acquisition date. The acquired businesses are as follows:

a. Subsidiaries acquired

	Principal activities	Acquisition date	Proportion of shares acquired (%)	Consideration transferred
Mardupol	Purchase and sale of raw materials (1)	February 1, 2013	100	$ 155,227
Coremal	Purchase and sale of raw materials (2)	December 31, 2013	100	492,457
				$ 647,684

(1) On February 1, 2013, the Entity completed the acquisition of Productos Químicos Mardupol, S. A. de C. V. (Mardupol), a company engaged in the distribution of chemicals.

(2) Coremal is a distributor of chemical products located in Recife, Brazil, with operations in 27 states of such country. Their principal offices are established in Sao Paola, Brazil. The acquisition price was R$88,935, equivalent to $492,457 pesos, and was composed of an initial payment of MX $49,903, and contingent consideration that is determined by a formula established in the purchase-sale agreement, the payment of which is based on the achievement of certain EBITDA margins during annual periods between 2014 to 2019. As of December 31, 2015 and 2014 the liability payments have been $11,857 and $104,601, respectively.

As of December 31, 2013, the valuation of assets and liabilities assumed in connection with the acquisition of Coremal, was conducted using the information available at the date of issuance of these consolidated financial statements, however, certain adjustments were applied to such provisional amounts during the measurement period, as a result of obtaining additional information.

b. Consideration transferred

	Mardupol	Coremal
Consideration to be paid in cash	$ 114,540	$ 442,554
Shares	89,329	-
Effect of receivable for selling Pochteca Brasil	-	49,903
Less: Claim under the contract	(48,642)	-
Total	$ 155,227	$ 492,457

c. Adjust to contingent consideration

	Amount
Balance to be paid in cash at December 31, 2013	$ 442,554
Payments rendered in 2014	(104,601)
Adjustment for remeasurement of contingent liability	(86,738)
Balance at December 31, 2014	251,215
Payments rendered in 2015	(11,857)
Translation effect	(47,026)
Balance as of December 31, 2015	$ 192,332

d. Assets acquired and liabilities assumed at the acquisition date

	Mardupol (1)	Coremal (2)	Total
Current Assets			
Cash	$ 3,360	$ 28,479	$ 31,839
Accounts receivables	205,407	231,098	436,505
Inventories	128,830	169,980	298,810
Non-current assets			
Plant and equipment	31,899	230,857	262,756
Other assets	12,271	27,183	39,454
Intangible assets	52,233	-	52,233
Current liabilities			
Trade and other accounts payables	360,299	343,798	704,097
Non-current liabilities			
Borrowings	7,144	90,236	97,380
	$ 66,557	$ 253,563	$ 320,120

(1) This refers to the assumed assets and liabilities of Productos Químicos Mardupol, S. A. de C. V., Servicios Corporativos Guibert, S. A. de C. V. and Servicios Corporativos Mardupol, S. A. de C.V..

(2) As mentioned above, the valuation of the assets and liabilities assumed as of December 31, 2013 in connection with the acquisition of Coremal, was made using information available at such date. As of December 31, 2014, an adjustment was recorded for $(86,739), associated with the unpaid consideration in conformity with the terms established in the purchase-sale agreement. As of December 31, 2015, the assets and liabilities assumed have not changed.

e. Goodwill identified on acquisition

	Mardupol	Coremal	Total
Acquisition consideration	$ 155,227	$ 492,457	$ 647,684
Plus: Effects of purchase accounting transition	28,485	-	28,485
Less: Fair value of net assets acquired	(66,557)	(253,563)	(320,120)
Goodwill identified on acquisition	117,155	238,894	356,049
Fair value of net assets acquired	-	35,000	35,000
Adjustment for measurement of contingent liabilities	-	(86,739)	(86,739)
Goodwill adjusted as of December 31, 2014	117,155	187,155	304,310
Translation effect	-	(39,769)	(39,769)
Goodwill adjusted as of December 31, 2015	$ 117,155	$ 147,386	$ 264,541

f. **Cash flows on acquisition of subsidiaries**

	Mardupol	Coremal
Consideration paid in cash	$ 114,540	$ -
Less: cash balances acquired	3,360	(28,479)
	$ 111,180	$ (28,479)

The acquisition of Mardupol gave Grupo Pochteca a physical presence in Ciudad Obregón and Ciudad Juárez, localities where it did not have operations, generating additional sales of $53,494 and $40,000 plus sales at December 31, 2014 and 2013 respect. Likewise, Mardupol brought a portfolio of pigments and colorants and products for the agro-business, sectors which Pochteca had practically never entered, adding $31,300 and $23,000 in sales in the year 2014 and 2013 respect. The water treatment sector, where Pochteca already had a presence, was strengthened also by the portfolio of Mardupol, increasing sales by $40,000 and $44,500 at December 31, 2014 and 2015 respect. Furthermore, the portfolio of products brought by leading suppliers such as Du Pont, Jones Hamilton, Eastman and Solvay helped to increase sales by $110,000 and $150,000 at December 31, 2014 and 2013 respect.

Generally speaking, chemicals and plastic segment, which includes the great majority of the products of Mardupol, increased sales from $1,370,235 in 2013 to $2,664,912, in 2014. A major part of this growth was due to the increased physical presence, the additional portfolio of products and suppliers, and the customers that were incorporated into the operation of Pochteca with the acquisition of Mardupol.

11. Sale of Subsidiary

On July 1, 2013, the Entity sold Pochteca Brasil, Ltda. The Entity did not receive cash consideration for the transaction because in December 2013, Pochteca Brasil, Ltd. acquired 100% of the shares of "Coremal", the group to which it had sold Pochteca Brasil Ltda. As of December 31, 2013 the net assets disposed amounted to $ 49,903.

12. Intangible asset

In accordance with the fair value analysis of assets and liabilities acquired in connection with the acquisition of Mardupol, a supplier relationship intangible asset was identified:

	2015	2014	2013
Supplier relationship	$ 51,425	$ 51,425	$ 51,425
PEMEX relationship	-	280	560
Noncompete contract	149	198	247
Balances at end of year	$ 51,574	$ 51,903	$ 52,232

The supplier relationship intangible asset has an indefinite life. As of December 31, 2015 and 2014, the Entity recorded amortization of $329 related to the PEMEX relationship and the Noncompete contract.

13. Goodwill

	2015	2014	2013
Balances at beginning of year	$ 405,866	$ 457,605	$ 101,556
Additional amounts recognized from business acquisitions that occurred during the year	-	35,000	356,049
Translation effect and adjustment for measurement of contingent liabilities	(39,769)	(86,739)	-
Balances at end of year	$ 366,097	$ 405,866	$ 457,605

In 1999, Tenedora Pochteca, S. A. de C. V. (currently the Company after its merger with Dermet de México, S. A. B. de C. V.) acquired 99.99% of the shares of Grupo Pochteca, S. A. de C. V. (currently Pochteca Papel, S. A. de C. V.) and its subsidiaries, thereby generating goodwill.

The Entity has not identified or recognized the impairment losses of goodwill balances recorded at December 31, 2015, 2014 and 2013. Management did not observe any changes in the main hypotheses giving rise to goodwill impairment.

14. Other accounts payable and accrued expenses

	2015	2014	2013
Liability from Coremal purchase(1)	$ 192,332	$ 251,215	$ 442,554
Accounts payable	100,382	82,021	70,480
Liabilities for purchase of fixed assets(2)	-	24,283	26,104
Reserves	56,532	10,899	9,795
Other account payable	30,427	42,978	4,423
	$ 379,673	$ 411,396	$ 553,356
Short-term	$ 169,606	$ 184,525	$ 258,882
Long-term	210,067	226,871	294,474
	$ 379,673	$ 411,396	$ 553,356

(1) Short-term $32 millions, $24 millions and $148 millions, as of December 31, 2015, 2014 and 2013, respectively.

(2) On June 25, 2012, the Entity acquired the Shell lubricants plant in Mexico, located in the city of León, Guanajuato for U.S. $2,539 thousand, plus VAT, of which during 2015 were paid US$1,648, the total outstanding balance as of December 31, 2014. The rest of payments were as follows: U.S.$350 thousand paid on June 30, 2014, US$250 in 2013 and U.S.$291 thousand in 2012.

15. Bank loans and long-term debt

	2015	2014	2013
Loan for $ 610,000 (syndicated debt with HSBC and Inbursa for $305,000 each), rate TIIE plus a margin of 1.50% to 3.00% depending on the leverage ratio, with equal quarterly payments of $35,000 from March 2016 and a final payment in December 2018 for $225,000. As of December 31, 2013 the loan balance was $500,000, which was restructured in December 2014 to an amount of $610,000.	$ 610,000	$ 610,000	$ 500,000
Loan with HSBC Bank for R$24,964,913 with an annual real rate of 3.70% plus CDI entered into in October 2013 and maturing in August 2018.	144,467	161,965	-
Lease with GE Capital Mexico of transport equipment in the amount of $79.006 at TIIE 28 days plus 3.5816% fixed rate.	79,006	69,183	49,935
Bank loan with Banco Itau for R$5,000,000.00 at an annual rate of 3.98% entered into in February 2015 and maturing in February 2016.	30,923	-	-
Bank loan with Finimp for R$1,429,842 with an annual real rate of 2.38% plus CDI entered into in May 2014 and maturing in August 2016.	21,761	8,635	-
Loan for $20,000 Mexican pesos with HSBC, TIIE rate plus a margin of 1.50% for a term of one year.	20,000	-	-
Bank loan with Banco Itau for R$20,097,194 at an annual rate of 4.53% entered into in September 2012 and maturing in December 2017.	14,873	41,477	78,557
Leasing with Volvo for R$35.893 at an annual rate of 4.40% entered into in May 2013 and maturing in December 2020.	8,932	6,311	1,497
Loan with Banco do Brasil for R$15,230,768 at an annual rate of 10.17% entered into in June 2012 and maturing in August 2017.	8,065	23,218	55,486
Bank loan with Banco Itau for R$1,800,000.00 reais at an annual rate of 3.98% + 100% of CDI variation entered into in December 2015 and maturing in December 2016.	7,855	-	-
Leasing with Banco Fidis with different annual interest rates and different maturity dates.	2,524	7,202	8,865
Leasing with Mercedes Benz for R$69.606 at an annual rate of 3.50% entered into in December 2014 and maturing in November 2018.	1,134	4,456	8,072
Bank loan with Banco Brasil S.A. for R$30,000 at an annual rate of 5.50% entered into in August 2013 and maturing in July 2017.	1,089	185	-
Santander Bank loan for R$9,695,584 with an annual real rate of 10.25% entered into in October 2013 and maturing in October 2017.	668	11,303	33,226
Leasing with Mercedes Benz for R$94.570 at an annual rate of 3.50% entered into in February 2010 and maturing in December 2017.	460	606	117
Leasing with Banco do Brasil for an amount of R$93,804 at an annual rate of 7.00% entered into in July 2012 and maturing in July 2017.	114	-	450
Leasing with IBM for R$201.098 at an annual rate of 14.84% entered into in November 2013 and maturing in June 2016.	97	366	587
Loan with SAFRA for R$1,400,000 with an annual real rate of 10.00% entered into in August 2013 and maturing in June 2016.	71	439	5,234
Bank loan with Itaucard for R$14.061 at an annual rate of 16.21% entered into in April 2013 and maturing in March 2017.	30	110	74
Leasing with SAFRA for R$165.624 at an annual rate of 13.92% entered into in July 2013 and maturing in August 2016.	25	-	554
Financial leasing of transportation equipment with Vé por Más, S.A. (related party) for $9.275 Mexican pesos, bearing annual interest at TIIE plus 9 percentage points maturing in August 2013 and October 2014 respectively.	-	-	2,973
Loan dated October 23, 2013 with Inbursa for $50,000 Mexican pesos, at a 28 day TIIE rate plus a margin of 1.75%, maturing in 2014.	-	-	50,000

	2015	2014	2013
Loan with Banco Internacional for US$350,000 at a rate of 8.5% payable within five months from January 2014.	-	-	4,578
Leasing with Itau Bank for R$2,127,798 at an annual rate of 7.00% entered into in January 2010 and maturing in October 2014.	-	-	7,846
Bank loan with Aymore amounting to R$36.782 at an annual rate of 2.50% plus CDI entered into in November 2014 and maturing in August 2015.	-	199	-
Loan with bank City de Costa Rica, S.A. for $107,331,140 colones at an annual rate of 6.84% entered into in April 2014 and maturing in August 2015.	-	2,606	-
Interbanco revolving line for US$107.465 with an annual rate of 8.50% entered into in September 2014 and maturing in March 2015.	-	1,584	-
Leasing with Votorantim for R$1,247,161 with an annual real rate of 12.51% entered into in February 2013 and maturing in August 2015.	-	2,391	4,266
Bank loans	952,094	952,236	812,317
Less - Unamortized commissions paid	(12,492)	(16,723)	(8,250)
	939,602	935,513	804,067
Less - Current portion of long-term debt	325,279	61,525	186,306
Long-term debt	$ 614,323	$ 873,988	$ 617,761

The TIIE rates as of December 31, are as follows:

	2015	2014	2013
TIIE	3.550%	3.320%	3.790%

b) **Refinancing of syndicated debt -** On December 3, 2014 the Entity executed a refinancing contract for the unsecured loan (the Refinancing Contract), which had been contracted on June 14, 2012, for $440,000 (syndicated debt with the following financial institutions: HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC (HSBC) and Banco Inbursa, S. A. (Inbursa) for $190,000 and $250,000, respectively). The debt was contracted at the TIIE rate plus a spread of between 1.50% and 2.50%, depending on the leverage ratio obtained. As part of the Refinancing Contract, the following amendments are made: i) the date of maturity of the syndicated debt is now December 3, 2018, ii) Grupo Pochteca, S. A. B. de C. V. is eliminated as borrower, leaving as sole borrowers the subsidiaries Pochteca Materias Primas, S. A. de C. V. and Pochteca Papel, S. A. de C. V., iii) the refinancing is for the amount of $610,000, of which Inbursa and HSBC, provide $305,000 each, and iv) the percentage above the TIIE rate is a spread of between 1.50% and 3.00%

On December 13, 2013, the borrowers and creditors entered into a first amendment agreement to the Original Credit Contract with the intention of de: i) increasing the amount of the original credit contract by an additional amount of $170,000 to leave a total amount of the original credit contract available up to an amount not exceeding e $610,000; ii) substituting the rights of Grupo Pochteca, S. A. B. de C. V., as guarantor under the Original Credit Contract; and amending certain terms and conditions contained in the Original Credit.

On December 3, 2014 the Entity executed a refinancing contract for the syndicated loan with HSBC and Inbursa (the lenders), which contains the following principal changes: 1) restore the date of maturity of the credit to December 3, 2018; 2) eliminate Grupo Pochteca, S. A. B. de C. V. as borrower and leave only Pochteca Materias Primas, S. A. de C. V. and Pochteca Papel, S. A. de C. V., as borrowers and 3) refinance the credit for $610,000, of which HSBC and Inbursa provide equal amounts of $305,000 and iv) modify the affirmative and negative covenants. To give effect to the credit refinancing, HSBC and Inbursa required the payment of the accrued interest and principal generated as of that date, so that the lenders can again make the loan of $610,000 to the borrowers.

c) As of December 31, 2015 and 2014, in accordance with the syndicated loan agreement with Banco Inbursa, S. A. and HSBC México the Entity is subject to certain obligations, restrictions and covenants, of which the most important are:

- The following financial ratios must be maintained at all times:
- Interest Rate Hedge Ratio. An Interest Rate Hedge Ratio a) greater than 2.0 to 1.0 from the Close Date until and including June 30, 2015; and b) greater than 2.5 to 1.0 from and including December 31, 2015 and c) greater than 3.0 to 1.0 from and including January 1, 2016 from and including the maturity date.
- Leverage Ratio. A Leverage Ratio of (a) less than 2.5 to 1.0 from the close date until and including March 31, 2015; (b) less than 2.75 to 1.0 from and including April 1, 2015 until and including December 31, 2015; and (c) less than 2.5 to 1.0 from and including January 1, 2016 until and including the maturity date.
- Stockholders' Equity. Consolidated stockholders' equity of at least $900,000.
- The Entity must not sell, encumber, transfer, lease or in any other way dispose of its goods, rights or any other assets without the prior written consent of the Agent.
- The Entity must not merge with third parties, split, transform itself or modify its common stock, corporate purpose or business activity in such a way as to generate a Substantial Adverse Change without the prior written authorization of the Agent.
- The Entity must not create, grant or permit mortgages, pledges, trusts, distrait or any other kind of encumbrance or actual or personal guarantee in any place or to any extent as regards the entity, its goods, rights and other assets (except for acts performed during the normal course of business).
- The obligors Pochteca Materias Primas, S. A. de C. V. (PMP) and Pochteca Papel, S. A. de C. V. (PP) must not perform transactions involving derivative financial instruments for speculative purposes or for reasons other than hedging.
- The Entity must not declare or pay dividends or distributions to its stockholders (including the reimbursement or amortization of shares) for an annual amount exceeding the equivalent of 10% of the consolidated earnings before financing, interest, depreciation and amortization (EBITDA) of the immediately preceding year.

d) In accordance with the syndicated loan agreement with Banco Inbursa, S. A. and HSBC México as of December 31, 2013, the Entity is subject to certain obligations, restrictions and covenants, of which the most important are:

- The following financial ratios must be maintained at all times:

- Interest Rate Hedge Ratio. An Interest Rate Hedge Ratio (a) greater than 3.0 to 1.0 from the Close Date until and including June 21, 2013; and (b) greater than 3.5 to 1.0 from and including June 21, 2013 until and including the maturity date.

- Leverage Ratio. A Leverage Ratio of (a) less than 2.5 to 1.0 from the close date until and including June 21, 2013; (b) less than 2.0 to 1.0 from and including June 21, 2013 until and including June 21, 2014; and (c) less than 1.5 to 1.0 from and including June 21, 2014 until and including the maturity date.

- Stockholders' Equity. Consolidated stockholders' equity of at least $727,959.

- The Entity must not sell, encumber, transfer, lease or in any other way dispose of its goods, rights or any other assets without the prior written consent of the Agent.

- The Entity must not merge with third parties, split, transform itself or modify its common stock, corporate purpose or business activity in such a way as to generate a Substantial Adverse Change without the prior written authorization of the Agent.

- The Entity must not create, grant or permit mortgages, pledges, trusts, distrait or any other kind of encumbrance or actual or personal guarantee in any place or to any extent as regards the entity, its goods, rights and other assets (except for acts performed during the normal course of business).

- The obligors Pochteca Materias Primas, S. A. de C. V. (PMP) and Pochteca Papel, S. A. de C. V. (PP) must not perform transactions involving derivative financial instruments for speculative purposes or for reasons other than hedging.

- The Entity must not declare or pay dividends or distributions to its stockholders (including the reimbursement or amortization of shares) for an annual amount exceeding the equivalent of 10% of the consolidated earnings before financing, interest, depreciation and amortization (EBITDA) of the immediately preceding year.

As of December 31, 2015, 2014 and 2013, these restrictions have been complied with. Maturities of long term-debt at December 31, 2015, are:

Year ended as of December 31,		Amount
2017	$	282,727
2018		327,235
2019		4,361
	$	614,323

16. Employee benefits

Net period cost for obligations resulting from the pension plan, severance payments and seniority premiums was $1,118, $906 and $1,208 in 2015, 2014 and 2013, respectively. Other disclosures required under IFRS are not considered material.

17. Stockholders' equity

On an annual basis, the shareholders of the Entity determine the maximum amount to be earmarked for repurchase of shares, without exceeding the amount of the retained earnings at that date, refunding to retained earnings any previously authorized amount that has not been exercised. As of December 31, 2015, 2014 and 2013 the Entity maintained 3,038,041, 2,344,486 and 1,317,022 shares in treasury, respectively. Sales of shares made after the approval of the shareholders, increase the balance of the unused reserve, which relate to investments made in prior periods of amounts authorized by the Assembly.

I. The Stockholders' Ordinary General Meeting of April 30, 2015 resolved to establish:

- A maximum amount of $ 44.000 that the Entity may allocate to the purchase of its own shares or securities representing such shares, on the understanding that the acquisition and placement of shares will be made through the Bolsa Mexicana de Valores, S. A. B. de C. V. at market price.

II. The Stockholders' Ordinary and Extraordinary General Meeting of August 30, 2013 resolved to establish:

- Carry out a reduction of the variable portion of common stock to absorb the Entity's accumulated losses and a recomposition of common stock to comply with article 112 of the General Companies Law, through the conversion of shares representing both parts of common stock, or vice versa, to equal the theoretical value of the shares representing both parts of common stock.

- The establishment of a Buyback Fund for Proprietary Shares, up to a maximum authorized amount of $50,000, which did not require any cash flow, because the fund of $60,000 had already been canceled at the request of the National Banking and Securities Commission (CNBV). If shares are sold from the Buyback Fund, the amount obtained above or below their historical cost is recognized as part of the re-placement premium of repurchased shares.

III. The Stockholders' Ordinary and Ordinary General Meeting of January 11, 2013, resolved to establish:

- Amend all of the resolutions adopted in dealing with Item 3 on the Agenda of the Stockholders' Ordinary General Meeting held on November 22, 2012, so that they read as follows:

- We hereby approve an increase in the Entity's authorized variable common stock by up to the amount of $66,134, and the subsequent issuance of up to 7,000,000 ordinary, nominative Series "B" shares, if the inverse split agreed had gone into effect; or 35,000,000 ordinary, nominative Series "B" shares, if such inverse split had not gone into effect. The capital increase was for $58,046 through the issuance of 30,719,313 ordinary, nominative Series "B" shares, of which 22,332,217 shares were used for the purchase of Productos Químicos Mardupol.

IV. The common stock of the trust is represented by shares subscribed by investment and administration trust number F/147, which was created for the stock option plan for key executives, as discussed in Note 3u. At December 31, 2014 and 2013, the outstanding portion payable by executives is $15,032 and $15,919, respectively, which is presented in stockholders' equity as shares held in trust. The value of contributed capital has therefore been reduced by this amount.

V. During 2015, The Entity created a Trust referred to as F/34. The Trust assets are comprised of the shares to be subscribed by investments trust management number F/34, for an amount up to $21,105 for the share purchase option plan for key executives. Trust grantors comprise several subsidiaries, the trustee is Banco Ve por Más, Sociedad Anónima, Institución de Banca Múltiple, Grupo Financiero Vé por Más as trustee and the trust beneficiaries include several executives. As of December 31, 2015, shares have not been assigned to beneficiaries of this trust. The shares to be acquired represent the capital of Grupo Pochteca, S. A. B. de C. V.

VI. Common stock without par value as of December 31, is as follows:

	Number of Shares	Amount 2014
Fixed capital Series "B"	9,487,842	$ 80,304
Fixed capital Series "B"	121,034,207	1,024,417
Total	130,522,049	$ 1,104,721

VII. Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2014 and 2013, the Entity has not set aside any amount to create such reserve.

VIII. Stockholders' equity, except for restated paid-in capital and tax retained earnings, will be subject to ISR payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years.

Dividends paid from profits generated as of January 1, 2014 in Mexico resident and resident individuals abroad, may be subject to additional income tax of up to 10%, which should be retained by the Entity.

18. Financial instruments

Capital risk management

The Entity manages its capital to ensure that will continue as a going concern, while also maximizing the return to its stockholders through optimization of its capital structure.

The Entity's management reviews its capital structure when it presents its financial projections as part of the business plan to the Entity's Board of Directors and shareholders.

Debt ratios

The Board of Directors regularly reviews the Entity's capital structure. As part of this review, it considers the cost of capital and the risks associated with each capital type.

The leverage ratio at the end of each of the periods is the following:

	2015	2014	2013
Cash and cash equivalents	$ 385,672	$ 324,458	$ 181,371
Debt	939,602	935,513	804,067
Net debt	553,930	611,055	622,696
Stockholders' equity	1,152,272	1,170,667	1,193,846
Index of net debt and equity	48.07%	52.20%	52.16%

The debt includes long-term debt and current portion.

Categories of financial instruments

	2015	2014	2013
Financial assets:			
Cash	$ 385,672	$ 324,458	$ 181,371
Loans and account receivable	928,990	950,585	976,466
Financial liabilities:			
Liabilities at amortized cost	$ 2,359,154	$ 2,364,878	$ 2,173,398

Fair value of financial instruments

The fair value of financial assets and short-term liabilities is similar to its carrying amount.

The fair value of the syndicated debt with HSBC and Inbursa is as follows:

2015		2014		2013	
Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
$ 610,000	$ 576,560	$ 610,000	$ 577,816	$ 500,000	$ 472,590

Financial risk management objectives

The Entity's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Entity through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Both financial risk management and the use of derivative financial instruments and non-derivative are governed by the policies of the Entity.

The Entity seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. According to the Entity's statutes, it is prohibited to hire any kind of lease. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative and hedging purposes.

Market risk

The market risk refers to the erosion of cash flows, income and the value of assets and capital due to adverse changes in market prices, interest and exchange rates.

The Entity's activities expose it to different risks, primarily exchange rate and financial risks derived from interest rate fluctuations. The Entity's exposure to market risks or the manner in which the latter are managed and measured have not changed significantly.

Exchange rate risk

The Entity is exposed to exchange rate risks based on the balances of monetary assets and liabilities recognized in the consolidated statements of changes in financial position denominated in foreign currency (US dollars, Brazilian reais and Guatemalan quetzales).

Foreign currency sensitivity analysis

If the Mexican peso - US dollar exchange rate had increased by $1 peso and all other variables had remained constant, the Entity's profit after tax at December 31, 2015, 2014 and 2013 would have been adversely affected by the amount of $101,188, $82,979 and $18,126, respectively. However, a decrease of $1 under the same circumstances would have positively affected the Entity's comprehensive income by the same amount. The monetary items related to Brazilian reais and Guatemalan quetzales are presented as available-for-sale; as the related exchange rate fluctuations are presented within discontinued operations, the Entity does not prepare a sensitivity analysis for these foreign currencies.

Interest rate risk

The Entity is exposed to an interest rate risk based on loan interest rates because its subsidiaries obtain loans at variable interest rates (primarily the TIIE and LIBOR rates, although the latter is no longer relevant) which, at December 31, 2015, 2014 and 2013, represent approximately 65% of the total debt contracted by the Entity. However, it minimizes this risk by providing follow-up on rate behavior, seeking variable rates when the rate is stable and following a downward trend and fixed rates when an upward trend is present.

Sensitivity analysis

The following sensitivity analyses are determined by considering the exposure of the interest rates contracted for derivative and nonderivative instruments at the end of the reporting period. In the case of variable-rate liabilities, the Entity prepares an analysis based on the assumption that the liability in effect at the end of the reporting period was also in effect throughout the year.

At the time the key management personnel are informed internally on the interest rates risk, an increase or decrease of 100 basis points is used, which represents management's assessment of the possible reasonable change in interest rates. If the interest rates had been 100 basis points above/below and all the other variables remain constant:

	2015	2014	2013
Total debt at variable rates	$ 939,602	$ 935,513	$ 804,067
Variable interest expense	78,635	77,696	33,464
Financial cost of debt percentage	8.37%	8.31%	4.16%
Sensitivity to + 100 base points	88,041	87,096	41,490
Sensitivity to -100 base points	69,249	68,386	25,409

Credit risk management

The credit risk is that which arises when one of the parties defaults on its contractual obligations, resulting in a financial loss for the Entity. The Entity has adopted a policy of only becoming involved with solvent parties and obtaining sufficient guarantees, when appropriate, as a form of mitigating the risk of the financial loss caused by defaults.

In order to administer the credit risk, the Entity's policy focuses on the investigation and subsequent selection of customers based on their reputation and economic solvency, assignment of credit limits and obtaining guarantees through the subscription of credit instruments, assets to debt ratio, pledges and mortgage guarantees duly supported by the legal representative and personal collateral.

Furthermore, follow-up is provided on the collection and recoveries of overdue debts based on their aging parameters, so as to timely identify doubtful accounts. Bad debts are sent to the attorneys for collection records.

The credit limits are revised constantly on a case-by-case basis.

Liquidity risk management

The liquidity risk is the situation whereby the Entity is unable to fulfill obligations associated with financial liabilities settled through the delivery of cash or another financial asset. The Entity's debt acquisition policy is very conservative. The Entity constantly monitors the maturity of its liabilities, together with the cash needed for transactions. Detailed monthly cash flow analyses are prepared and presented to the board of directors. Operating cash flows are controlled on a daily basis. Decisions regarding the obtainment of new financing are only made for expansion and growth projects.

The objective of debt management is to obtain long-term financing for contracted short-term debts. Accordingly, when assets are acquired and become productive, short-term debt is settled, while the cash flows needed to cover long-term debt are obtained through acquired investment properties.

The maturity of long-term debt and the current portion thereof and accrued liabilities at December 31, 2015, 2014 and 2013 as the transition date is as follows:

	December 31, 2015			
	Less than 1 year	1-2 years	3-5 years	Total
Bank loans	$ 325,279	$ 282,727	$ 331,596	$ 939,602
Suppliers	1,199,576	-	-	1,199,576
Other account payable	169,606	56,972	153,095	379,673
Related parties	9,909	-	-	9,909
	$ 1,704,370	$ 339,699	$ 484,691	$ 2,528,760

	December 31, 2014			
	Less than 1 year	1-2 years	3-5 years	Total
Bank loans	$ 61,525	$ 105,081	$ 768,907	$ 935,513
Suppliers	1,193,008	-	-	1,193,008
Other account payable	181,525	54,357	172,514	411,396
Related parties	9,486	-	-	9,486
	$ 1,445,544	$ 159,438	$ 941,421	$ 2,549,403

	December 31, 2013			
	Less than 1 year	1-2 years	3-5 years	Total
Bank loans	$ 186,306	$ 611,523	$ 14,488	$ 812,317
Suppliers	1,056,840	-	-	1,056,840
Other account payable	258,882	139,010	155,464	553,356
Related parties	18,017	-	-	18,017
	$ 1,520,045	$ 750,533	$ 169,952	$ 2,440,530

19. Financial derivatives

The Company uses financial derivatives in the form of cross currency swaps (CCS) and exchange rate options as hedges to protect itself from exposure to variations in the BRL/USD exchange rate generated by the payment of the coupons (interest) and the current principal of the credit executed with HSBC for an amount of up to US $8,494,733.

As of December 31, 2015, the fair value of the aforementioned transactions is as follows:

Instrument	Counterparty	Starting date	Maturity	Rate payable and exchange rate agreed	Notional amount in USD	Fair value
Currency swaps	Itau	February 5, 2015	February 2, 2016	None	1,098,901	$ 941
Currency swaps	Itau	February 9, 2015	February 2, 2016	None	719,424	$ 596
Currency swaps	Santander	August 17, 2015	August 11, 2016	CDI + 4.50%	597,919	$ 145
Currency swaps	Santander	December 1, 2015	May 26, 2016	CDI + 5.24%	631,635	$ 104
Currency swaps	HSBC	September 30, 2015	August 27, 2018	CDI + 4.54%	8,494,733	$ (1,899)

The Entity has designated the aforementioned financial derivatives under the fair value model (currency swaps) and cash flow hedges (exchange rate option), as permitted by IFRS, and has formally documented each hedge transaction, by establishing management objectives and strategy to cover the risk, and identify the hedge instrument, the item hedged, the nature of the risk to be hedged and the evaluation methodology for effectiveness.

As of December 31, 2015, the effectiveness of these hedges is high, because the changes in fair value and the cash flows from the primary position are offset in a range of between 80% and 125% for the changes in fair value or cash flows of the hedge contract (financial derivatives). The method used to measure effectiveness is the "ratio analysis" based on a hypothetical derivative; such method consists of comparing the changes in the fair value of the hedge instrument with the changes in the fair value of the hypothetical derivative which would result in a perfect hedge of the item covered. By the same token, there are no ineffective portions to be recorded in results of the period.

Finally, as of December 31, 2015, there are no amounts reclassified from equity to results of the period for maturities.

20. Balances and transactions with related parties

a. Balance due from related parties are:

	2015	2014	2013
Mexichem Flúor, S.A. de C.V.	$ 1,983	$ 4,996	$ 2,186
Mexichem Resinas Vinílicas, S.A. de C.V.	323	136	947
Mexichem Soluciones Integrales, S.A. de C.V.	50	-	4
	$ 2,356	$ 5,132	$ 3,137

b. Balance due to related parties are:

	2015	2014	2013
Quimir, S.A. de C.V.	$ 8,620	$ 7,799	$ 8,438
Mexichem Derivados, S.A. de C.V.	-	109	828
Mexichem Servicios Administrativos, S.A. de C.V.	138	289	1,855
Mexichem Compuestos, S.A. de C.V.	1,151	1,289	6,896
	$ 9,909	$ 9,486	$ 18,017

c. Transactions with related parties made in the normal course of business, were as follows:

	2015	2014	2013
Mexichem Derivados, S.A. de C.V.:			
Sales	$ 2,228	$ 481	$ 144
Purchases	(1,357)	(927)	(10,207)
Quimir, S.A. de C.V.:			
Sales	547	1,608	1,075
Purchases	(45,838)	(39,430)	(166)
Mexichem Flúor, S.A. de C.V.:			
Sales	10,431	10,822	9,436
Purchases	(1,862)	(1,539)	(76)
Mexichem Resinas Vinílicas, S.A. de C.V.:			
Sales	1,995	995	4,965
Mexichem Soluciones Integrales, S.A. de C.V.:			
Sales	197	92	356
Mexichem Compuestos, S.A. de C.V.:			
Sales	3,038	2,704	2,890
Purchases	(3,906)	(7,415)	(12,323)
Mexichem Servicios Administrativos, S.A. de C.V.:			
Administrative services paid	(2,038)	(2,158)	(8,600)
Kaluz, S.A. de C.V.:			
Administrative services paid	(23)	-	(963)
	$ (36,588)	$ (34,767)	$ (13,469)

21. Net sales

	2015	2014	2013
Chemicals and lubricants	$ 5,536,702	$ 5,437,091	$ 3,798,991
Paper	542,117	594,849	673,778
	$ 6,078,819	$ 6,031,940	$ 4,472,769

22. Cost of sales

	2015	2014	2013
Inventories consumed	$ 4,806,422	$ 4,860,470	$ 3,553,733
Freight	150,932	99,911	84,912
Other	15,499	20,116	84,835
	$ 4,972,853	$ 4,980,497	$ 3,723,480

23. Operating expenses

	2015	2014	2013
Payroll	$ 491,048	$ 452,779	$ 359,704
Depreciation and amortization	118,269	107,572	60,250
Operations	99,915	78,991	47,274
Leasing	42,472	44,898	31,927
Telephone and systems	27,932	26,400	24,008
Maintenance	24,408	20,997	21,687
Fees	51,575	72,627	20,348
Other	27,450	51,745	28,255
	$ 883,069	$ 856,009	$ 593,453

24. Income taxes

The Entity is subject to ISR. The rate of current income is 30%.

ISR – Under the new Income Tax Act 2014 (Act 2014) the rate was 30% for 2014 and 2013 and continue at 30% for the following years.

Tax regime in other countries – The ISR of foreign subsidiaries is caused by the rules of the law of income tax of those countries.

a. Income taxes (benefit) expense recognized are as follows:

	2015	2014	2013
ISR:			
Current tax	$ 11,535	$ 8,742	$ 13,747
Deferred tax	(14,748)	4,388	13,097
	$ (3,213)	$ 13,130	$ 26,844

b. The main items originating a deferred ISR tax assets are:

	2015	2014	2013
Deferred ISR asset:			
Tax loss carryforwards	$ 15,929	$ 8,407	$ 5,081
Accrued liabilities	37,464	31,545	35,684
Deferred ISR asset	53,393	39,952	40,765
Deferred ISR liability:			
Property, plant and equipment	(300)	(6,455)	(10,203)
Other assets	(10,680)	(5,090)	(3,524)
Inventories, net	(261)	(1,003)	(1,003)
Deferred tax liability	(11,241)	(12,548)	(14,730)
Total assets	$ 42,152	$ 27,404	$ 26,035

c. The reconciliation of the statutory income tax rate and the effective rate expressed as a percentage of income (loss) before income taxes (benefit on income) is as follows:

	2015	2014	2013
Statutory rate	30%	30%	30%
Add the effect of permanent differences mainly nondeductible expenses	8%	39%	14%
Add (deduct) – effects of inflation	(9%)	5%	(4%)
Less tax deduction portfolio	(20%)	-	-
Add (deduct) – recognition of previously unrecognized benefits	(20%)	-	-
Effective rate	(11%)	74%	40%

d. The benefits from tax loss carryforwards for which the deferred ISR asset has been recognized, can be recovered subject to certain conditions. The years of maturity and restated amounts to December 31, 2015, are:

Year of expiration	Tax loss carryforwards
2024	$ 40,058
2025	13,039
	$ 53,097

25. Operations which did not affect cash flows

During the Annual General Meeting of Shareholders on April 30, 2015, section VI, the increase in the reserve for repurchase of own shares was approved for an amount of $ 44,000, affecting the accumulated results of the Company by an amount of $ 24.675, which represents the difference from the previously recognized amount.

During the years ended December 31, 2015, 2014 and 2013, the Entity acquired equipment for a value of $33,811, $33,836 and $41,795 through a financing lease. This acquisition is being reflected in the cash flow statements over the life of the leases through the payment of the rentals.

On March 22, 2014, the Entity received a payment in kind of a real property with a value of $21,825, of which $11,700 refers to the land and the remaining $10,125 to the constructions on the land (collectively the payment in kind). Such amounts refer to the collection of an account which the Entity had with Agropur Lacpur, S. A. de C. V. At the date of the payment in kind the account was $12,727. As the Entity has no plans to make use of this real property, the Entity's management has approved its classification as available for sale, for which reason it is recorded under the heading of short-term assets.

On December 31, 2013, the Entity concluded the acquisition agreement with COREMAL. As a payment of the purchase price is offset receivable with Coremal for $49,903, and contingent consideration that is made using a formula that considers achieve certain margins EBITDA from the years 2014 to 2019 to be paid in the next 5 was offset years, corresponding to $251,215 in 2014 and $147,951 in 2015.

During 2013 the acquisition of Mardupol for a total value of $155.227 Mexican pesos, of which $89.329 were paid with shares, so there was no outflow of funds was concluded.

26. Commitments

The Entity leases the building where corporate offices are located and some branch offices. The rental expense amounted to $42,472 as of December 31, 2015, $44,898 as of December 31, 2014 and $31,927 as of December 31, 2013. The lease agreements have mandatory terms from 1 to 15 years and set the following minimum payments:

Year	Amount
2016	$ 38,197
2017	19,076
2018	17,075
2019	14,704
2020	12,754
2021 and thereafter	62,691
	$ 164,497

27. Business segment information

Business segment information of the Entity is as follows:

	2015		2014		2013	
	Chemical products	Paper	Chemical products	Paper	Chemical products	Paper
Statement of income:						
Net sales	$ 5,536,702	$ 542,117	$ 5,437,091	$ 594,849	$ 3,798,991	$ 673,778
Depreciation	$ 107,719	$ 10,550	$ 96,965	$ 10,607	$ 51,174	$ 9,076
Operating income	$ 203,019	$ 19,878	$ 176,161	$ 19,273	$ 132,361	$ 23,475
Finance costs	$ (175,395)	$ (17,173)	$ (160,248)	$ (17,532)	$ (75,966)	$ (13,473)
Consolidated net income	$ 30,551	$ 2,991	$ 4,078	$ 446	$ 33,595	$ 5,958

	2015		2014		2013	
	Chemical products	Paper	Chemical products	Paper	Chemical products	Paper
Balance sheet:						
Total assets	$ 3,373,503	$ 330,311	$ 3,392,829	$ 371,195	$ 3,085,418	$ 547,050
Total liabilities	$ 2,323,992	$ 227,550	$ 2,337,609	$ 255,748	$ 2,071,366	$ 367,256
Statement of cash flows:						
Operation activities	$ 240,658	$ 23,564	$ 284,698	$ 31,148	$ 13,169	$ 2,336
Investment activities	$ (51,454)	$ (5,038)	$ (140,049)	$ (15,322)	$ (252,033)	$ (44,700)
Financing activities	$ (61,823)	$ (6,053)	$ 7,676	$ 840	$ 86,302	$ 15,306

Information on geographical area of the Entity is presented below:

	2015		2014		2013	
	Mexico	Brazil	Mexico	Brazil	Mexico	Brazil
Net sales	$ 4,484,645	$ 1,594,174	$ 4,482,659	$1,549,281	$ 4,472,769	$ -
Total assets	$ 3,165,318	$ 538,496	$ 3,207,981	$ 556,043	$ 3,165,160	$ 468,111
Total liabilities	$ 2,041,979	$ 509,563	$ 2,076,732	$ 516,625	$ 2,032,396	$ 407,029

28. Approval of the issuance of consolidated financial statements

On April 11, 2016, the issuance of the accompanying consolidated financial statements was authorized by Armando Santacruz, Chief Executive Officer; consequently they do not reflect events occurred after that date. These consolidated financial statements are subject to the approval of the Audit Committee and General Ordinary Stockholders' Meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

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POCHTEC

ABOUT THIS REPORT

G4-13, G4-20, G4-21, G4-22, G4-23, G4-28, G4-32, G4-33

This year we are presenting our second sustainability report and the first one we have compiled under the Global Reporting Initiative's G4 guidelines. This year's sustainability report has not been externally verified.

The sustainability information includes the results of the activities of our operations in Mexico regarding social and environmental issues based on the material aspects identified as part of our materiality in 2015, and the financial information includes the results of our operations in Mexico, Central America and Brazil.

This information corresponds to the period between January 1 and December 31, 2015, and we present the report on a yearly basis. Any information or data that might differ from that which appeared in the previous report reflects the fact that on this occasion we are using the G4 version of GRI as opposed to the 3.1 version that we used the previous year for the presentation of our data.

We also provide an online report for the convenience of our readers and a social responsibility site where you can find more information about the company, and both our financial and sustainability results.

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