Thousands of products for hundreds of industries

2014 Annual Report

pochteca

Pochteca Monterrey

Contents

About
Grupo Pochteca

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

Pochteca San Juan

In order to better attend to those industries, we are organized into five major business segments:

- **Solvents and blends**
- **Lubricants and greases**
- **Chemicals for the food industry**
- **Inorganic chemicals**
- **Paper and board**

We offer more than 5,500 products in our catalogue consisting of both generic and specialized products with which we cater to each segment of the industries we serve.

Through our 34 distribution centers in Mexico, three in Central America, and seven in Brazil, we serve over 20,000 customers each year in more than 500 cities, with support provided by specialists in each sector who in turn rely on seven quality control laboratories, and five labs specializing in research and application development.

The company also enjoys the support of domestic and foreign suppliers that are internationally regarded as industry leaders

We have the capacity to store 20.2 million liters of liquids and more than 322,000 m^2 of logistics capacity in which to store our products and from which we provide service and technical support to our customers.

Pochteca San José

Relevant
2014 data

Pochteca Minatitlán

Financial

Ps 303 million in EBITDA

Sales grew **35%** including our Coremal acquisition

EBITDA margin **5.0%**

Organic EBITDA margin (net Coremal) **5.5%**

Net Debt / EBITDA **2.0 times**

EBITDA growth of **40%** including Coremal and **14%** organic growth net Coremal

Pochteca Monterrey

Operational

UBS Casa de Bolsa, S.A. de C.V. **begins** work as market maker

Successful penetration of the oil exploration and drilling sectors in Mexico

Implementation of an **APO** system for efficiently managing the supply chain and lowering working capital

Strengthening our management model and implementing it in **Brazil**

Diversification toward blends that has favorably impacted our gross margins

Launch of first phase of operations in the solvent recycling business

Initiated cross selling with **Brazil**

Strengthening of the top management team

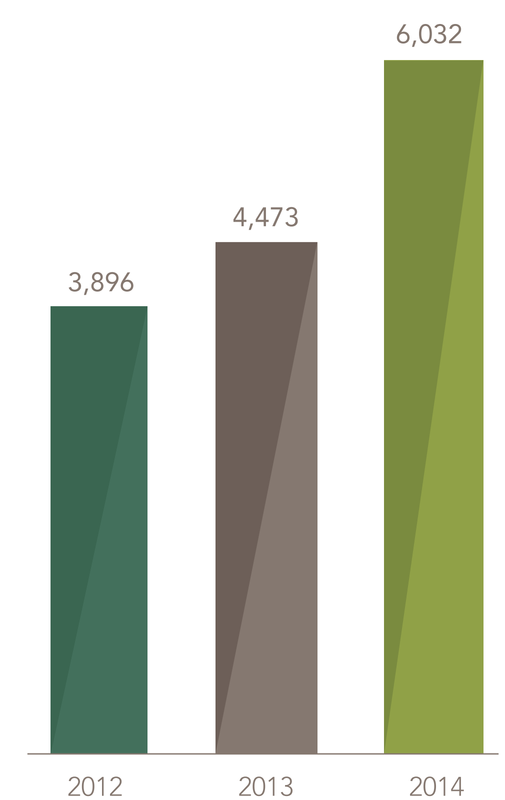
Pochteca León

Relevant Numbers

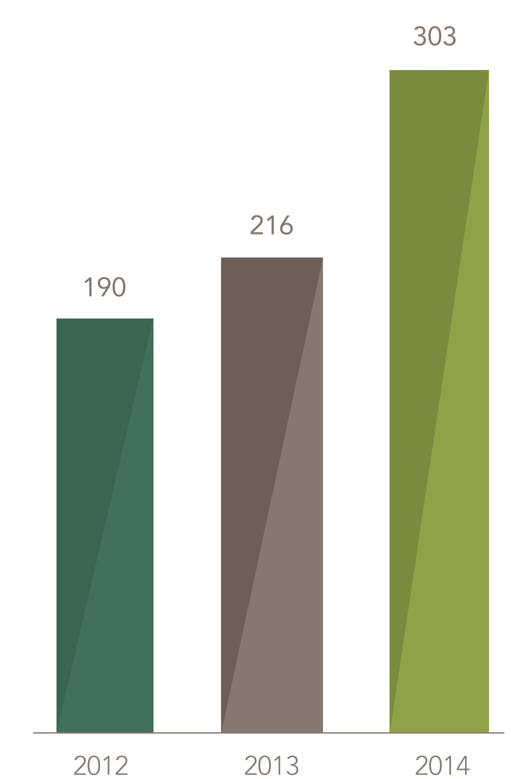
Consolidated, millions of pesos	2014	2013	2012
Sales	6,032	4,473	3,896
Operating Income	195	156	154
EBITDA	303	216	190
EBITDA Margin (%)	5.0%	4.8%	4.9%
Financial Expenses	101	60	72
Forex gain (Loss)	(77)	(30)	4
Net Income (Loss)	5	40	51
Net Debt / EBITDA	2.0x	2.2x	0.4x
EBITDA / Interest	2.7x	2.6x	2.6x

EBITDA = operating income before depreciation and amortization

Sales (millions of pesos)



EBITDA (millions of pesos)



Message
from the Chairman of the Board of Directors

- **Sales were up by 35%** to Ps 6.0 billion including those of Brazilian acquisition Coremal.
- **EBITDA increased 40%** to Ps 303 million.
- **Organic EBITDA,** excluding Coremal, **grew 14%** to Ps 247 million.
- **Net income of Ps 5 million** was significantly less than the Ps 40 million net profit of 2013 due to forex losses incurred in the fourth quarter.

Dear shareholders,

2014 was a year of challenges met for Pochteca as evidenced by the strong results we are reporting. Although economic growth was stronger than in 2013, we have yet to see a frank recovery in demand. Just like in 2013, the prices of many raw materials decreased substantially. Another adverse development was the collapse of oil prices, which by year's end had plunged more than 50% from their mid-year high.

We achieved our favorable 2014 results on the basis of several factors, such as:

Successful integration of Coremal

During 2014 Pochteca integrated the operations of Coremal, which accounted for 26% of consolidated sales and 19% of EBITDA. We believe Coremal's contribution can grow in the future. Our priority is to implement Pochteca's management model and harmonize processes in both countries and to grow the sale of Pochteca's products that Coremal does not sell at present.

One-stop-shop service proposal and diversification into blends

We believe our one-stop-shop approach paid off in 2014 as it offset the impact of falling prices and allowed us to expand gross margins. We offer a broad portfolio in a single channel, developing products tailored to meet our clients' needs, and with both pre- and post-sales professional technical support.

Another factor that has helped us to boost profitability in an adverse environment is our diversification into higher-margin and less-volatile products such as blends and sales of packaged products.

Focus on customer and product diversification

Risk diversification remains a company priority. We cater to a great number of customers in different industries by offering a broad range of products while keeping dependency to a minimum. No client or product accounted for more than 3% of 2014 sales.

Financial position

Net debt totaled Ps 628 million at the end of 2014, practically in line with that of 2013. We successfully refinanced a Ps 610 million syndicated loan during the fourth quarter that was scheduled to mature in June 2015. The new credit is for four years with a one year grace period.

Our debt metrics reflect a strong financial position. Thanks to our solid results and the successful consolidation of Coremal, at the end of 2014 net debt to EBITDA was 2.0 times, which is exactly in line with our policy of keeping it to a maximum of 2 times. Following the acquisition of Coremal, net debt to EBITDA rose to 2.8 times, but we managed to bring it back down to 2 times thanks to an efficient generation of EBITDA.

2015 outlook

We are optimistic regarding the company's prospects for 2015. We do not anticipate a sudden reactivation of the economy or of demand for our products. 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.

We see export manufacturing and energy reform as key growth drivers in Mexico. Manufacturing remains one of the brightest spots in the Mexican economy and our exposure to export manufacturing is a great source of strength for the company. We expect Mexico's energy reform will further bolster manufacturing and that more foreign firms will look to Mexico to supply the US market as the competitive gap relative to China continues to close.

Looking ahead, we are confident that we are well positioned to benefit from the increased oil exploration and drilling that the energy reform is expected to bring; close to 8% of our sales are geared directly to those industries.

And despite the complicated situation Brazil is experiencing, we believe that Pochteca enjoys major growth opportunities in that country. The chemicals market is much larger than that of Mexico and Coremal's market share is as yet quite small. We continue to strengthen Coremal's operations, processes and management model in order to achieve a more efficient and profitable operation. We will also continue to do everything in our power to assure that Coremal begins to sell products in Brazil with which Pochteca has vast experience such as chemicals for the food industry and for oil exploration and drilling.

Pochteca is well prepared to deal with the challenges we encounter in 2015 and to continue to grow by taking advantage of each opportunity as it arises. We are armed with capable personnel, solid cash flows and a strong financial position, factors that underpin our optimism regarding the business' future prospects.

I wish to recognize and thank our shareholders, colleagues, clients, suppliers, and financial institutions for the support they gave us in 2014.

Ricardo Gutiérrez Muñoz
Chairman of the Board of Directors


Pochteca Monterrey

History

1988
Pochteca is founded as a distributor of paper and board

1990
Paper converting operations begin

2001
Initial expansion in Mexico

2004
ISO 9001-2000 certification

2005
Acquisition of Dermet de México, the country's largest raw materials distribution company

2006
Restructuring of Dermet

2007
Pochteca becomes the first marketer of paper in Mexico to receive FSC certification

2008
Acquisition of Alcoholes Desnaturalizados y Diluyentes, S.A. de C.V. (ADYDSA) and its subsidiaries

Strategic alliance with Omnichem

2010
Pochteca de Costa Rica, S.A. de C.V. is founded

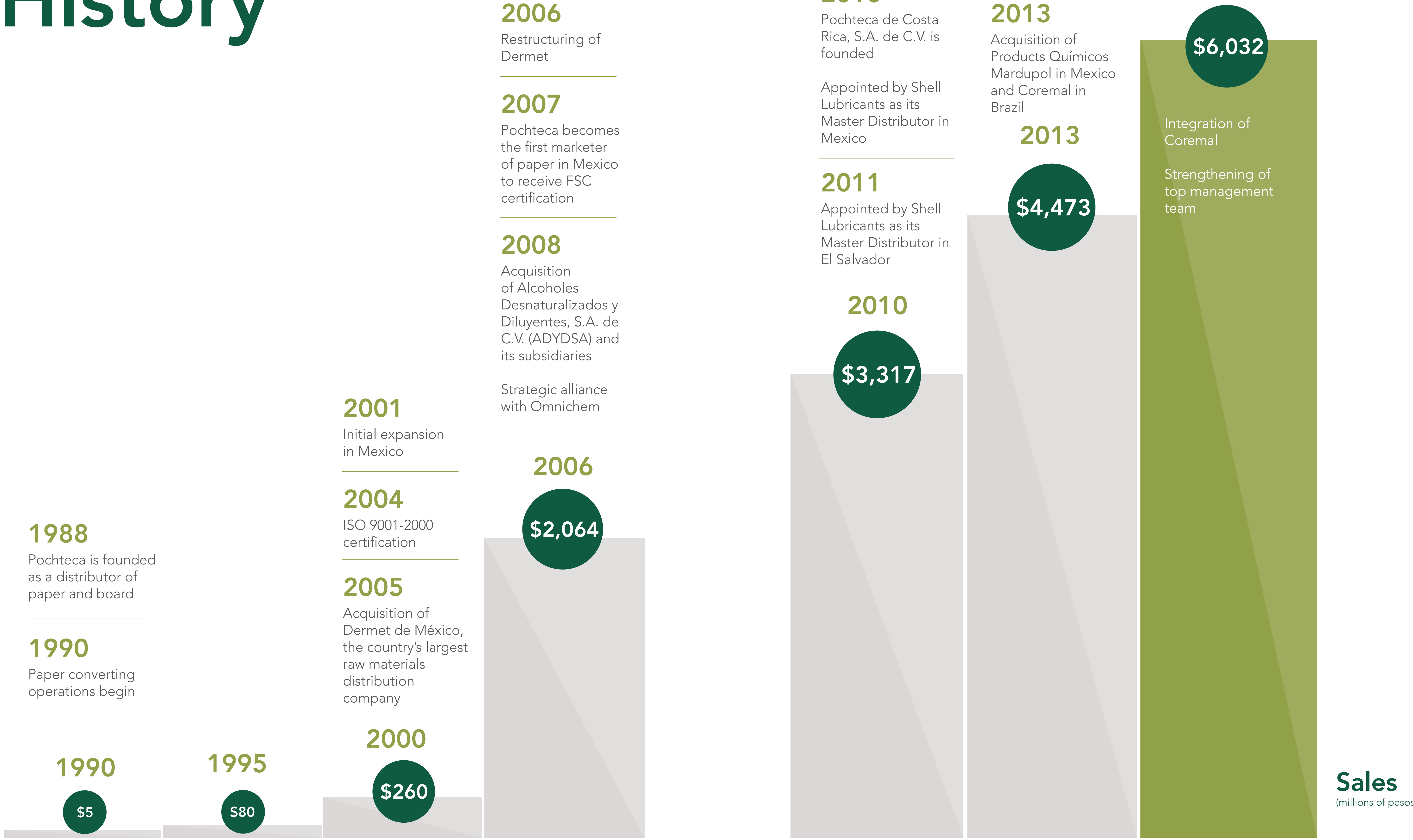
Appointed by Shell Lubricants as its Master Distributor in Mexico

2011
Appointed by Shell Lubricants as its Master Distributor in El Salvador

2013
Acquisition of Products Químicos Mardupol in Mexico and Coremal in Brazil

2014
Integration of Coremal

Strengthening of top management team



Mission

To be the distributor of raw materials and integral solutions preferred by both customers and suppliers.

We offer solutions tailored to customer needs, simplifying their purchasing processes and optimizing resource usage by lowering operating costs, delivery times, and working capital needs.

Commitments

- **Clients:** the best combination of price, quality and service.
- **Competition:** commitment and honest competition.
- **Shareholders and business partners:** loyalty and competitive returns on investment.
- **Associates:** a healthy and challenging environment that promotes personal and professional development.
- **Society:**
  - Respect for the environment.
  - World class safety standards.
  - Strict compliance with applicable norms.

We guarantee a secure chain of custody extending from the manufacturer to the final customer that protects each and every person and material that conform the value chain.

Market outlook

for Mexico and Brazil

Sao Paulo, Brazil

Mexico

Challenges surpassed in 2014, environment remains complicated for 2015

2014 proved to be a complicated year, one full of challenges both at home and abroad that we managed to successfully overcome. We were able to clear the hurdles posed by plunging prices for oil - 46% in 2014 - and the petroleum derivatives we sell, whose prices decreased between 10% and 30%. Other products that account for a significant share of our sales such as dairy and corn derivatives and mining inputs also experienced significant price drops. Much of the oil exploration and drilling sector remains illiquid, making it impossible so far to normalize the recovery of accounts receivable from many of its players, a situation that has forced us to limit sales to that sector.

Successful integration of Coremal

2014 was the first year in which Grupo Pochteca incorporated the operations of Coremal, a family owned company with 62 years of experience in the business of distributing chemicals in Brazil. We are optimistic on Coremal's prospects despite the obstacles the Brazilian economy is currently facing. We see various factors that can help to offset the effects of an adverse business environment. The chemicals market in Brazil is significantly larger than that of Mexico and Coremal's market share remains very small. There are many products that Coremal has yet to offer in Brazil with which Pochteca has vast experience such as chemicals for the food and oil exploration and drilling industries. Both Pochteca and Coremal stand to benefit greatly from cross selling between the two countries.

Export manufacturing and energy reform: key growth drivers

Manufacturing is a bright spot of the Mexican economy. In the past two years it has been strong and it remains strong. We view our exposure to export manufacturing as a great source of strength for Pochteca. We expect Mexico's energy reform will further bolster manufacturing and that more foreign firms will look to Mexico to supply the US market as the competitive gap relative to China continues to close.

We also believe that our company is well positioned to benefit from the growth Mexico's energy reform is expected to attract in exploration and drilling activities as close to 8% of our sales are directly geared toward those sectors.

> There are multiple products that **Coremal** does not sell in Brazil and in which **Pochteca** has vast experience

In some ways the sharp drop in oil prices in 2014 overshadowed the significance energy reform holds for Mexico. However, we are confident the benefits Mexico's energy reform was expected to bring are in no way eliminated though they may take longer to come to fruition and prove less pronounced in some regions than originally projected.

We have placed greater emphasis on personnel **training**

Looking forward, we expect all of our operations will benefit once we begin to see an end to the periodic gas shortages that affect a significant share of our customers (and force entire industries to suspend operations), and the supply of electric energy becomes more constant and the prices of both electric power and natural gas gradually decrease.

We do not anticipate a sudden reactivation of the economy or of demand for our products in 2015. In fact 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 in those that we already attend to.

Brazilian outlook

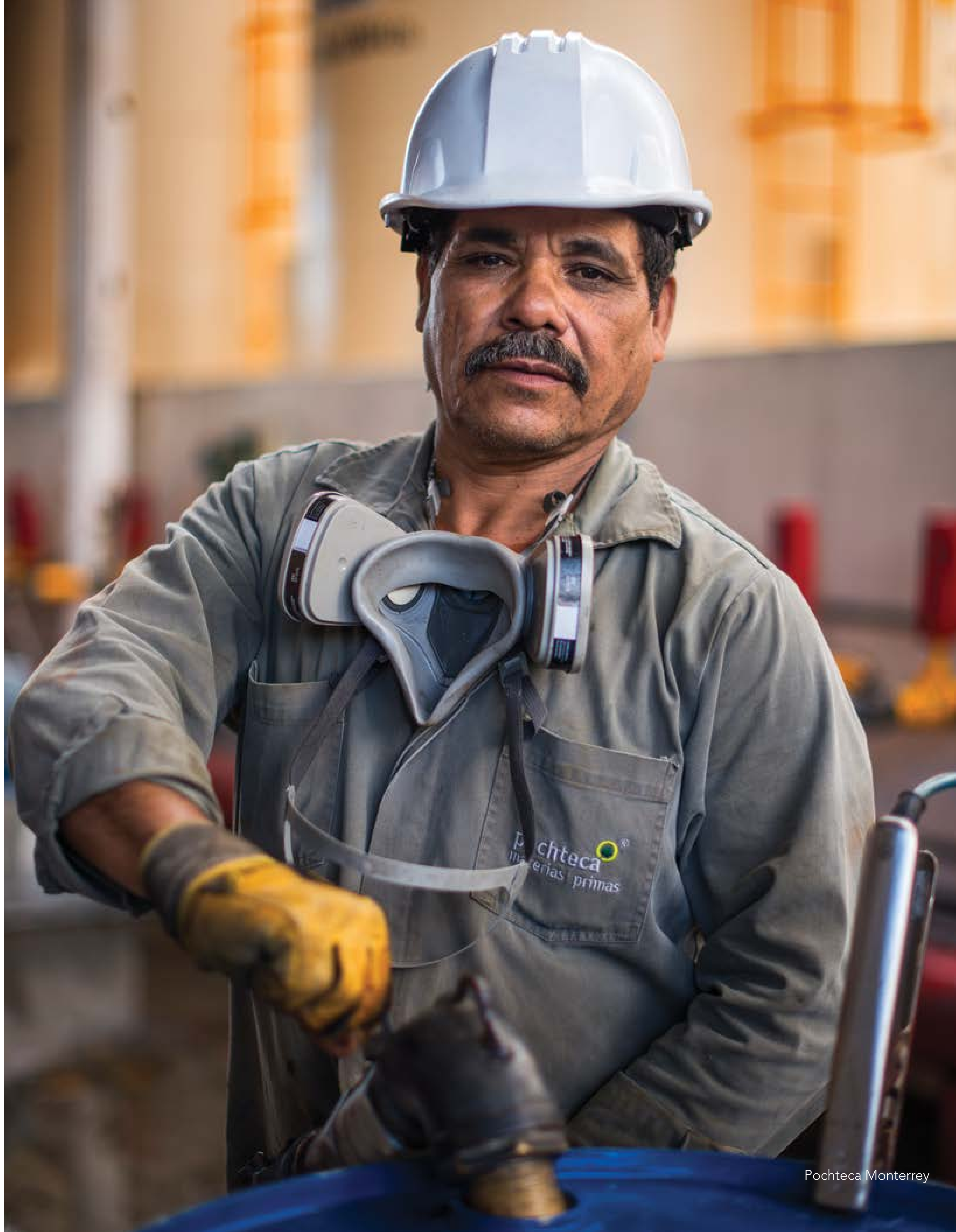
It was a year of major challenges and the 2015 outlook appears complicated

2014 proved to be a very challenging year for Brazil. After managing to avoid the severe economic downturns most other economies experienced between 2008 and 2012, Brazil was affected in 2013 and more intensely in 2014 by a number of economic policy decisions, as well as falling prices for agricultural and mining commodities. The complicated situation was further exacerbated by the negative impact of the FIFA World Cup, deep divisions regarding the re-election and continuing administration of President Dilma Rousseff, and most of all by corruption scandals. Such trying developments have contributed to a decidedly negative scenario for 2015 and perhaps for part of 2016.

Coremal's first year as part of Grupo Pochteca

2014 was the first year in which Grupo Pochteca incorporated Coremal, a family owned company with 62 years of experience in the business of distributing chemicals in Brazil. In addition to the problems that plagued the country in 2014, the need to implement a new management culture with a much greater degree of governance posed Coremal with additional challenges and pressures that kept the Brazilian firm's results for the year from meeting our expectations.

Despite such hindrances, employees at all levels of Coremal have adapted well to the new demands implied by belonging to a multinational company with a regional presence that trades on the Mexico Stock Exchange as evidenced by the strength of



Pochteca Monterrey

Pochteca Monterrey

results the unit is reporting for the first quarter of 2015.

The creation of Strategic Planning, Marketing and Human Resource departments was essential to the company's overcoming problems it had been experiencing. Greater emphasis has been placed on training and we implemented a new management model in the commercial department.

Potential growth areas for Coremal

We have defined expansion plans for new businesses with a primary focus on the oil and gas, food, and lubricant sectors. We also acquired a company based in Manaus, state capital of Amazonas, in order to better foster business in that region.

Coremal enjoys a range of growth opportunities:

1) Offer our clients additional products and services within the supply chain such as blends, storage, transport, and packaging.
2) Complement Coremal's product portfolio with products on which Pochteca has had success for years.

The sectors we regard as offering the most compelling opportunities in the local market are food and beverages, cosmetics, pharmaceuticals, veterinary products and agrochemicals, all of which enjoy strong internal demand in Brazil. Moreover, the sectors with a high degree of export exposure stand to benefit from a weaker Brazilian real but at the same time they find themselves more exposed to falling international commodity prices.

In short, we remain focused on strengthening Coremal's operations and management model in order to achieve higher degrees of efficiency and profitability. We also intend to do everything in our power to assure that Coremal sells in Brazil products with which Pochteca has vast experience, such as chemicals for both the food industry and for oil exploration and drilling.

Recife, Brazil

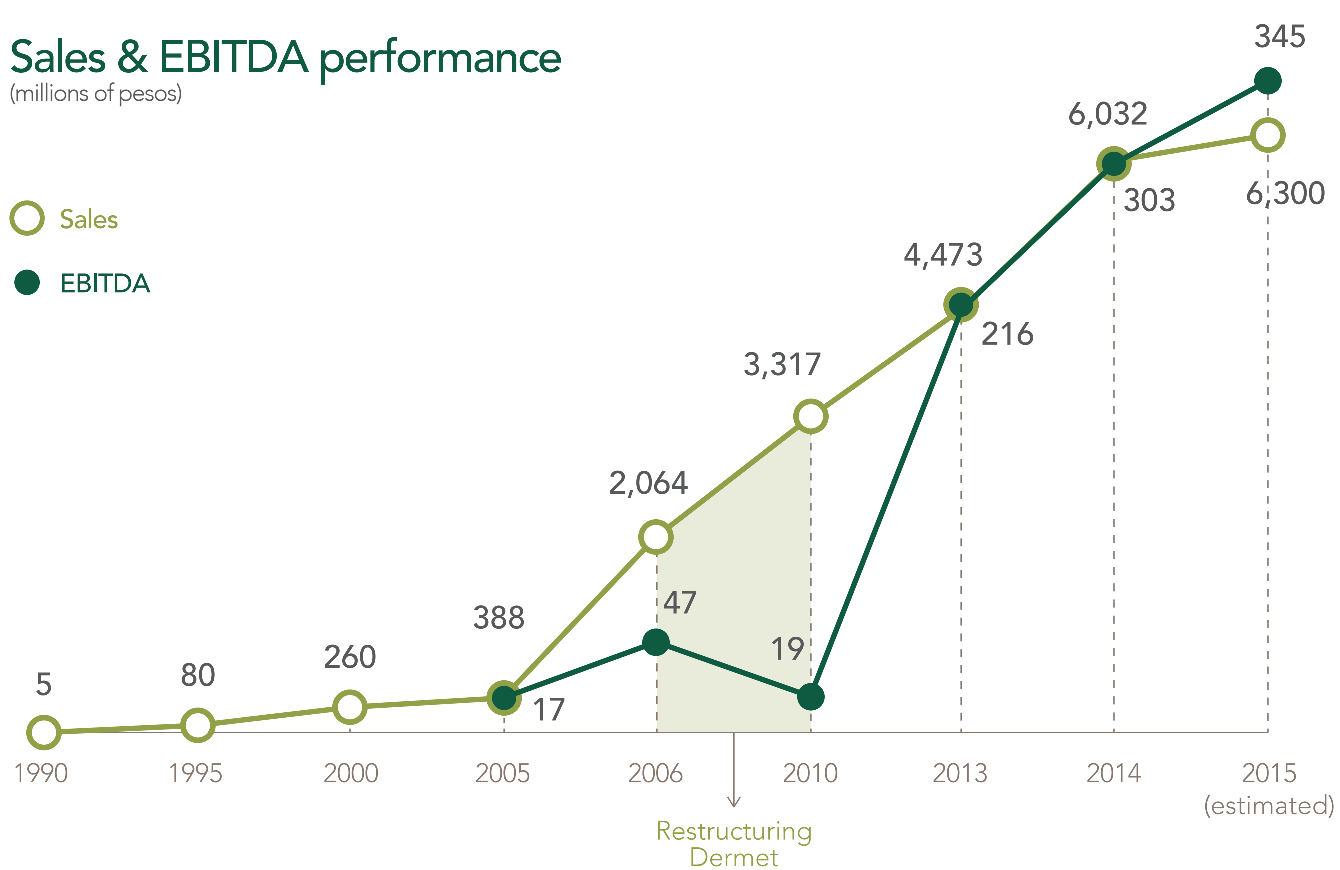
Operating and financial
performance

The company turned in a strong performance for 2014 given the extent of the plunge in the price of oil and of some products we distribute, and the degree to which economic activity remained depressed in sectors that are key for Pochteca such as mining and construction. The Company has sustained double digit EBITDA growth in the past two years of 14% in 2013 and 40% in 2014, including Coremal. We managed to achieve 14% organic growth (excluding the acquisition of Coremal in Brazil) during 2014, an achievement that reflects the resilience and strength of our business model.

Pochteca sales totaled Ps 6.03 billion, 35% more than the Ps 4.47 billion revenue of the previous year. Operating income grew 25% to Ps 195 million.

Net income fell significantly from 2013 to Ps 5 million in 2014, due to forex losses totaling Ps 77 million, more than twice what we registered for 2013, as a result of the 13% depreciation of both the Mexican peso and the Brazilian real in relation to the US dollar during 2014.

Sales & EBITDA performance
(millions of pesos)



Strengthening of our management team

During 2014, we strengthened our management team by bringing on board two executives with vast experience.

Chief Operating Officer

Rafael Dávalos Sandoval, previously served as CEO of Mexichem and of PMV Petroquímica Mexicana de Vinilo, a joint venture between Mexichem and Pemex. His extensive experience in operating areas will be especially useful given our high degree of transactionality and the company's logistical and operational complexity.

Chief Financial Officer

Juan Carlos Mateos worked in the Finance departments of Procter & Gamble and of Grupo Gigante. He was a banker at The Chase Manhattan Bank and was Head of Equity Research at HSBC Mexico, BBVA Latin America and Merrill Lynch Mexico. His more than 18 years in the brokerage industry will help us to build stronger relations with domestic and international investors, which in turn we believe will improve our stock's medium term marketability.

Competitive advantages

Value Added

We stand out from the competition by offering specialized technical services, application development laboratories with various specializations, pre and post sales service, certifications, security in product handling, storage and distribution, customized inventories, and nationwide delivery as well as our capacity for evaluating and providing for the credit needs of all type of companies. These advantages make us an excellent option for customers.

Another factor that distinguishes us are the locations of our distribution centers, which are strategically distributed in Latin America with 34 in Mexico, three in Central America and seven in Brazil.

1 "ONE STOP SHOP"

- Uniting multiple suppliers under one roof
- More than 5,500 products
- More than 322,000 m^2 of logistics capacity and deliveries in 500 Latin American cities
- 20.2 million liters of liquid storage capacity
- Pre and post sales technical support
- Application development laboratories

2 WORLD CLASS, SECURE CHAIN OF CUSTODY

This model generates value added in the case of large scale producers of raw materials (our suppliers) and chemical products (our clients) by providing secure access to cities they are unable to reach and in presentations that have been tailored to customer needs and which our suppliers often find unaffordable.

- Only Latin America company with RDP (Responsible Distribution Process) certification from the NACD (National Association of Chemical Distributors), awarded in recognition of excellence in responsible distribution
- World class logistics
- FSC (Forest Stewardship Council) and ISO 9001 certified
- SARI / ANIQ (Asociación Nacional de la Industria Química / National Association of Chemical Industries) certified
- Best practices continuously audited by world class clients and suppliers

QUALITY SYSTEM CERTIFICATION DNV·GL ISO 9001

Responsabilidad Integral® El compromiso de la Industria Química

FSC www.fsc.org FSC® C011956 La marca del manejo forestal responsable

RESPONSIBLE DISTRIBUTION nacd VERIFIED


Pochteca San Juan

3 DIVERSIFICATION

We remain focused on our strategy of customer, product, supplier, market and regional diversification, which is essential for avoiding risk concentration and minimizing the impact of falling prices and recessions in certain industries or regions. We can better optimize margins by avoiding dependence on specific clients or suppliers as such an approach allows the company to move away from non profitable customers or those with high working capital needs.

No product or client > 2.5%

5 main customers = 9%

5 main products = 8%

Customer diversification

	% of sales 2014	% of sales 2013
Customer 1	2.55%	2.05%
Customer 2	1.76%	2.84%
Customer 3	1.69%	1.78%
Customer 4	1.60%	1.47%
Customer 5	1.52%	0.63%
Total	**9.11%**	**8.77%**

Product diversification

	% of sales 2014	% of sales 2013
Product 1	2.24%	0.09%
Product 2	1.88%	1.61%
Product 3	1.54%	1.75%
Product 4	1.24%	1.37%
Product 5	1.14%	1.23%
Total	**8.04%**	**6.05%**

Grupo Pochteca's Diversification

by Country and Region

Geographic

dispersion

Through our extensive logistics and distribution network we serve more than 20,000 customers in over 500 cities in Mexico, Brazil, Guatemala, El Salvador and Costa Rica with the highest secure custody standards.

Since 2008 our partnership with Omnichem has allowed us to achieve economies of scale through purchasing by the shipload, port terminal rentals and container consolidation. It also allows us to acquire products from suppliers in China, India and Korea through Omnichem's locally based buyers.

Mexico:

34 distribution centers

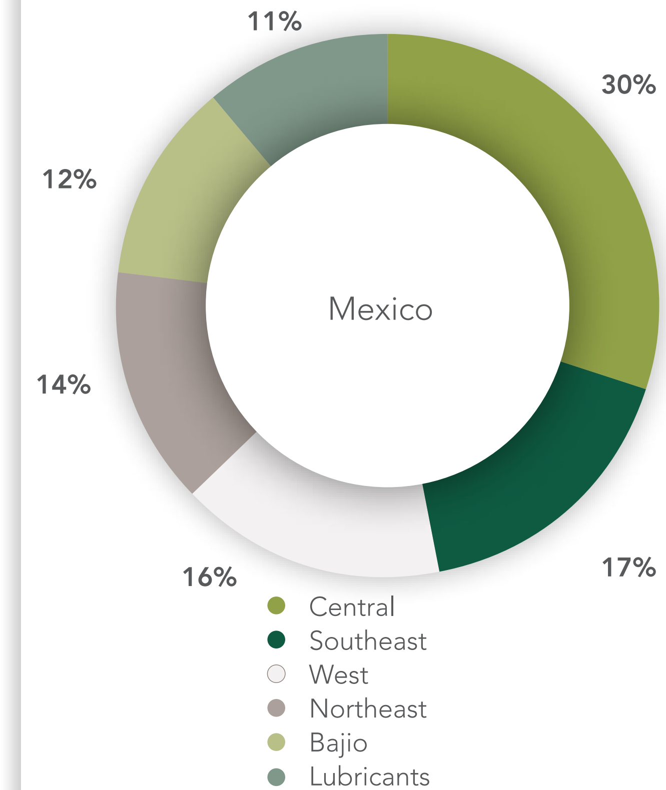
Brazil:

7 distribution centers

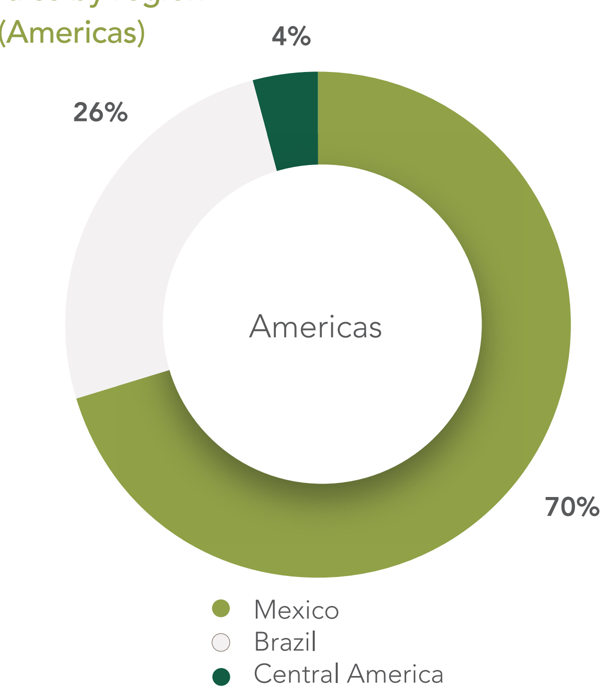
Central America:

3 distribution centers

Percentage of Sales by region (Mexico)



Sales by region (Americas)



In 2014 we improved the company's management model by focusing our attention on the supply chain in an effort to lower costs and inventories, and in the process improve our working capital. We also invested considerable time and money in harmonizing the capabilities of our sales teams throughout the country. This approach has allowed us to sustain continuous growth in both gross and operating margins.

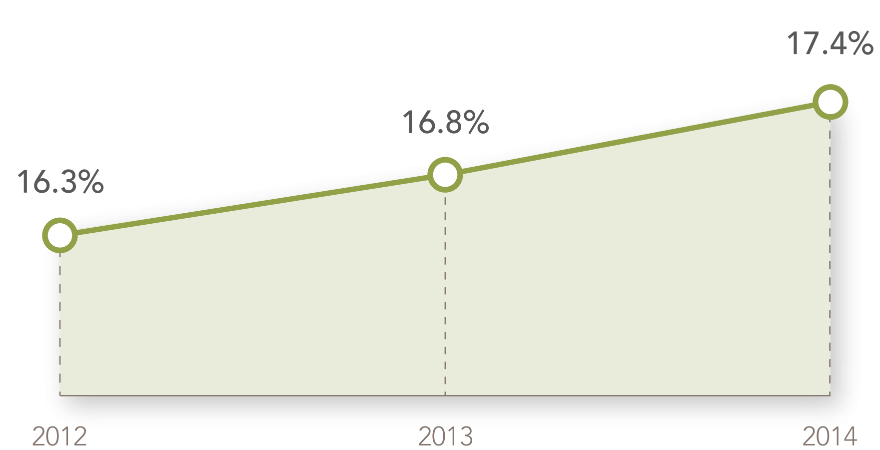
We achieved logistics upgrades by optimizing transportation between our distribution centers and by expanding our fleet.

Business Synergies

By exporting our management model to Coremal in Brazil we were able to grow that operation's gross margins and gradually improve its working capital. Today Coremal is participating in sectors that are new to it such as food, and oil & gas. At the same time, Pochteca has drawn on Coremal's vast experience in Brazil's sugar processing industry to penetrate that sector in Mexico.

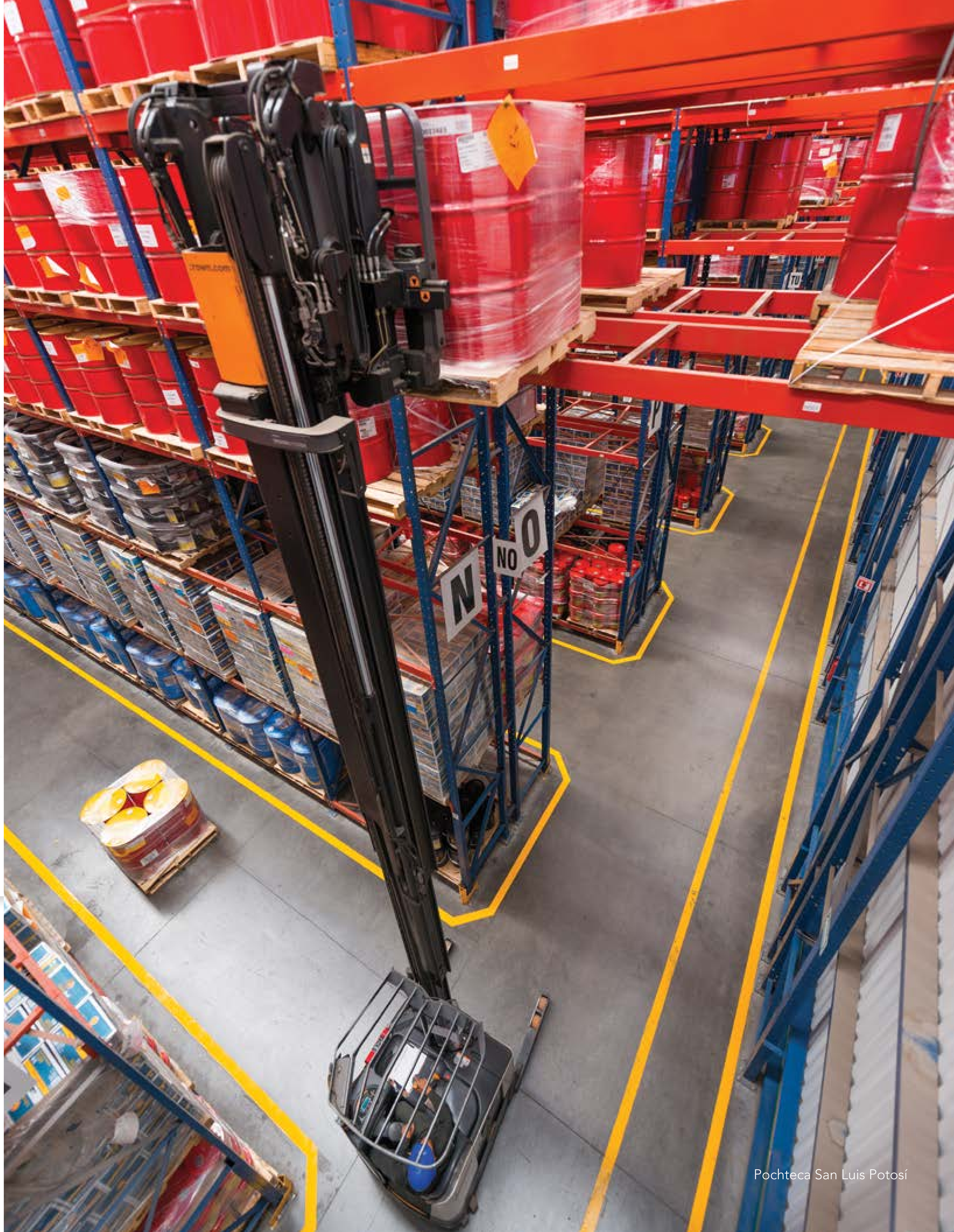
This management model also adds value to our customers and suppliers by simplifying the supply chain as it provides them with a broad array of products from which to choose as well as vast geographical coverage, thereby minimizing distribution and logistics costs as well as their inventory levels.

Gross Margin



Ps 107 million in Capex

Through proper strategies of customer and inventory stratification, process automation, information technologies and intense training of our sales teams we have sustained continuous gross margin expansion.



Pochteca San Luis Potosí

Business
segments

In **Grupo Pochteca** we are organized into two business segments, the first being Pochteca Raw Materials, which is divided into four business divisions:

- Solvents and blends
- Lubricants and greases
- Chemicals for the food industry
- Inorganic chemicals

The second is **Pochteca Paper,** which processes and sells paper and board.

The Raw Materials business segment is by far the Group's largest and accounts for 91% of consolidated sales. The Inorganic Chemicals division is the most representative as it generates 45% of total sales, followed by Solvents and Blends at 25%, Lubricants at 12% and Food with 9%.

Pochteca Paper accounts for 9% of the company's consolidated sales.

Pochteca Vallejo

Inorganic chemicals

We distribute a wide variety of inorganic chemicals, both generic and specialized, that are used in applications for water treatment, agrochemicals, textiles, cleaning and personal care, mining and oil industry services, among other industrial fields.

Our application-development laboratory for cleaning and personal care products allows us to develop solutions tailor-made for our clients.

Oil Services

Water treatment

Textiles

Pochteca León

Solvents and blends

We supply high performance solvents while taking advantage of our capability to recycle used solvents. We have strengthened our value proposition by offering coatings, pigments, additives, resins and specialized chemicals for the automotive, electronics, resins, oil exploration and drilling, construction, paint and varnish industries, among others.

We have a laboratory for producing solvents and blends designed to meet the specific needs of our customers, and for validating the quality of our inputs.

We also have a pigment applications laboratory that allows us to match colors for our clients.

Lubricants

Shell Lubricants chose us to be the company's B2B (business-to-business) Master Distributor in Mexico in December 2010, and in El Salvador in 2011.

We serve a wide range of industries including the transportation, mining, food, construction, automotive, power generation, aviation, agriculture, marine, oil and gas sectors using Shell's lubricants, greases and specialty products. We also support our customers by providing them with a technical service designed to generate value proposals.

Food

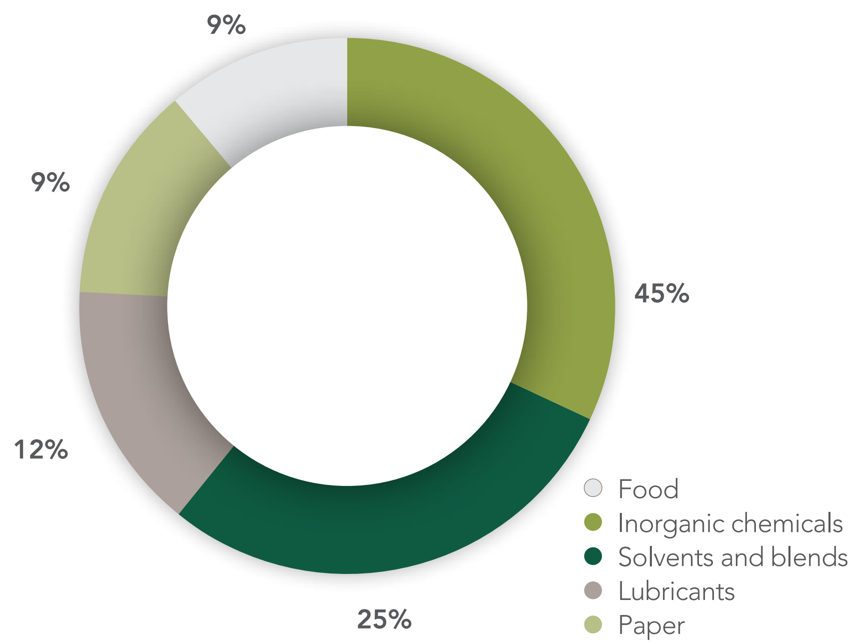
We attend to the beverage, meat, dairy, confectionery, and baked goods industries as well as to those engaged in the production of sauces, dressings, soups and pastas, among others. We supply functional additive ingredients, texturing systems, conservatives, sweeteners and integral solutions that help to improve their formulations.

To that end we have an application development laboratory in which we work directly with our clients to improve their products and optimize their costs.

Paper

We distribute and convert paper products for the publishing, design, printing, advertising and packaging industries.

Portfolio by segment (% of consolidated sales)




Bread industry


Sauces and Seasonings


Automotive


Agrochemical


Mining

Corporate Governance

Board of Directors

Grupo Pochteca adheres to the best international governance practices as well as to Mexican Law and the country's Securities Market Law.

Our Board of Directors is the governing body responsible for defining our long-term strategy, approving the major business decisions, supervising the Company's management team, managing risk, and ensuring regulatory compliance. In addition, the board selects, evaluates and replaces the Chief Executive Officer and the company's other officers.

The composition of our board, which is composed of a maximum of 21 directors, is decided by the Ordinary General Shareholders' Meeting, and at least 25% of directors must be independent. As of today, eight of 12 members are independent directors, thus exceeding this legal requirement. In addition, the Board of Directors will choose a Secretary who is not a member of the Board.

The board enjoys the support of an Audit Committee and a Corporate Practices Committee. Both committees, including their respective chairmen, consist exclusively of independent directors.

Audit Committee

The responsibilities of the Company's Audit Committee, the entity responsible for oversight of financial reporting and disclosure, include the following:

Advise the Board of Directors on matters that it is charged with under Mexico's Securities Market Law.

Assess the performance of the independent auditor, as well as analyze the findings, opinions and reports on the Company prepared and signed by the auditor. To that end, the Committee may require the presence of the independent auditor, when appropriate, notwithstanding that the independent auditor is required to meet with the Committee at least once a year.

Discuss and review the Company's financial statements with the persons responsible for their preparation, and based on those consultations recommend their approval or rejection by the Board of Directors.

Report to the Board of Directors on the performance of the Company's internal controls and on the internal audit of the Company and the entities it controls, including any irregularities that may have been detected.

Prepare an opinion in compliance with Article 28, section IV, paragraph c) of the Securities Market Law and submit it to the Board of Directors, which will subsequently submit it to the Shareholders' Meeting for its approval based on information including the independent auditor's report and other documents.

Corporate Practices Committee

The Company's Corporate Practices Committee is the entity responsible for conducting the following functions:

Advise the Board of Directors on matters related to the Mexican Securities Market Law. Request the opinion of independent experts in the cases it deems such a consultation appropriate for the adequate performance of the committee's duties, including cases specified in the Mexican Securities Market Law and the general provisions applicable to participants in the securities market.

Issue calls to shareholders' meetings and assure that the agenda of those meetings includes issues the committee deems pertinent.

Assist the Board of Directors in the preparation of the reports referred to in Article 28, section IV, paragraphs d) and e) of the Mexican Securities Market Law.
Assess the performance of the executive officers of the Company and review their compensation packages.

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

Report of the Chairman of the Audit and Corporate Practices Committee to the Board of Directors

April 2014 - April 2015

To the Board of Directors of Grupo Pochteca, S.A.B. de C.V.:

In accordance with the stipulations of article 43, paragraphs I and II of the Mexican Securities Market Law, as Chairman of the Audit and Corporate Practices Committee of Grupo Pochteca, S.A.B. de C.V, I submit the activity report pertaining to the fiscal year ended on December 31, 2014.

The Committee met five times during the course of the year on the following dates: (i) April 8, 2014; (ii) July 16, 2014; (iii) October 15, 2014; and on (iv) January 14, 2015; and (v) April 15, 2015; these meetings were attended by representatives of the firm Galaz, Yamazaki, Ruíz Urquiza, S.C. (Deloitte) (the company's independent auditors), the company's internal auditors, and the Grupo Pochteca officers who were asked to attend. The activities and resolutions issued were recorded in the corresponding minutes.

I. Compensation for Executive Officers

The comprehensive compensation package for the CEO and the relevant executive officers of the company was reviewed.

II. Transactions with related parties

Transactions between related parties were reviewed to ensure that they were conducted in accordance with the policies previously approved by the Committee. No irregularities were found.

III. Evaluation of the Internal Control System

We have reviewed the assessments by the internal auditor, the independent auditor, and the CEO, and on this basis the Committee has determined that Grupo Pochteca's internal accounting control system complies with the objectives set by management and offers reasonable assurance that it can prevent or detect errors and material irregularities in the normal course of business.

IV. Evaluation of the Internal Auditors' activities

The Audit Committee has been responsive to the needs of the Internal Audit department to ensure it has the necessary human and material resources and materials to adequately carry out its duties. In this regard, it satisfactorily completed work schedules and activities established during the 2014 fiscal year and also approved the work plan for 2015, having recommended new planning for Coremal (Brazil) and Central America based on external support.

V. Evaluation of the Independent Auditors' performance

We continued to employ the services of Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte) as independent auditors for the company. The fees for fiscal year 2014 were duly reviewed and approved.

We received the audited financial statements as of December 31, 2014 from the Independent Auditor.

We also reviewed the work done by Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte) as independent auditors and of Miguel Ángel del Barrio Burgos, the managing partner, and found their work to be satisfactory. The Independent Auditors confirmed their independence.

VI. Financial Information

The company's financial statements were discussed on a quarterly basis with the executives responsible for drafting and reviewing them, with no observations made on the information presented. Before forwarding the Financial Statements to the Mexican Stock Exchange, they were approved by the Committee, which recommended their approval by the Board of Directors.

The audited financial statements corresponding to the fiscal year ended December 31, 2014, were reviewed and discussed and, in the absence of any observations, were approved by this Committee to be sent to the Board of Directors to recommend that they be approved by the Shareholders Meeting.

VII. Acquisitions of new businesses in the year

No new businesses were acquired during the year corresponding to the results being reported.

However, attention was paid to the indicators projected in relation to the acquisition of Coremal (Brazil), and the objectives adopted for the integration and transformation of Coremal.

VIII. Accounting Policies

The committee reviewed and approved the accounting policies followed by Grupo Pochteca in terms of the information received as a result of new regulations.

The accounting and information policies and criteria followed by Grupo Pochteca are deemed to be appropriate and sufficient.

IX. Report of the Chief Executive Officer

The Committee received and approved the report of the Chief Executive Officer on the activities for fiscal year 2014.

X. Legal Report

The Committee received the report of our legal counsel regarding the status of current legal matters and litigation involving the company (and/or its subsidiaries).

XI. Proposal

Pursuant to the work done, the Committee recommends that the Board of Directors submit Grupo Pochteca's Audited Financial Statements for the year ended December 31, 2014, for approval by the Shareholders' Meeting.

XII. Conclusion

Based on the above considerations, we conclude that the Audit and Corporate Practices Committee properly fulfilled its responsibilities for the year in accordance with the stipulations of article 43, paragraphs I and II of the Mexican Securities Market Law.

Mexico City, April 15, 2015

Sincerely,

C.P. Francisco Javier Moguel Gloria.
Chairman of the Audit and Corporate Practices Committee
Grupo Pochteca, S.A.B. de C.V.

Board of Directors

Members of the Board	Alternate Directors
Jorge Ricardo Gutiérrez Muñoz CHAIRMAN	
Tomás Acuña Begné*	
Eugenio Santiago Clariond Reyes*	
Antonio del Valle Ruiz	Juan Pablo del Valle Perochena
Francisco Javier del Valle Perochena	Antonio del Valle Perochena
Francisco Javier Moguel Gloria*	
Ernesto Moya Pedrola*	
Luis Rebollar Corona*	
Francisco Javier Ruiz Galindo y Terrazas*	Eugenio Gerardo Manzano Alba
Armando Santacruz González	Federico Santacruz González
José Antonio Vértiz Pani*	
Fernando Benjamín Ruiz Sahagún*	

*Independent directors

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
Tomás Acuña Begné 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

Jorge Ricardo Gutiérrez Muñoz
Chairman of the Board of Directors
Chief Executive Officer of Constructora y Perforadora Latina, S.A. de C.V., who previously served as CEO of Kaluz, S.A. de C.V., and Mexichem, S. A. B. de C. V., and of Grupo Synkro, S.A. de C.V. He was CFO of Indetel/Alcatel and has been a member of several boards of directors such as those of Mexichem, S. A. B. de C.V., Empresas ICA, S.A.B. de C.V., Bolsa Mexicana de Valores, S.A.B. de C.V., Grupo Aeroportuario del Centro Norte, S.A.B. de C.V., and Banco Ve por Más, among others. He was awarded the "Bravo Business Award" (Latin Trade) as CEO of the year 2010. He graduated as a public accountant from the Instituto Politécnico Nacional (ESCA) and holds a master's degree in finance from the Universidad La Salle.

Armando Santacruz González
Member of the Board and CEO
A co-founder of Grupo Pochteca and a board member and co-founder of Mexico Unido Contra la Delincuencia, A.C. He has served on the boards of directors of Elementia, S.A. de C.V., Seguros la Latinoamericana, S.A., Laboratorios Médicos del Chopo, S.A. de C.V., (Grupo Proa), Festival del Centro Histórico de la Ciudad de México (today known as FMX, Festival de la Ciudad de Mexico), Fundación Pro-Empleo, A.C. and the Harvard Alumni Association in Cambridge, Massachussets. He graduated as a public accountant from the Instituto Tecnológico Autónomo de Mexico (ITAM) and received an MBA from Harvard Business School.

José Antonio Vértiz Pani
Member of the Board
He serves on the boards of directors of Grupo Viz, S.A. de C.V. and Sukarne Medio Mayoreo, S.A. de C.V. He has professional experience in the fields of private equity and investment banking. Among other past posts, he served as a partner at Baring Private Equity Partners, as Project Manager at Mexcapital, and both Capital Formation Project Director and Director of Mergers and Acquisitions for Operadora de Bolsa. He earned a bachelor's degree in economics from the ITAM, and a master's in business administration from Harvard Business School.

Eugenio Santiago Clariond Reyes
Member of the Board
He has served as Chairman of the Board and CEO of Grupo IMSA, S.A. de C.V., Chairman of the Board of Grupo Cuprum, S.A. de C.V., Chairman of the Board of Directors of Grupo Cleber, S.A. de C.V., and Chairman of the Board of Camiones Sierra Norte, S.A., and of Grupo Financiero Banorte, S.A.B. He is a current member of the boards of companies such as Mexichem, S.A.B. de C.V., Grupo Industrial Saltillo, S.A.B. de C.V., Johnson Controls Inc., Navistar International Corporation, and Texas Industries Inc. He holds a master's in business administration.

Antonio del Valle Ruiz
Member of the Board
Founder and Chief Executive Officer of Bancrecer, S.A. Founder, Chairman and Chief Executive Officer of Grupo Financiero Bital. Founder of Grupo Empresarial Kaluz, S.A. de C.V., which he currently heads. He is a board member of Grupo Empresarial Kaluz, S.A. de C.V., Mexichem, S. A. B. de C. V., Elementia, S.A. de C.V., Teléfonos de México, S.A.B. de

C.V., and Grupo Financiero Ve por Más, S.A. de C.V. He graduated as a private accountant from the Escuela Bancaria y Comercial, and completed a course in executive corporate management from the IPADE.

Francisco Javier Ruiz Galindo y Terrazas
Member of the Board
He is a board member and partner at Industrial Global Solutions (IGS), Grupo R.G.T. He has also worked with Industrial Global Solutions de México, S.A. de C.V., Grupo R.G.T., S.A. de C.V., Desc, Sociedad de Fomento Industrial, S.A. de C.V., Spicer, S.A. de C.V., and D.M. Nacional, S.A. de C.V., among other firms. He is an industrial engineer.

Francisco Javier del Valle Perochena
Member of the Board
He is Chief Executive Officer of Controladora GEK, S.A.P.I. de C.V. and Chairman of the Board of Elementia, S.A. de C.V. He is also a member of the board of Mexichem, S.A.B. de C.V. and of Banco Ve por Más, S.A. He holds a bachelor's degree in business administration and a master's in economics and finance.

Francisco Javier Moguel Gloria
Member of the Board
He is Chairman of the Audit Committee and the Compensations Committee of Banco Ve por Más, S.A. He is also a board member at Mexichem, S.A.B. de C.V. Partner at Chévez, Ruiz, Zamarripa y Compañia, S.C. He holds a bachelor's degree in public accounting from the Instituto Tecnológico Autónomo de México (ITAM).

Fernando Benjamín Ruiz Sahagún
Member of the Board
He is a member of the board of directors of Mexichem, S.A.B. de C.V., Kimberly Clark de México, S.A.B. de C.V., San Luis Corporación, S.A.B. de C.V., Grupo Cementos de Chihuahua, S.A.B. de C.V., Grupo México, S.A.B. de C.V., Empresas ICA, S.A.B. de C.V., Grupo Financiero Santander, S.A.B. de C.V., Bolsa Mexicana de Valores, S.A.B. de C.V., Grupo Palacio de Hierro, S.A.B. de C.V., Fresnillo PLC, Corporación Scribe, S.A.P.I. de C.V., Bacardí, S.A. de C.V. and Arcelor Mittal Lázaro Cárdenas, S.A. de C.V. He currently works with Chévez Ruiz Zamarripa y Compañía, S.C., and is a public accountant.

Luis Rebollar Corona
Member of the Board
He served for 18 years as chairman of the board of Sandvik de México. He has worked at Fábricas de Papel San Rafael, Compañía Industrial de San Cristóbal, Alcatel, Sidec and Situr, and also served as chairman of the board of Sidec and Situr. He is chairman of the Swedish-Mexican Chamber of Commerce. A member of the board of both the OFUNAM philharmonic and the Orquesta de Minería, as well as that of the Mexico National Museum of Art (MUNAL), and Chairman of the Churubusco Country Club. He currently serves on the boards of Grupo Herdez, S.A.B. de C.V., Grupo Gigante, S.A.B. de C.V., Grupo Sánchez, and San Luis Corporación, S.A.B. de C.V. He participated in the restructuring of Satélites Mexicanos, serving as that company's chairman of the board. He is a chemical engineer.

Ernesto Moya Pedrola
Member of the Board
He has served as chairman of the board of CYMA Unión de Crédito, TIP MEXICO, and the Consejo Mexicano de Uniones de Crédito. He is chairman of the Patronato de Montepío Luz Saviñón, I.A.P., member of the board of Distribuidora Hugos, Grupo MVS, Grupo Dondé, and Universidad Panamericana/IPADE. He is a chemical engineer and holds a master's degree from IPADE.

Tomás Acuña Begné
Member of the Board
Member of the Colegio de Contadores Públicos de México, Instituto Mexicano de Contadores Públicos, and the Instituto Mexicano de Ejecutivos de Finanzas. He has worked for Visa International Mexico, S.A. de C.V., Visa do Brazil and Arthur Andersen & Co. He graduated as a public accountant from the Universidad Nacional Autónoma de México.

Federico Santacruz González
Member of the Board
A partner at Ritch, Mueller, Heather y Nicolau, S.C., he has worked with Cravath Swaine & Moore. He is a member of the Board of Directors of Grupo Financiero Scotiabank and affiliated companies. He holds an undergraduate degree in law from the Universidad Nacional Autónoma de México (UNAM), and a master's level law degree (LLM) from Columbia University.

Juan Pablo del Valle Perochena
Member of the Board
Chairman of the Board of Mexichem, S.A.B. de C.V., Chief Executive Officer of Inmobiliaria Kaluz, S.A. de C.V. He is also a member of the boards of directors at Mexichem America, Inc., and a member of the Colegio de México trust. He is responsible for real-estate developments for Controladora Kaluz, S.A. de C.V. He is a member of the board of directors of Elementia, S.A. de C.V. He earned a master's in business administration from Harvard Business School.

Eugenio Gerardo Manzano Alba
Member of the Board
He is another co-founder of Grupo Pochteca, where he has served as a member of the Board of Directors and Managing Director. He is also a founding partner of the Divertido amusement park and of Intertrade Finance Corp. He is on the Board of Directors of Grupo Motriz, S.A. de C.V. He holds a bachelor's in economics from the ITAM and a master's in business administration from Stanford University, Graduate School of Business.

Antonio del Valle Perochena
Member of the Board
He is Chairman of the Board of Grupo Financiero Ve por Más, S.A. de C.V., and a member of the boards of directors of Mexichem, S.A.B. de C.V., Elementia, S.A. de C.V., Grupo Empresarial Kaluz, S.A. de C.V. and Afianzadora Sofimex, S.A. He also presides over the trust Fideicomiso Probosque de Chapultepec, and serves on the development board for the School of Economics and Business at the Universidad Anáhuac, and the trusts of both the Museo San Ildefonso and the Fundación El Peñón, A.C. He holds a bachelor's degree in business administration and a master's in management from the Universidad Anáhuac. He has a post-graduate degree in senior management from the IPADE and a degree in literature from the Universidad Iberoamericana.

Analysis of Results

Chief Executive Officer's Report for full year 2014

2014 Report highlights

- **Sales +35%** year on year to Ps 6.032 billion
- **Gross margin +60 basis points,** expanding from 16.8% to 17.4% despite sharp price drops on the prices of petroleum derivatives and, to a lesser extent, on most of the other products in our portfolio
- **EBITDA +40%,** to Ps 303 million, including the acquisition of Coremal in Brazil
- **EBITDA margin +20bp** above 2013 levels to **5.0%**
- **Organic EBITDA,** excluding Coremal, **+14%** to Ps247 million
- **Organic EBITDA margin** (net Coremal) widened 70bp from 2013 to **5.5%**
- **Cash position expanded Ps 143 million or 79% in 2014,** growing from Ps 181 million at the end of 2013 to Ps 324 million at the end of 2014
- **Net Debt to EBITDA returned to 2.0 times at year's end,** in line with our internal policy of not surpassing 2 times. This indicator had risen from 1.8 times prior to the Coremal acquisition to a 2Q14 peak of 2.8 times in 2Q14
- **The successful integration of Coremal, which we acquired on December 31, 2013,** is evident in the strength of our 2014 results

2014: A year of challenges surpassed by Pochteca

In 2014 we faced various challenges that we successfully overcame

Falling prices for oil and its derivatives

We are extremely satisfied with how Pochteca successfully navigated the effects of a pronounced drop in oil prices. The price of West Texas Intermediate (WTI) fell 46% between December 31 of 2013 and 2014. But the drop in WTI was an even steeper 51% from a 2014 peak of USD107.95 per barrel on June 20, 2014 to the year-end close of USD53.45 per barrel. As a result the prices of petroleum derivatives we sell fell by between 10% and 30% in pesos during 2014, reductions that were less pronounced due to the extent to which the peso weakened against the dollar.

Organic EBITDA increased 14% despite the adverse environment

Despite the adverse environment, we managed to improve our operating profitability. Our "one stop shop" service proposal offers clients an extensive product portfolio through a single channel, backed by our professional pre-and post-sales technical support, which has contributed to help us limit the negative impact of falling sales prices and achieving better gross margins. The introduction of a number of initiatives over the course of the year also affected our profitability in a positive way. Our growing emphasis on greater value added blends and packaging tailor made to fit our customers' needs, as well as the broader diversification of our product lines along with our one "one stop shop" approach made it possible to achieve 14% organic EBITDA growth (excluding the acquisition of Coremal in Brazil) during 2014. In addition to the plunge in the price of oil and of some products we distribute, economic activity remained depressed in sectors that are key for Pochteca such as mining and construction. Despite such adversity, we managed a 14% increase in organic EBITDA, an achievement that strengthens our confidence in the resilience and strength of our business model.

Successful integration of Coremal

During 2014 we successfully achieved the integration of Coremal operations. We formally acquired 100% of Coremal shares on December 31, 2013. Grupo Pochteca initially paid 51% of Coremal shares and will make payments on 9.8% of shares each year over a period of five years. The same valuation formula applied to the original payment, substituting EBITDA for 2013 in successive years with that of the immediately preceding year. This scheme assures that the interests of the managing shareholders of both Coremal and Grupo Pochteca are aligned for the next five years.

We believe that with Coremal, Grupo Pochteca will be able to 1) consolidate a Latin American presence, 2) penetrate the chemicals market in Brazil, which is considerably larger than that of Mexico and much more fragmented, and 3) promote cross sales of products between both countries in order to complement each company's respective product portfolios.

On a consolidated basis, Coremal accounted for 26% of sales and 19% of EBITDA during 2014. We believe Coremal's contribution can grow in the future. Out priority is to implant Pochteca's management model and harmonize processes in both countries.

Solid financial position

We should also mention that thanks to our successful integration of the Brazilian company we acquired, we managed to bring our net debt to EBITDA back to 2.0 times by the end of 2014, which is our internal policy. That indicator had risen to 2.8 times in 2Q14, a more than two-year high, up from 1.8 times at the end of 3Q13, prior to our acquisition of Coremal.

Selected Financial Information (millions of pesos)

Consolidated in million pesos	2014	2013	(%) 2014 vs 2013
Sales	6,032	4,473	35%
Gross Profit	1,051	749	40%
Gross Margin (%)	17.4%	16.8%	60pb
Operating Profit	195	156	25%
Operating Margin (%)	3.2%	3.5%	-24pb
Depreciation	108	60	78%
EBITDA	303	216	40%
EBITDA Margin (%)	5.0%	4.8%	20pb
Interest Expense	101	60	68%
Foreign Exchange Loss	77	30	160%
Income Before Tax	18	66	-73%
Net Income (Loss)	5	40	-88%
Net Debt / EBITDA	2.0x	2.2x	
EBITDA / Interest	2.7x	2.6x	

EBITDA = operating income before depreciation and amortization; NC = non comparable

2014 highlights and the 2015 outlook

The environment remains complicated

- We have successfully managed the impact of falling prices for oil and related products despite the fact that 25% of our consolidated sales consist of petroleum based solvents, coatings and blends.

- The erosion of prices for goods we sell extended beyond the petroleum derivatives we offer. In 2014 the prices of products for the mining and food industries experienced significant contractions. For example, sodium cyanide, which is used in mining, fell 31%, and the prices of chemical food additives such as citric acid, cornstarch, dextrose and glycerin, among others, fell 15% on average.

- Much of the oil exploration and drilling sector remains illiquid, making it impossible so far to normalize the portfolio recovery of many of its actors, a situation that has forced us to limit sales to that industry.

- Despite the complicated situation, we have managed to improve our gross and EBITDA margins.

- We regard our "one stop shop" proposal as having a favorable impact as it has tempered the effect of falling prices and allowed us to expand gross margins. We offer an extensive portfolio in a single channel that is backed by professional technical support throughout the pre- and post-sales process.

- Our diversification toward blends has had a favorable impact, tempering the fall in prices and widening our gross margins.

- Cross selling with our Brazil unit is beginning to produce positive results. For example, we are successfully penetrating sectors such as oil exploration and drilling and others in which Coremal did not participate prior to the arrival of Pochteca. We are also selling in Mexico products for the sugar industry with which Coremal has extensive experience. It is a slow but sure process.

- The drop in oil prices has done nothing to dispel the benefits Mexico's energy reform was expected to generate although they may materialize later than initially hoped and may prove less pronounced in some regions.

- **Manufacturing:** This has been one of the brightest spots in the economy in the past two years and should continue to display robust growth going forward. Our exposure to manufacturing remains a point of strength for Pochteca that will be all the more pronounced as the energy reform produces results, but even now the Company continues to benefit from the sector's growth. We are confident that the competitive gap separating China and Mexico will increasingly shift in Mexico's favor and lead more foreign companies to set up manufacturing operations inside the country with an eye toward supplying the US market.

- **Brazil:** The environment is complicated, but the chemicals market is much larger than that of Mexico and Coremal's market share is still very small. For that reason, we are confident that the company will sustain sales and EBITDA growth in the coming years by strengthening Coremal's operations, processes and business model, and enabling Coremal to sell products it has not previously offered but with which Pochteca is experienced.

Export manufacturing and energy reform: growth drivers

- Pochteca is today an important supplier of the export manufacturing industry.

- The company has sustained double digit growth, a pace we expect to maintain in the coming years allowing Pochteca to sustain robust organic growth going forward.

- Looking forward we believe that our company is well positioned to benefit from the growth Mexico's energy reform is expected to attract in exploration and drilling activities as close to 8% of our sales are directly geared toward those sectors.

- Over the medium term, all of our operations will benefit once we begin to see an end to the gas shortages, known locally as "alertas de gas" that currently affect a significant percentage of our clients and as the supply of electric energy becomes more constant and the prices of both electric power and natural gas gradually decrease.

Consolidated 2014 Results

Sales, Earnings and Gross Margins

- Sales increased 35% compared to 2013. The 35% increase in consolidated sales was achieved primarily thanks to the incorporation of Coremal in Brazil, which we acquired in December 31, 2013.

- Consolidated gross income grew 40% as it expanded from Ps 749 million in 2013 to Ps 1.051 billion as the consolidated gross margin widened 60 basis points. Despite the decline in prices for some key products such as solvents, we managed to grow the gross margin by 60 basis points from 16.8% to 17.4% in large part on the basis of effective cost controls and greater sales of higher margin products such as blends and chemicals for the food industry. The 13% weakening of the Mexican peso in relation to the dollar during 2014 had a favorable effect that partially cancelled out the contraction in the prices of raw materials, especially those derived from petroleum.

Operating Income and EBITDA

- Operating income grew 25% in 2014 from Ps 156 million in 2013 to Ps 195 million largely on the strength of the aforementioned 40% rise in gross income. The operating margin narrowed 30 basis points to 3.2%.

- EBITDA increased 40% compared to 2013 and the EBITDA margin widened 20 basis points to 5.0%. The incorporation of Coremal contributed to the strong expansion of EBITDA, but as we explain below, Pochteca's base operations, which exclude Coremal, turned in a more solid EBITDA performance during 2014.

- Organic EBITDA, excluding Coremal, grew 14% compared to 2013 thanks to the combination of a higher gross margin and effective expense controls. The organic EBITDA margin (net Coremal) was 5.5%, an increase of 70 basis points compared to 2013.

- Consolidated EBITDA, including Coremal, continued to trend favorably in 2014. Throughout the year we strengthened EBITDA generation from quarter to quarter as the following graph indicates. Compared to the immediately preceding quarter, consolidated EBITDA grew at the following pace in 2014:

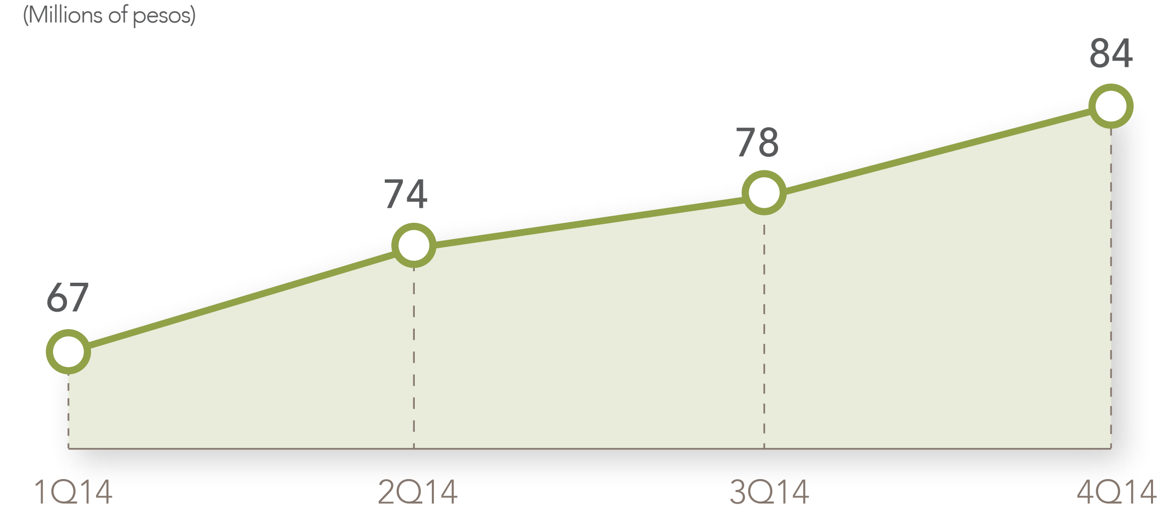
o +11% in 2Q14
o +5% in 3Q14
o +9% in 4Q14

2013 16.8% | Gross margin | **2014** 17.4%

2013 4.8% | EBITDA margin | **2014** 5.0%

2013 4.8% | Organic EBITDA margin (net Coremal) | **2014** 5.5%

EBITDA
(Millions of pesos)



2013	Expenses / Sales	2014
11.9%		12.4%

Operating Expenses

• Operating expenses (excluding depreciation) as a percentage of sales increased by 50 basis points from 11.9% in 2013 to 12.4% in 2014 due to the inclusion of Coremal. Our Brazilian subsidiary is operating with expenses that are above 13% of sales, a level almost 100 basis points higher than that of Pochteca in Mexico. A year after having incorporated Coremal into Pochteca's structure, we are focused on harmonizing the operating expense levels of Coremal with those we maintain in Mexico despite the structural restrictions that exist in Brazil primarily related to socially mandated payroll expenses and some fiscal and regulatory issues.

Financial Expenses

• Net interest expense increased 64% in 2014 largely as a result of the acquisition of Coremal. More specifically, in 2014 we included some amounts that were not reflected in 2013 numbers as Coremal results were only consolidated beginning in 1Q14 (the balance sheet was consolidated at 4Q13).

o We included the consolidation of interests paid by Coremal on its Brazilian debt (equivalent to Ps 269 million). The interest rates Coremal paid until August 2014 were more than twice as high as what Pochteca paid in Mexico.
o Our results at the end of 2014 also reflect the incremental debt assumed in Mexico during 1Q14 with which to finance the acquisition of Coremal (Ps 170 million).

• We expect financial expenses will decline going forward for the following reasons:

o We managed to refinance the debt of Coremal in Brazil at a rate 295 basis points lower than before.
o We remain focused on generating higher cash levels through:
- Greater EBITDA
- Lower inventories
- Improved terms of payment to suppliers, especially at Coremal.

Forex Loss and Net Income

• Despite the strong growth achieved in EBITDA, net income fell significantly from 2013 to Ps 5 million in 2014, due to the following factors:

o Foreign exchange losses were much greater than those of 2013. In the most recent year forex losses totaled Ps 77 million, more than twice what we registered for 2013.
o That increased loss was due to depreciation of 13% by both the Mexican peso and the Brazilian real in relation to the US dollar during 2014.
o And a 68% increase in net interest paid, as we explained in the previous section.

Working Capital and Cash Generation

• Improved working capital. At the end of 2014 our working capital was equivalent to 33 days of sales, six fewer days compared to the end of 2013. We wish to stress that for company management our priority is to continue scaling back inventories and reducing accounts receivable in order to lower our degree of leverage.

equivalent to Ps 269 million, our net debt was practically unchanged during the year.

• Improved debt profile. On December 4, 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 mature in June 2015. The new loan is for four years with a one year grace period.

Continuous improvement in working capital (days)

• Cash generation of Ps 143 million in 2014. As a result of the increase in EBITDA and the reduction in working capital, it was possible to expand our cash position 79% during 2014, expanding it from Ps 181 million at the end of 2013 to Ps 324 million at the end of 2014, thereby expanding cash on hand by Ps 143 million.

Net Debt

• Net debt at the close of 2014 stood at Ps 628 million, practically unchanged compared to the level posted at the end of 2013. Although we assumed Ps 170 million in debt with which to purchase Coremal and that Coremal had loans

• Net debt / EBITDA returned to 2.0 times at the close of 2014, which is exactly in line with our internal policy of not remaining above the 2 times mark. 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 in 2Q14, up from 1.8 times at the end of 3Q13. The sharp increase was a result of the consolidation of the Brazilian debt of Coremal and the credits Pochteca took out in order to finance the acquisition, as we have explained previously.

• It is important to clarify that, given that Coremal's acquisition was concluded on December 31, 2013, we consolidated Coremal's balance sheet but not its results for 2013. The net debt / EBITDA indicator of 2.2 times at the end of 2013 was calculated using Coremal's proforma EBITDA for 2013. Otherwise, the indicator would have been 2.9x taking into account the entirety of Coremal's debt and excluding its EBITDA for 2013.

• 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.

• At the end of 2014 interest coverage (EBITDA / interest) stood at 2.7 times. This indicator is practically in line with that of year end 2013.

	2014	2013
Net Debt (Ps millions)	**628**	631
Net Debt / EBITDA	**2.0x**	2.2x
Interest Coverage	**2.7x**	2.6x
Outstanding Shares	**130,522,049**	130,522,049

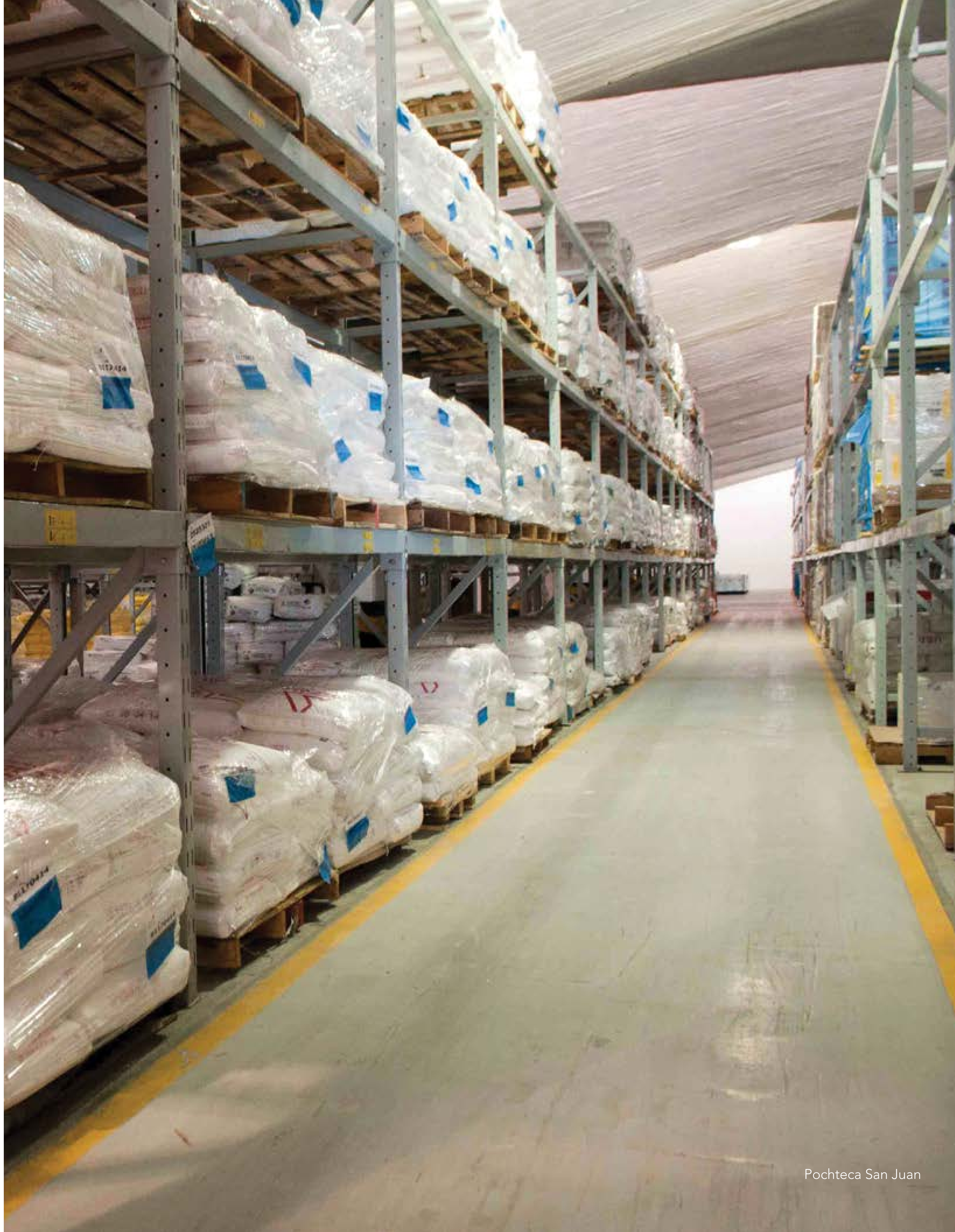
Market maker

In order to increase the stock's marketability and complement the steps the company is taking to better attend to the investing public, as of October 22, 2014, UBS Casa de Bolsa, S.A. de C.V. began working as the designated market maker for Grupo Pochteca, S.A.B. de C.V. We are confident that this decision as well as other measures the company has taken will make for a greater depth of trading in our shares.

Independent analyst and brokerage coverage

Grupo Pochteca, S.A.B. de C.V., registered in the independent analysis program and the Selection Subcommittee agreed to assign the company to the firm Consultora 414, S.A. de C.V., "CONSULTORA 414", to assume responsibility for providing analysis of POCHTECA stock.

At present Actinver Casa de Bolsa, BBVA Bancomer, Casa de Bolsa Interacciones and Vector Casa de Bolsa have Pochteca under coverage.



Pochteca San Juan

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

Consolidated
Financial Statements

for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report Dated April 14, 2015

Deloitte.

Independent Auditors' Report

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

Auditors' Report on the Consolidated Financial Statements

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, 2014 and 2013, and the consolidated statements of income and other comprehensive (loss) 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.

Emphasis of Matter

As mentioned in Note 10 to the consolidated financial statements as of December 31, 2013, the Entity acquired 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.

Opinion

In our opinion, the accompanying 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, 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.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Miembro de Deloitte Touche Tohmatsu Limited

C. P. C. Miguel Ángel del Barrio Burgos

April 14, 2015

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

Consolidated Statements of Financial Position

As of December 31, 2014 and 2013

(In thousands of Mexican pesos)

	Notes	2014	2013
ASSETS			
Current assets:			
Cash and cash equivalents	5	$ 324,458	$ 181,371
Accounts receivable and recoverable taxes – Net	6	1,027,398	986,806
Due from related parties	20	5,132	3,137
Inventories – Net	7	910,317	889,876
Prepaid expenses		50,075	34,424
Investment property	8	12,727	–
Total current assets		2,330,107	2,095,614
Non-current assets:			
Property, plant and equipment – Net	9	860,514	921,840
Investments in shares of associate company		4,381	4,660
Other assets		83,849	74,481
Deferred income taxes – Net	24	27,404	26,035
Intangible assets – Net	12	51,903	52,233
Goodwill	13	405,866	457,605
Total		$ 3,764,024	$ 3,632,468
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Bank loans and current portion of long-term debt	15	$ 61,525	$ 186,306
Trade accounts payable		1,193,008	1,052,840
Other accounts payable and accrued expenses	14	184,525	258,882
Due to related parties	20	9,486	18,017
Income taxes and statutory employee profit sharing		30,494	3,403
Total current liabilities		1,479,038	1,519,448
Non-current liabilities:			
Other long-term accounts payable	14	226,871	294,474
Long-term debt	15	873,988	617,761
Employee benefits		13,460	6,939
Total long-term liabilities		1,114,319	919,174
Total liabilities		2,593,357	2,438,622
Stockholders' equity:			
Contributed capital-			
Capital stock	17	1,089,689	1,088,802
Premium on sale of repurchased stock		52,618	52,618
Earned capital –			
Retained earnings		44,900	40,376
Reserve for repurchase of shares		25,861	41,938
Translation effects of foreign operations		(41,364)	(29,888)
Remeasurement of defined benefit obligation		(1,037)	–
		28,360	52,426
Total stockholders' equity		1,170,667	1,193,846
Total		$ 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, 2014 and 2013

(In thousands of Mexican pesos, except earnings per common share expressed in Mexican pesos)

	Notes	2014	2013
CONTINUING OPERATIONS:			
Net sales	21	$ 6,031,940	$ 4,472,769
Cost of sales	22	(4,980,497)	(3,723,480)
Gross profit		1,051,443	749,289
Operating expenses	23	(856,009)	(593,453)
Consolidated income from operations		195,434	155,836
Financing costs:			
Interest income		12,262	3,601
Interest expense		(112,865)	(63,404)
Exchange loss		(77,177)	(29,636)
		(177,780)	(89,439)
Income before income taxes		17,654	66,397
Income tax	24	13,130	26,844
Consolidated net income		$ 4,524	$ 39,553
Other comprehensive (loss) income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligation		(1,037)	–
Exchange differences on translating foreign operations		(11,476)	(947)
Total comprehensive (loss) income for the year		$ (7,989)	$ 38,606
EARNINGS PER SHARE:			
From continuing operations:			
Basic earnings per common share (in Mexican pesos)		$ 0.0347	$ 0.3076
Weighted average shares outstanding		130,522,049	128,573,424

The accompanying notes are part of the consolidated financial statements.

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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2014 and 2013

(In thousands of Mexican pesos)

	Contributed capital								
	Common stock				Earned capital				
	Nominal	In trust	Premium on sale of repurchased stock	Total	Accumulated deficit	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)	–	–	–
Reduction of share capital	(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
Repurchase of shares	–	–	–	–	–	(16,077)	–	–	(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)	$ 52,618	$ 1,142,307	$ 44,900	$ 25,861	$ (41,364)	$ (1,037)	$ 1,170,667

The accompanying notes are part of the consolidated financial statements.

Consolidated Statements of Cash Flows

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

	Notes	2014	2013
Operating activities:			
Consolidated net income		$ 4,524	$ 39,553
Adjustments for:			
Income tax expense	24	13,130	26,844
Depreciation	9	107,574	60,250
Gain on sale of fixed assets		(4,216)	–
Financing costs recognized in results		112,865	33,464
Investment income recognized in results		(12,262)	(3,601)
Unrealized exchange loss		33,817	1,808
		255,432	158,318
(Increase) decrease in:			
Accounts receivable and recoverable taxes	6	(53,319)	139,514
Inventories	7	(20,441)	17,112
Prepaid expenses		(15,651)	9,633
Other assets		(9,368)	(14,036)
Increase (decrease) in:			
Trade accounts payable		106,351	(298,644)
Other accounts payable and accrued expenses		104,348	(24,234)
Due to related parties	20	(10,526)	2,969
Income taxes paid and statutory employee profit sharing		(35,855)	(14,795)
Net cash (used in) provided by operating activities		320,971	(24,163)
Investing activities:			
Purchase of machinery and equipment		(99,029)	(245,810)
Sale of equipment		35,718	94,491
Acquisition of subsidiaries		(104,601)	(201,776)
Interest collected		12,262	3,601
Investments in shares of associate company		279	–
Net cash used in investing activities		(155,371)	(349,494)
Financing activities:			
Borrowings	15	948,464	169,384
Repayment of loans received	15	(804,555)	(50,000)
Payment on finance lease		(3,990)	(4,929)
Purchase of own common shares		(15,190)	(24,213)
Interest and commissions paid		(121,338)	(30,934)
Proceeds from issuance of common stock		–	134,729
Net cash provided by financing activities		3,391	194,037
Effects of changes in exchange rates on cash held in foreign currency		(25,904)	(947)
Net increase (decrease) in cash and cash equivalents		143,087	(180,567)
Cash and cash equivalents at beginning of year		181,371	361,938
Cash and cash equivalents at end of year		$ 324,458	$ 181,371

The accompanying notes are part of the consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Activities and significant events

Activity

The main activity of Grupo Pochteca, S. A. B. de C. V. and subsidiaries (the "Entity") is the trading of 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, México, D.F.

Significant events

a. ***Refinancing of syndicated debt –*** As mentioned in Note 15 a, 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 Tansportes e Logistica Ltda. and Coremal Química Ltda.(collectively "Coremal"), by acquiring 100% of the shares (see Note 10).

2. Basis of presentation

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 Entity has applied a number of amendments to IFRSs and new interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods beginning on or after January 1, 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*

The Entity has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definitions of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Entity is not an investment entity (assessed based on the criteria set out in IFRS 10 as of January 1, 2014), the application of the amendments has had no impact on the disclosure or the amounts recognized in the Entity consolidated financial statements.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

The Entity has applied the amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set–off' and 'simultaneous realization and settlement'.

As the Entity does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the Entity's consolidated financial statements.

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

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Entity's management determined that these amendments to IAS 19 did not have a significant impact on the Entity's consolidated financial statements.

Annual Improvements to IFRSs 2010–2012 Cycle

The Annual Improvements to IFRSs 2010–2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share–based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non–financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ' similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision–maker.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The application of these amendments did not have a significant impact on the Entity's consolidated financial statements.

Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

The Entity has applied the amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Entity does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognized in the Entity's consolidated financial statements.

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

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

IFRS 9	Financial Instruments[3]
IFRS 15	Revenue from Contracts with Customers[2]
Modificaciones a la IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Modificaciones a la IAS 16 e IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[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, 2017, with earlier application permitted.
[3] 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 2013 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 measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- 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.

Amendments to IAS 16 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.

3. Significant accounting policies

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 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 Entity 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 or loss 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 the Entity's accounting policies:

Subsidiary	Main activity
Pochteca Materias Primas, S. A. de C. V. (1)	Trading of raw materials
Suplia, S. A. de C. V.	Trading of raw materials
Demser, S. A. de C. V. (1)	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 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. (1)	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

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 impact 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 Entity 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. 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.

f. 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.

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 Entity 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 Entity 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 Entity'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.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

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 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. 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.

i. Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost prior to the transition. At transition the land and buildings decided use expert appraisal valuation to value at their fair value which represent the deemed cost of those assets.

Expenditures for property plant and equipment, including renewals and improvements which extend useful lives, acquired subsequent to the transition date to IFRS are capitalized and valued at acquisition cost.

Land is not depreciated. Depreciation is recognized so as to write off the cost or deemed cost of assets. 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 2014 and 2013 are as follows:

	Average years
Buildings	50 and 20
Machinery and equipment	10
Vehicles	4
Office furniture and equipment	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.

j. 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 Entity's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted 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

k. 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.

l. Investment in shares of associated company

The investment in shares of associated company is initially recognized at cost. The participation in Unión de Crédito de la Industria Litográfica, S. A. de C. V. totals 5%; at the transition date, the investment in shares was valued at deemed cost.

m. 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 Entity, liabilities incurred by the Entity to the former owners of the acquire and the equity interests issued by the Entity 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 Entity 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 acquire, 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.

Non–controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non–controlling interests' proportionate share of the recognized amounts of the acquires identifiable net assets. The choice of measurement basis is made on a transaction–by–transaction basis. Other types of non–controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Entity 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 Entity's previously held equity interest in the acquire 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 acquire 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 Entity 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.

n. 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.

o. 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.

p. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Entity 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 Entity 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.

q. 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.

r. 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. 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.

s. 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.

t. 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.

u. 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.

v. 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.

w. 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 centavos per share. During 2008, the Board of Directors approved this capital increase, whereby the Entity's 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.

x. 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. Until December 31, 2013, current income tax was calculated as the higher of the ISR and the Business Flat Tax ("IETU").

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.

As a consequence of the 2014 Tax Reform, as of December 31, 2013 deferred IETU is no longer recognized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

y. 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.

z. 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 Group has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Group 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 Group.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

– Dividend and interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group 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.

aa. Statement of income and other comprehensive (loss) income

The Entity chose to present the statement of income and other comprehensive (loss) income in a single statement, considering a line of operating income in accordance with industry practices. Costs and expenses were classified according to their function. The Entity opted to present the statement of income and other comprehensive (loss) income in a single statement, which includes a line presenting operating income consistent with the industry practices. Costs and expenses were classified according to their function.

bb. Classification of costs and expenses

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

cc. Earnings per share

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

dd. Reserve for repurchase of shares

Shares acquired are shown as a decrease in the fund for repurchase of shares included in the consolidated statements of financial position in the line of retained earnings and are valued at acquisition cost.

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.

Estimates and assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the change is made and future periods if the change affects both the current period and subsequent periods.

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.

5. Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash and banks and investment in money market instruments, net of outstanding banks overdrafts. Cash and cash equivalents at the end of the period is reported as reported in the consolidated statements of cash flows and the consolidated statements of financial position is comprised as follows:

		2014		2013
Cash and bank balances	$	300,769	$	123,213
Investments		23,689		58,158
	$	324,458	$	181,371

6. Accounts receivable and recoverable taxes

		2014		2013
Trade accounts receivable	$	969,144	$	1,061,077
Allowance for doubtful accounts		(54,583)		(90,851)
		914,561		970,226
Recoverable value–added tax (1)		81,945		13,477
Other		30,892		3,103
	$	1,027,398	$	986,806

(1) The balance as of December 31, 2014, includes recoverable taxes associated with operations in Brazil.

The accounts receivable from customers disclosed above are classified as loans and accounts receivable which are valued at their applied cost.

The average credit period granted for sales of goods is 60 days. The Entity does not charge interest on accounts receivable from customers. The Entity has recognized an allowance for doubtful accounts equal to 0.3% of the sales of the last five years. 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, 2014, 71% of accounts receivable from customers which are not overdue or impaired have the best credit rating according to the rating system used by the Entity.

Accounts receivable from customers 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.

a. Aging of accounts receivable past due but recoverable

		2014		2013
60 – 90 days	$	46,087	$	60,264
Greater than 90 days		64,694		8,419
Total	$	110,781	$	68,683

With regard to the balances above, $17,471 in 2014 and $16,600 in 2013, relates to sales to Química Apollo (chemistry industries), Univeler (consumer products), Petróleos Mexicanos (PEMEX) and other companies operating in the oil exploration and drilling sector which have slowed payments during 2014 and 2013. However, according to the Entity, such companies maintain high credit ratings.

b. Change in allowance for doubtful accounts

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

Aging of accounts receivable impaired

	2014	2013
Over 120 days	$ 54,583	$ 90,851

7. Inventories

	2014	2013
Finished goods:		
Coatings, solvents and mixtures	$ 255,544	$ 223,846
Paper	172,668	199,699
Chemicals and plastics	106,903	231,449
Additives for food products	144,282	60,291
Lubricants	225,252	165,419
	904,649	880,704
Allowance for slow moving inventory	(9,169)	(12,386)
	895,480	868,318
Merchandise–in–transit	14,837	21,558
	$ 910,317	$ 889,876

Inventories recognized in cost of sales for inventory consumed during the period in connection with continuing operations was $4,860,470 and $3,553,733 in 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 of the account 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 applicable requirements.

	2014	2013
Land	$ 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 qualifications 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 properties at the book value established at their initial recognition and recognize income only when it is being realized through the sale of the asset.

9. Property, plant and equipment

	Balance at beginning 2014	Additions	Disposals	Reclassifications	Balance 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)	(18,601)	483,994
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)	(34,144)	243,301
Computers	67,770	14,705	(127)	(25,213)	57,135
Equipment acquired under financial leases	93,472	33,836	–	–	127,308
Total investment	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

	Balance at beginning 2013	Additions	Disposals	Assets held for sale	Reclassifications	Balance 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 investment	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. Acquisition of businesses

In 2013, the Entity acquired businesses that were recorded using the acquisition 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

Subsidiaries acquired	Principal activities	Acquisition date	Proportion of shares acquired (%)	Consideration transferred
Mardupol	Purchase and sale of raw materials	February 1, 2013	100%	$ 155,227
Coremal	Purchase and sale of raw materials	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 nationwide and headquarters in Sao Paulo, Brazil. The acquisition price is comprised of an initial payment of MX $49 million, and contingent consideration that is paid through a formula based on attaining certain levels of EBITDA from the years 2014 to 2019 which will be paid over the next five years, because it is guaranteed by the Entity.

b. Consideration transferred

	Mardupol	Coremal
Cash	$ 114,540	$ 442,554
Shares	89,329	–
Effect selling Pochteca Brasil	–	49,903
Less: Claim under the contract	(48,642)	–
Total	$ 155,227	$ 492,457

c. Adjustment to contingent consideration

	Amount
Balance at December 31, 2013	$ 442,554
Payments rendered	(104,600)
Adjustment for remeasurement of contingent liability	(86,739)
Balance at December 31, 2014	$ 251,215

d. Assets acquired and liabilities assumed at the acquisition date

	Mardupol (1)	Coremal	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	195,857	227,756
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 liliabilities			
Borrowings	7,144	90,236	97,380
	$ 66,557	$ 218,563	$ 285,120

(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.

As already mentioned, the measurement of the assets and liabilities assumed as a result of the acquisition of Coremal, was made using information available at the date of issuance of these consolidated financial statements. As of December 31, 2014, an adjustment was recorded for $(86,739), related to the unpaid contingent consideration determined in conformity with the terms of the purchase–price agreement.

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)		(218,563)		(285,120)
Goodwill identified on acquisition		117,155		273,894		391,049
Adjustment for remeasurement of contingent liability		–		(86,739)		(86,739)
Goodwill	$	117,155	$	187,155	$	304,310

f. Cash flows from acquisition of subsidiaries

		Mardupol		Coremal
Consideration paid in cash	$	114,540	$	442,554
Less: cash balances acquired		3,360		28,479
	$	111,180	$	414,075

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 $53,449 and $40,000 for 2014 and 2013, respectively. 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 years 2014 and 2013, respectively. The water treatment sector, where Pochteca already had a presence, was further strengthened by the portfolio of Mardupol, increasing sales by $40,000 and $44,500 for 2014 and 2013, respectively. 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 for 2014 and 2013, respectively.

Generally speaking, sales in the chemicals and plastics segment, which includes the majority of Mardupol's products, increased 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" from the group to which it had sold Pochteca Brasil Ltda. As of December 31, 2013, the net assets disposed amounted to $41,705.

12. Intangible asset

In accordance with the analysis of fair value of assets and liabilities at the date of acquisition of Mardupol, the following intangible assets were identified:

		2014		2013
Supplier relationship	$	51,425	$	51,425
PEMEX relationship		280		560
Noncompete contract		198		248
Balances at end of year	$	51,903	$	52,233

13. Goodwill

		2014		2013
Balances at beginning of year	$	457,605	$	101,556
Additional amounts recognized from business acquisitions that occurred during the year		(51,739)		356,049
Balances at end of year	$	405,866	$	457,605

In 1999, Tenedora Pochteca, S. A. de C. V. (currently the Entity 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 impairment losses of goodwill balances recorded at December 31, 2014 and 2013. Management did not observe any changes in the principal indicators giving rise to a potential goodwill impairment.

14. Other accounts payable and accrued expenses

		2014		2013
Liability from Coremal purchase(1)	$	251,215	$	442,554
Accounts payable		82,021		70,480
Liabilities for purchase of fixed assets(2)		24,283		26,104
Reserves		10,899		9,795
Other account payable		42,978		4,423
	$	411,396	$	553,356
Short–term	$	184,525	$	258,882
Long–term		226,871		294,474
	$	411,396	$	553,356

(1) Short–term $24 million and $148 million, as of December 31, 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 IVA, of which U.S. $250 thousand was paid on June 30, 2013 and U.S. $507 thousand was paid in 2012. Of the remaining balance, U.S. $350 thousand will be paid on July 31, 2014 and U.S. $1,648 thousand on July 31, 2015, which balances are recorded under the heading other accounts payable and accumulated liabilities in the accompanying consolidated financial statements.

15. Bank loans and long–term debt

	2014	2013
Syndicated loan for $610,000 with HSBC (HSBC and Inbursa syndicated debt for $305,000 each one), at TIIE plus a margin of 1.50% to 3.00% depending on the leverage ratio, maturing in 2018.	$ 610,000	$ –
Syndicated loan for $440,000 with HSBC (HSBC and Inbursa syndicated debt for $190,000 and $250,000, respectively), at TIIE plus a margin of 1.50% to 2.50% depending on the leverage ratio, maturing in 2015.	–	440,000
Financial leasing agreement for transportation equipment with Ve por Más, S. A. for $9,275, at TIIE plus 9, maturing in August 2013 and October 2014.	–	2,973
Unsecured loan dated October 23, 2013 for $50,000 with Inbursa, bearing interest at 1.75% above the 28 day TIIE rate, and maturing in 2014.	–	50,000
Vehicle lease agreement with GE Capital México for $69,183 at a fixed rate 3.5816% above the 28 day TIIE rate.	69,183	49,935
Unsecured loan with HSBC for $60,000 (syndicated debt with HSBC and Inbursa for $30,000 and $30,000, respectively), bearing interest at TIIE plus 3%, and maturing in 2015.	–	60,000
Loan with Banco Internacional for US $350,000 bearing interest at 8.5% payable from January 2014 and over the following five months.	–	4,578
Loan with Banco do Brasil for 15,230,768 Brazilian Reales bearing interest at 10.17% maturing in 2017.	23,218	55,486
Financial Leasing with Banco do Brasil for 93,804 Brazilian Reales with 7% annual interest rate maturing in September 2014.	–	450
Financial Leasing with Banco Fidis for 2,264,296 Brazilian Reales with 7% annual interest rate maturing in June 2014.	7,202	8,865
Loan with Banco Itau for 20,097,194 Brazilian Reales bearing interest at 4.53% maturing in March 2015.	41,477	78,557
Financial Leasing with Banco Itau for 2,127,798 Brazilian Reales with 7% annual interest rate maturing in October 2014.	–	7,846
Financial Leasing with IBM 201,098 Brazilian Reales with 14.84% annual interest rate maturing in June 2016.	366	587
Loan with Itaucard for Real 14,061 bearing interest at 16.21% maturing in March 2017.	110	74
Financial Leasing with Mercedes Benz for 94,570 Brazilian Reales with 3.5% annual interest rate maturing in December 2017.	606	117
Financial Leasing with Mercedes Benz for 2,250,488 Brazilian Reales with 8.74% annual interest rate maturing in August 2014.	4,456	8,072
Loan with SAFRA for 1,400,000 Brazilian Reales bearing interest at 10.00% maturing in August 2015.	439	5,234
Financial Leasing with SAFRA for 165,624 Brazilian Reales with 13.92% annual interest rate maturing in August 2016.	–	554
Loan with Santander for 9,695,584 Brazilian Reales bearing interest at 10.25% that beginning in October 2013 and maturing in October 2014.	11,303	33,226
Financial Leasing with Volvo for 35,893 Brazilian Reales with 4.40% annual interest rate maturing in June 2018.	6,311	1,497
Loan with Finimp for 1,429,842 Brazilian Reales bearing interest at 2.38% plus CDI that began in May 2014 and maturing in January 2015.	8,635	–
Loan with Banco Brasil, S. A. for 30,000 Brazilian Reales bearing interest at 5.50% that began in august 2013 and maturing in July 2017.	185	–
Loan with HSBC Banco Multiplo for 24,964,913 Brazilian Reales bearing interest at 3.70% plus CDI that began in October 2013 and maturing in August 2018.	162,150	–
Loan with Anymore for 36,782 Brazilian Reales bearing interest at 2.50% plus CDI that began in November 2013 and maturing in August 2015.	199	–
Loan with Banco City de Costa Rica, S. A. for 107,331,140 colones bearing interest at 6.84% that began in April 2014 and maturing in August 2015.	2,606	–
Revolving credit line with Interbanco for US $107,465 bearing interest at 8.50% beginning in September 2014 and maturing in March 2015.	1,584	–
Financial Leasing. With Votorantim for 1,247,161 Brazilian Reales with 12.51% annual interest rate maturing August 2016.	2,391	4,266
Bank loans	952,236	812,317
Less – Commissions paid unamortized	(16,723)	(8,250)
	935,513	804,067
Less – Current portion	61,525	186,306
Long–term debt	$ 873,988	$ 617,761

The amount of TIIE and LIBOR as of December 31, are as follows:

	2014	2013
TIIE	3.320%	3.790%

a) *Refinancing of syndicated debt* – As mentioned in Note 15 a, 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) reinstate the date of maturity of the loan 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 loan 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 loan refinancing, HSBC and Inbursa required the payment of the accrued outstanding interest and principal as of that date so that the Lenders could again make the loan of $610,000 to the borrowers.

b) 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 significant of which 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 Januarya 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 (UAFIDA for initials in Spanish) of the immediately preceding year.

c) 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 (UAFIDA) of the immediately preceding year.

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

Year ended as of December 31,	Amount
2016	$ 105,081
2017	120,445
2018	648,462
	$ 873,988

16. Employee benefits

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

17. Stockholders' equity

I. During the Stockholders' Ordinary and Extraordinary General Meeting of August 30, 2013, the following resolutions were adopted:

- 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 flows, 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.

II. During the Stockholders' Ordinary and Ordinary General Meeting of January 11, 2013, the following resolutions were adopted:

- Amendments to 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.

III. 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.

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

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

V. 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.

VI. 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:

		2014		2013
Cash and cash equivalents	$	324,458	$	181,371
Debt		952,236		812,317
Net debt		627,778		630,946
Stockholders' equity		1,170,667		1,193,846
Index of net debt and equity		53.63%		52.85%

The debt includes long–term debt and current portion.

Categories of financial instruments

		2014		2013
Financial assets:				
Cash	$	324,458	$	181,371
Loans and account receivable		1,082,605		1,006,665
Financial liabilities:				
Liabilities at amortized cost	$	2,364,878	$	2,170,201

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 reales 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, 2013 and 2012 would have been adversely affected by the amount of $18,126 and $20,282, 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 reales 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, 2013 and 2012, represent approximately 100% and 100%, respectively, 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:

	2014	2013
Total debt at variable rates	$ 952,236	$ 812,317
Variable interest expense	77,696	33,464
Financial cost of debt percentage	8.16%	4.12%
Sensitivity to + 100 base points	87,225	41,591
Sensitivity to –100 base points	68,180	25,344

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, 2014 and 2013 is as follows:

	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	184,525	54,357	172,514	$ 411,396
Related parties	9,486	–	–	9,486
	$ 1,448,544	$ 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	$ 603,273	$ 14,488	$ 804,067
Suppliers	1,052,840	–	–	1,052,840
Other account payable	258,882	139,010	155,464	553,356
Related parties	18,017	–	–	18,017
	$ 1,516,045	$ 742,283	$ 169,952	$ 2,428,280

19. Financial derivatives

The Entity 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 $10,921,734.

As of December 31, 2014, 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	HSBC	August 28, 2014	August 28, 2018	CDI +.35%	25,000,000	$ (18,043)
Exchange rate option	HSBC	August 25, 2014	September 25, 2015	2.60 BRL/USD	10,921,799	$ 16,536

The Entity has designated the aforementioned financial derivatives under the fair value model (currency swaps) and cash flow hedges (exchange rate option), per the terms permitted by international accounting regulations, 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, 2014, 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, 2014, 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:

	2014	2013
Mexichem Flúor, S.A. de C.V.	$ 4,996	$ 2,186
Mexichem Resinas Vinílicas, S.A. de C.V.	136	947
Mexichem Soluciones Integrales, S.A. de C.V.	–	4
	$ 5,132	$ 3,137

b. Balance due to related parties are:

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

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

	2014	2013
Mexichem Derivados, S.A. de C.V.:		
Sales	$ 481	$ 144
Purchases	(927)	(10,207)
Quimir, S.A. de C.V.:		
Sales	1,608	1,075
Purchases	(39,430)	(166)
Mexichem Fluor, S.A. de C.V.:		
Sales	10,822	9,436
Purchases	(1,539)	(76)
Mexichem Resinas Vinílicas, S.A. de C.V.:		
Sales	995	4,965
Mexichem Soluciones Integrales, S.A. de C.V.:		
Sales	92	356
Mexichem Compuestos, S.A. de C.V.:		
Sales	2,704	2,890
Purchases	(7,415)	(12,323)
Mexichem Servicios Administrativos, S.A. de C.V.:		
Administrative services paid	(2,158)	(8,600)
Kaluz, S.A. de C.V.:		
Administrative services paid	–	(963)
	$ (34,767)	$ (13,469)

21. Net sales

		2014		2013
Coatings, solvents and mixtures	$	1,538,143	$	1,293,417
Paper		589,924		673,778
Chemicals and plastics		2,664,912		1,370,235
Additives for food products		514,525		402,794
Lubricants		724,436		732,545
	$	6,031,940	$	4,472,769

22. Cost of sales

		2014		2013
Inventories consumed	$	4,860,470	$	3,553,733
Freight		99,911		84,912
Other		20,116		84,835
	$	4,980,497	$	3,723,480

23. Operating expenses

		2014		2013
Payroll	$	452,779	$	359,704
Depreciation		107,574		60,250
Operations		78,989		47,274
Leasing		44,898		31,927
Telephone and systems		26,400		24,008
Maintenance		20,997		21,687
Fees		72,627		20,348
Other		51,745		28,255
	$	856,009	$	593,453

24. Income taxes

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU. Therefore, the income tax payable was the higher between ISR and IETU through 2013.

ISR –The rate was 30% in 2014 and 2013 and as a result of the new 2014 ISR law ("2014 Tax Law"), the rate will continue at 30% thereafter.

IETU – IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%.

Based on its financial projections, the Entity determined that it will basically pay ISR. Therefore, it only recognizes deferred ISR.

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 expense are as follows:*

		2014		2013
ISR:				
Current	$	8,742	$	13,747
Deferred		4,388		13,097
	$	13,130	$	26,844

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

		2014		2013
Deferred ISR asset:				
Tax loss carryforwards	$	8,407	$	5,081
Accrued expenses		31,545		35,684
Deferred ISR asset		39,952		40,765
Deferred ISR liability:				
Property, plant and equipment		(6,455)		(10,203)
Other assets		(5,090)		(3,524)
Inventories, net		(1,003)		(1,003)
Deferred tax liability		(12,548)		(14,730)
Net Deferred ISR asset	$	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:*

	2014	2013
Statutory rate	30%	30%
Add the effect of permanent differences mainly nondeductible expenses	39%	14%
Add (deduct) – effects of inflation	5%	(4%)
Effective rate	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, 2014, are:

Year of expiration	Tax loss carryforwards
2021	$ 16,103
2024	11,920
	$ 28,023

25. Operations that did not affect cash flows

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 receivable due from Agropur Lacpur, S. A. de C. V. At the date of the payment in kind the balance of the account receivable 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.

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

On December 31, 2013, the Entity concluded the acquisition agreement with COREMAL. The acquisition price is composed of an initial payment of MX $49 million, and a contingent consideration that is realized through a formula based on attaining certain margins of EBITDA from the years 2014 to 2019 which will be paid over the this five year period, in the amount of $251,215 each year.

On June 25, 2012, the Entity acquired the lubricants plant of Shell in Mexico, located in the city of León, Guanajuato for US$2,539 thousands, plus IVA, of which, US$350 thousands was paid on June 30, 2014, US$250 thousands was paid in 2013, and US$507 thousands in 2012. Of the remaining US$1,648 thousands will be paid on July 31, 2015, which are recorded in the heading other accounts payable and accumulated liabilities in the accompanying consolidated financial statements.

26. Commitments

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

Year	Amount
2015	$ 31,309
2016	26,780
2017	16,275
2018	14,317
2019	13,791
2020 and thereafter	28,259
	$ 130,731

27. Business segment information

Business segment information of the Entity is as follows:

	December 31, 2014					
	Coatings, solvents and mixtures	Paper	Chemicals and plastics	Additives for Food products	Lubricants	Total consolidated
Statement of income:						
Net sales	$ 1,538,143	$ 589,924	$ 2,664,912	$ 514,525	$ 724,436	$ 6,031,940
Depreciation	$ 27,431	$ 10,521	$ 47,526	$ 9,176	$ 12,920	$ 107,574
Operating income	$ 49,836	$ 19,113	$ 86,342	$ 16,671	$ 23,472	$ 195,434
Finance costs	$ 45,334	$ 17,387	$ 78,543	$ 15,165	$ 21,351	$ 177,780
Consolidated net income	$ 1,154	$ 442	$ 1,999	$ 386	$ 543	$ 4,524
Balance sheet:						
Total assets	$ 971,267	$ 372,509	$ 1,637,902	$ 324,898	$ 457,448	$ 3,764,024
Total liabilities	$ 672,747	$ 258,018	$ 1,120,701	$ 225,040	$ 316,851	$ 2,593,357
Statement of cash flows:						
Operation activities	$ 81,847	$ 31,391	$ 141,805	$ 27,378	$ 38,550	$ 320,971
Investment activities	$ (39,619)	$ (15,195)	$ (68,643)	$ (13,253)	$ (18,661)	$ (155,371)
Financing activities	$ 865	$ 332	$ 1,498	$ 289	$ 407	$ 3,391

	December 31, 2013					
	Coatings, solvents and mixtures	Paper	Chemicals and plastics	Additives for Food products	Lubricants	Total consolidated
Statement of income:						
Net sales	$ 1,293,417	$ 673,778	$ 1,370,235	$ 402,794	$ 732,545	$ 4,472,769
Depreciation	$ 18,396	$ 8,568	$ 17,904	$ 5,618	$ 9,764	$ 60,250
Operating income	$ 47,582	$ 22,161	$ 46,309	$ 14,531	$ 25,253	$ 155,836
Finance costs	$ (25,864)	$ (13,473)	$ (27,400)	$ (8,054)	$ (14,648)	$ (89,439)
Consolidated net income	$ 11,438	$ 5,958	$ 12,117	$ 3,562	$ 6,478	$ 39,553

	December 31, 2013											
	Coatings, solvents and mixtures		Paper		Chemicals and plastics		Additives for Food products		Lubricants		Total consolidated	
Balance sheet:												
Total assets	$	1,050,654	$	547,316	$	1,113,054	$	327,193	$	595,054	$	3,633,271
Total liabilities	$	723,771	$	351,220	$	733,918	$	230,286	$	400,230	$	2,439,425
Statement of cash flows:												
Operation activities	$	(6,987)	$	(3,640)	$	(7,402)	$	(2,176)	$	(3,958)	$	(24,163)
Investment activities	$	(63,195)	$	(32,920)	$	(197,908)	$	(19,680)	$	(35,791)	$	(349,494)
Financing activities	$	56,111	$	29,230	$	59,443	$	17,474	$	31,779	$	194,037

28. Approval of the issuance of consolidated financial statements

On April 14, 2015, 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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