integrated report

2015

Mexichem®

RESILIENCE

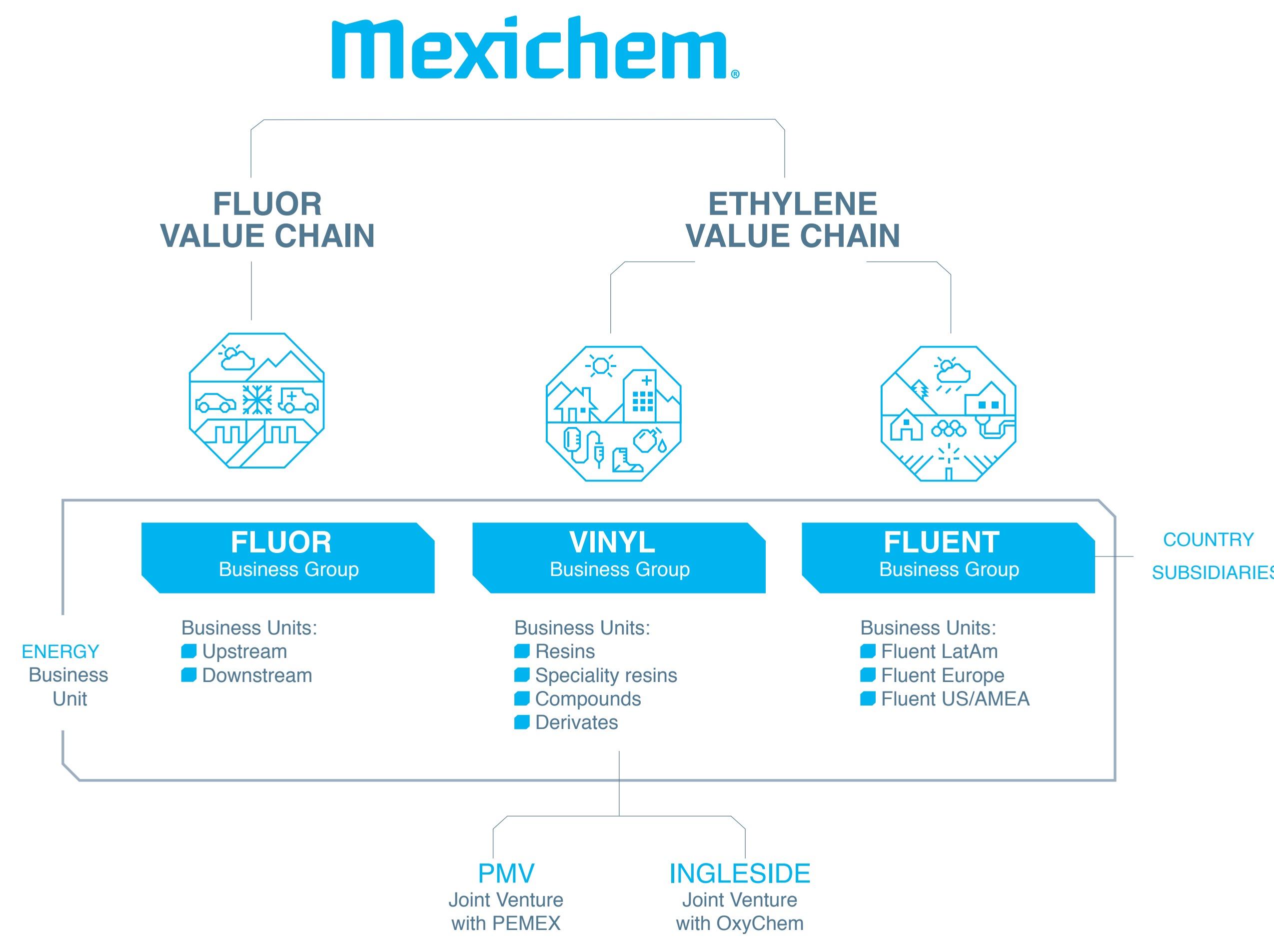
Mexichem is a leading provider of products and solutions across multiple industries, from petrochemical to construction, infrastructure, agriculture, healthcare, transportation, telecom and energy, among others. It is one of the world's largest producers of plastic pipes and fittings and one of the largest chemical and petrochemical companies in Latin America.

Built upon a global footprint, it employs over 18,000 people in more than 30 countries where it owns over 120 production plants, 2 fluorspar mines, 8 training academies and 16 research and development laboratories, generating sales of more than US$5.7 billion per year.

With over 50 years of history and more than 30 years trading on the Mexican Stock Exchange, Mexichem has a business model of vertical integration and strategic acquisitions, which enables it to offer raw materials, proprietary technology and global competitiveness.

As a result, Mexichem offers a broad range of value added ingredients and finished products that contribute to its clients success and ultimately improve the quality of life for people around the world.

Along with its long-standing commitment to good citizenship, Mexichem delivers Total Value to customers, employees and investors worldwide, every day.



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear fellow shareholders,

As chairman of the board of Mexichem, I have three main jobs: to ensure that your company has the best management team possible; to define a strategy—in partnership with management and the board—that will deliver value to you over the long term; and to implement world class corporate governance practices that will safeguard your investments.

In that spirit, this letter will focus on the evolution of our strategy in an increasingly complicated global scenario and on key changes in corporate governance. I am confident that, in Antonio and his team, we have the management we need for Mexichem to successfully execute the strategy we have agreed upon. His letter will detail our strong 2015 performance, our investment plans and priorities, and our expectations for 2016.

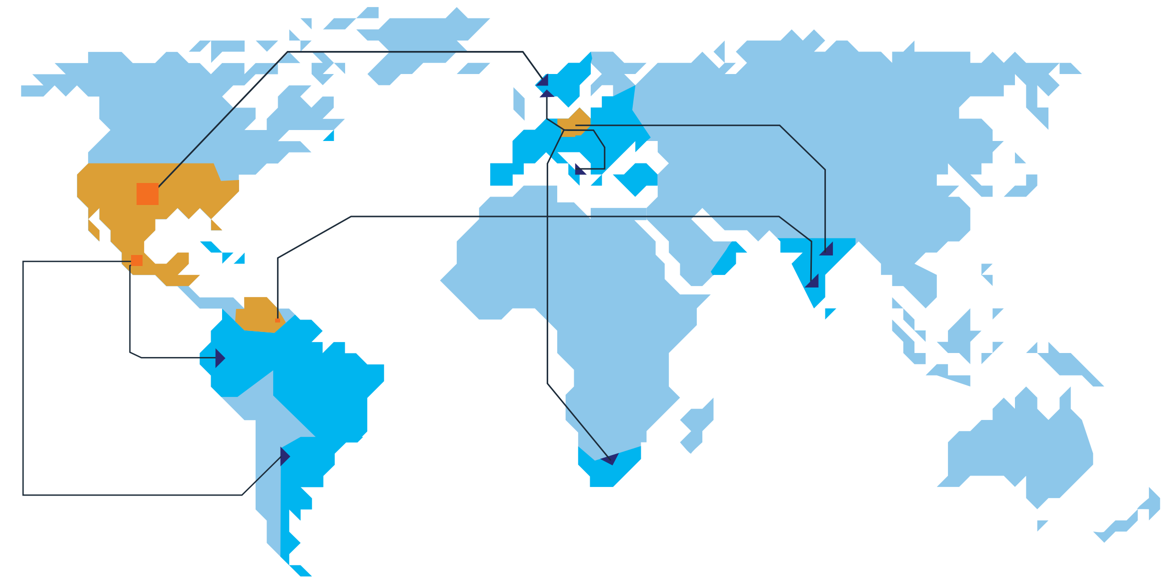
Our strategy

In Roman mythology, Janus was worshipped as the god of beginnings (which is why our calendar begins with a month called January) as well as of transitions. He was typically depicted with two faces, looking in opposite directions. In a way, that image applies to Mexichem, since we are now at a transition point in our evolution from a company producing commodity products to an integrated, global producer investing in and operating across our industry's value chain in markets around the world.

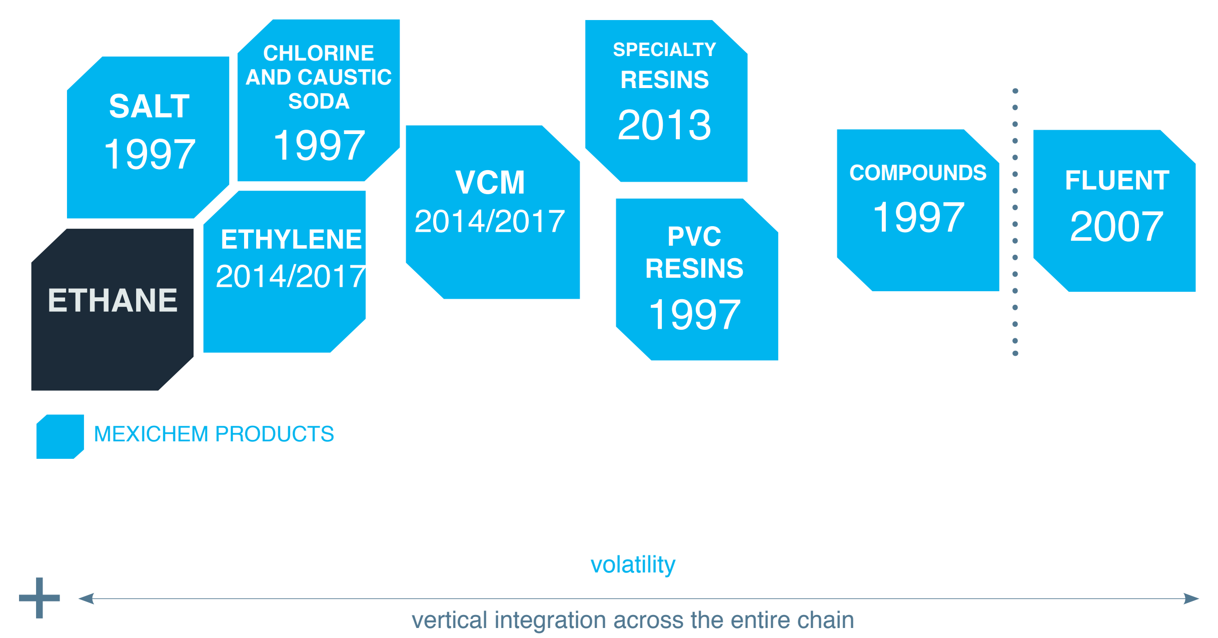
Vinyl

The essence of our Vinyl business strategy is simple: transforming cheap, plentiful natural gas liquids into plastics, mainly in North America, and then producing and distributing value added products worldwide throughout the world.

Mexichem



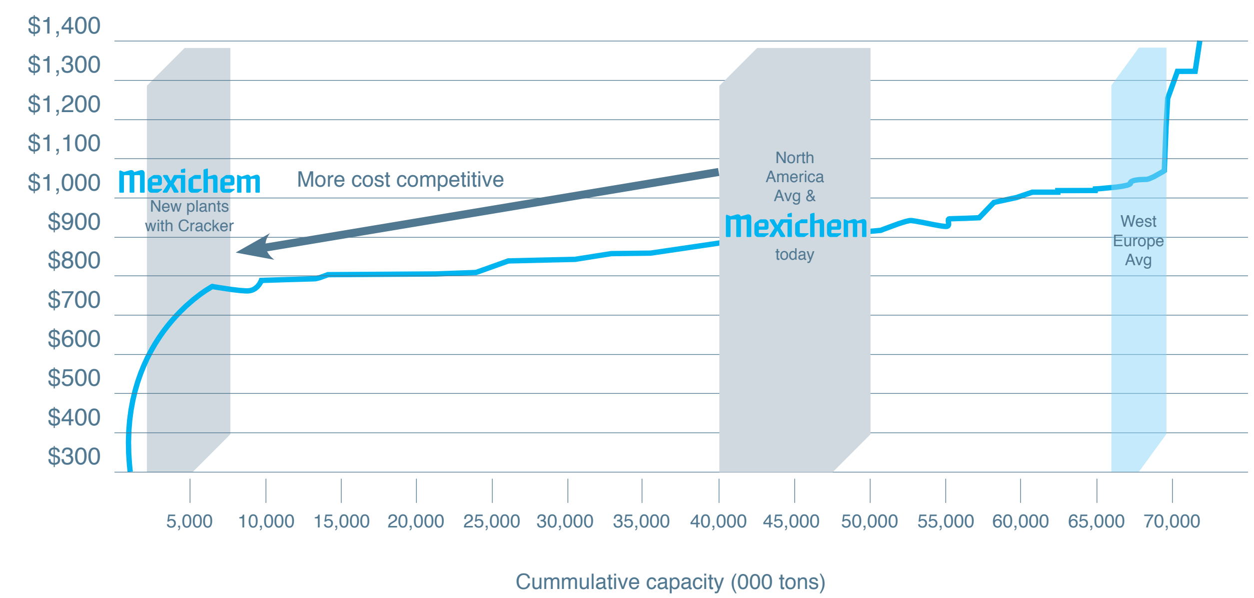
Over the last several years, we have invested heavily in building this platform. By 2017 Mexichem will be partially integrated across the Vinyl business group, from ethane and salt to transformed products, mainly pipes and fittings.



The key to the transition will be the completion of our Ingleside, Texas cracker joint venture with OxyChem. The impact is captured in the chart below, which shows accumulated capacity in all the plants in the world (horizontal axis) against the cost per metric ton of production of each plant (vertical axis). Today, our plants are primarily at the mid-range in terms of cost. Once the cracker is operating, however, our plants should be more competitive than 80% of our peers (as shown in the movement downward and to the left in the graph). That low-cost position should allow us to improve utilization rates for several years, since high barriers to entry and industry consolidation are likely to discourage major new investments by our competitors.

ESTIMATED PVC GLOBAL SUPPLY COST CURVE

Cash cost per ton



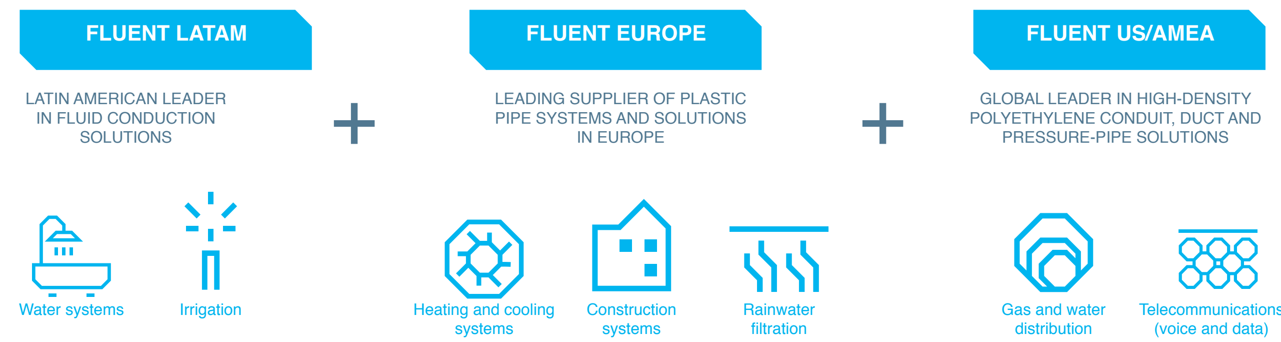
Source: Mexichem's internal analysis. Each point of the curve represents a plant of the global PVC production.

Fluor

The strategy for our Fluor Business Group is similar to that of our Vinyl Business Group. In this case, we are already uniquely positioned as the world's best integrated producer. We have more fluorspar reserves, with the lowest extraction costs. In the downstream business, our fluorocarbons in North America, Europe and Asia have been affected by Chinese imports and further integration will be tougher. But we are optimistic that our upstream advantages will eventually allow us to complete the value chain. In the short term, we are also very optimistic about the potential of fluoro compounds in industries like cement.

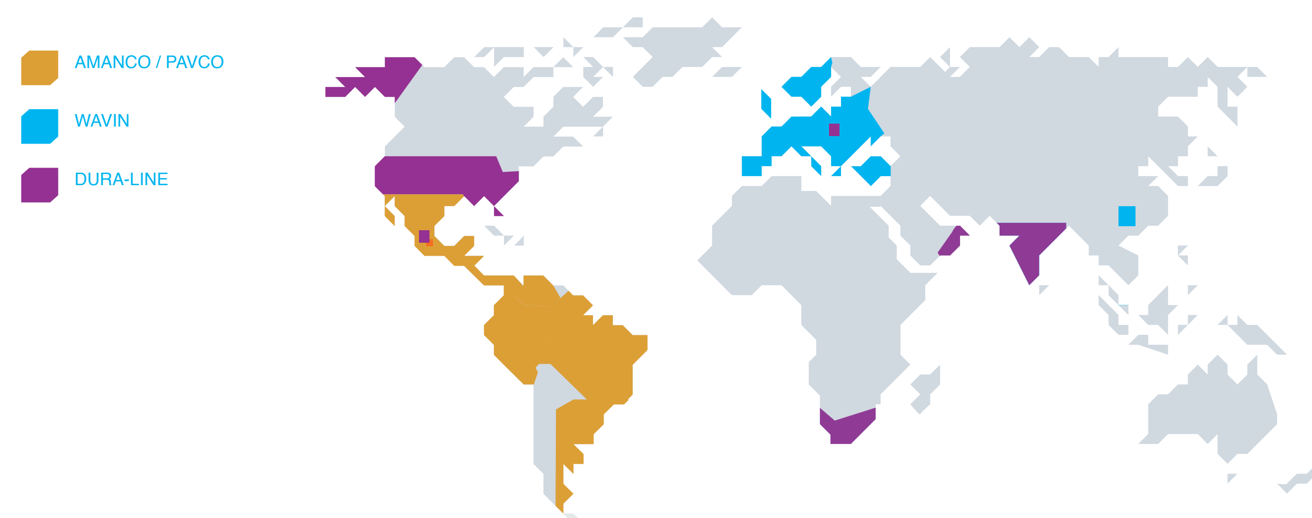
Fluent

Through Fluent, we have built a global platform with local leaders who can access millions of clients in more than 30 countries. Combined with our strong position in Vinyl and Fluor, we are uniquely positioned to manage the ebb and flow of demand across economic cycles, create sales synergies between business units, and innovate and expand our portfolio of products where it makes sense. Also, as the map below shows, there is exiting potential in Asia and Africa.



FLUENT'S GEOGRAPHIC FOOTPRINT

MAJOR BRANDS BY REGION



In short, I believe we are positioning Mexichem for a sustained period of growth and profitability. However, in today's world of constant change, even the best strategy must be closely monitored and adapted to changing realities. We are obsessed with staying competitive and client-focused and generating as much cash flow as possible to take advantage of organic and non-organic opportunities. This means we cannot afford complacency—even when our results are good, and our balance sheet strong and our outlook even better.

The challenges and opportunities come from many directions. As we have recently seen, structural changes in demand and supply dynamics can alter raw material prices radically and unpredictably. New mines may be discovered and developed, while technological advances can produce new materials and products. Technology is a two-edged sword: even as we harness it to make our own processes more efficient and innovative through tools like e-learning, e-marketing and others, cyber-security looms as a real and growing threat to the integrity of our business.

Moreover, shifting geopolitics can create opportunities or threats. For example, China, a still emerging superpower, will inevitably alter the course of global markets, for better or for worse.

Closer to home, North America offers an almost unique combination of higher growth and lower risk in the foreseeable future; indeed, that is why we are in the process of investing more than $1.2 billion between 2013 and 2017 in various projects in Mexico and the United States. However, both countries also face challenges arising from growing populism, economic disparities and pressing infrastructure shortages that could sap their potential.

Frankly, I do not believe we will discover a "new normal." Perhaps the best we can hope for is a "new abnormal"—and to recognize that coping with turbulence will be our permanent challenge.

MEXICHEM'S NORTH AMERICAN FOOTPRINT

40 sites
47 plants
02 fluorspar mines
08 R&D labs
>5,000 employees
39% Total Mexichem sales, or USD2.2 billion

Corporate governance

With the recommendation of Mexichem´s audit and corporate practices committee, your board has approved significant changes to our governance structure. At our upcoming shareholders' meeting I will propose the following:

- Downsizing the board from 16 directors and 9 alternate directors to 11 directors and no alternates;
- Assuring that at least five board members are independent;
- Adding a tax and finance committee to the existing audit and corporate practices committees; and
- Charging the Corporate Practices Committee with finding the best possible directors and to ensure that the board includes women as well as men.

These changes are designed to make the board's work more efficient, to increase directors' engagement with the company, and to ensure that the board continually evolves alongside Mexichem.

Of course, Mexichem would not be where it is today without the extraordinary dedication and wise advice of the directors and alternates who have served our company over the past fourteen years.

Thank you, on behalf of all your fellow shareholders.

I also want to recognize and thank our employees for their ongoing commitment, leadership and loyalty. It is their values, capabilities, and experience that will allow us to realize the great potential that lies ahead.

Finally, I began this letter discussing the ongoing evolution of our strategy and our company. We are at a turning point. Although many of the key pieces are now in place, this transformation will only be fully realized only over the next fifteen years. However, like Janus, I think all of us—directors, management, employees, shareholders and other stakeholders—can now look forward to a robust and profitable future.

Juan Pablo del Valle
Chairman of the Board of Directors

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER G4-1

Dear Shareholders,

At the outset of the year 2015, we knew we were bound for some major challenges, as we sought to move forward with our new business model, carry out the major investments that would help anchor our strong market position, and deliver solid financial results.

The environment, of course, turned out to be even tougher than expected. Volatility increased significantly in our markets. We saw major declines in prices of our products and raw materials, sharp currency movements, and difficult economic conditions in economies where Mexichem has a major presence.

I am pleased to report that we met our goals, despite these external challenges. Our financial results were in line with our targets. And, equally important, our performance in a volatile environment validates Mexichem's business model. Through a relentless emphasis on locking in our competitive position in terms of raw materials and manufacturing costs, while vertically integrating into products and markets that are less vulnerable to sudden changes in prices, we were able to continue to grow profitably with reduced volatility.

Let me summarize the main achievements of 2015:

Before we discuss our 2015 results and outlook for the year, I would like to begin by extending Mexichem's deepest sympathy and condolences to everyone affected by the recent accident at the PMV plant joint venture in Coatzacoalcos. Our thoughts and prayers go out to the 32 victims who lost their lives, as well as to their families and the community. In the safety section of this report we provide a more detailed summary regarding this tragic event.

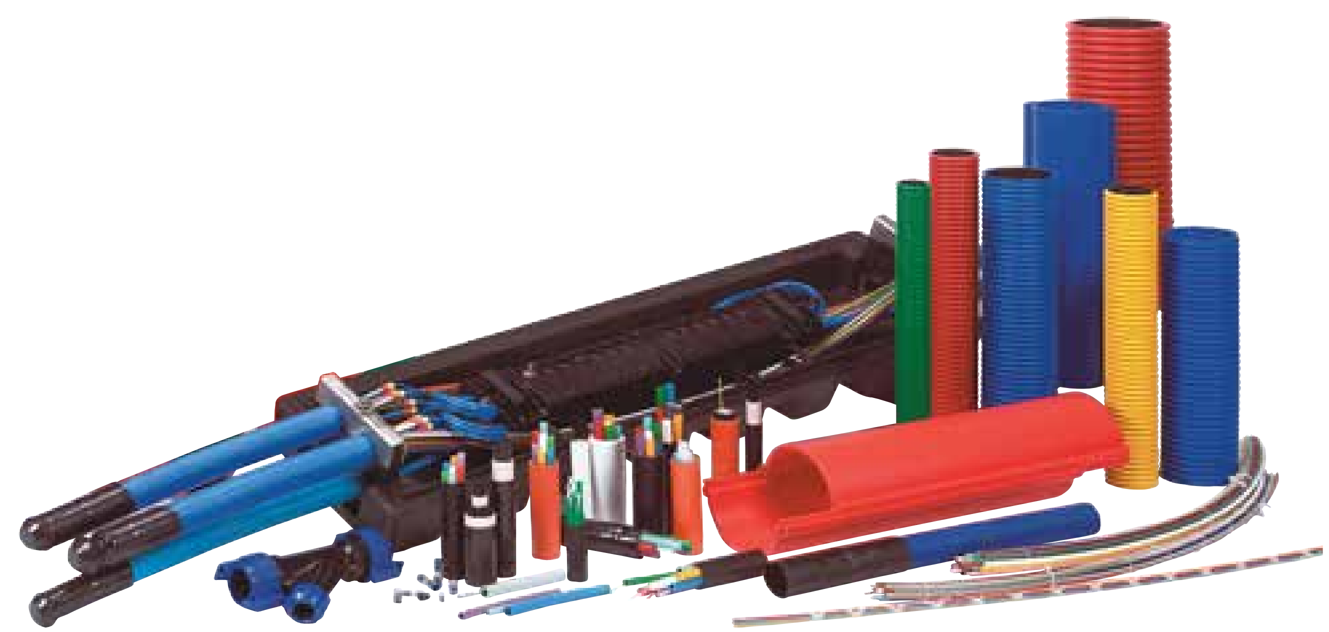
We achieved double-digit growth in both EBIT and EBITDA in dollar terms, despite the impact of exchange rate movements. We improved margins in the Vinyl and Fluent business groups and kept them steady in the Fluor business group. These accomplishments, together with our initiative to improve working capital management across the organization led to record operating cash flow before capex in 2015. We needed that strong internal cash generation in order to fund our investment commitments for the Ingleside ethylene cracker in Texas. This strong cash flow performance made it possible to meet our goal of reducing the net debt to EBITDA ratio to less than two times by the close of 2015, despite a record amount of capital investment in the year.

We owe these successes to the dedicated work of our employees around the world and above all to our local management teams in every country where we operate. The key elements of the new corporate culture we are instilling are local operational independence and accountability. This allows for agile, flexible decision-making.

This approach has already borne fruit in our European businesses. We continued the positive trend in margins that began when Fluent Europe started up in 2013. This independence has also been a key factor in the successful integration of Dura-Line and Vestolit, which were acquired in 2014. Through this new culture, we realized significant economic, operational, and commercial synergies in both subsidiaries.

Also in 2015, we launched a new corporate identity for Mexichem, and new global policies for aligning our various brands across the entire organization.

The new culture we have developed in recent years is also making us a safer company. In 2015, incapacitating workplace injuries fell by more than 30%. I am proud to report that we have achieved our goal of reducing accidents by 50% compared to 2012, a full year ahead of schedule.



Finally, we demonstrated great discipline in executing our strategic investments. The construction of the Ingleside, Texas ethylene cracker remains on schedule and within budget.

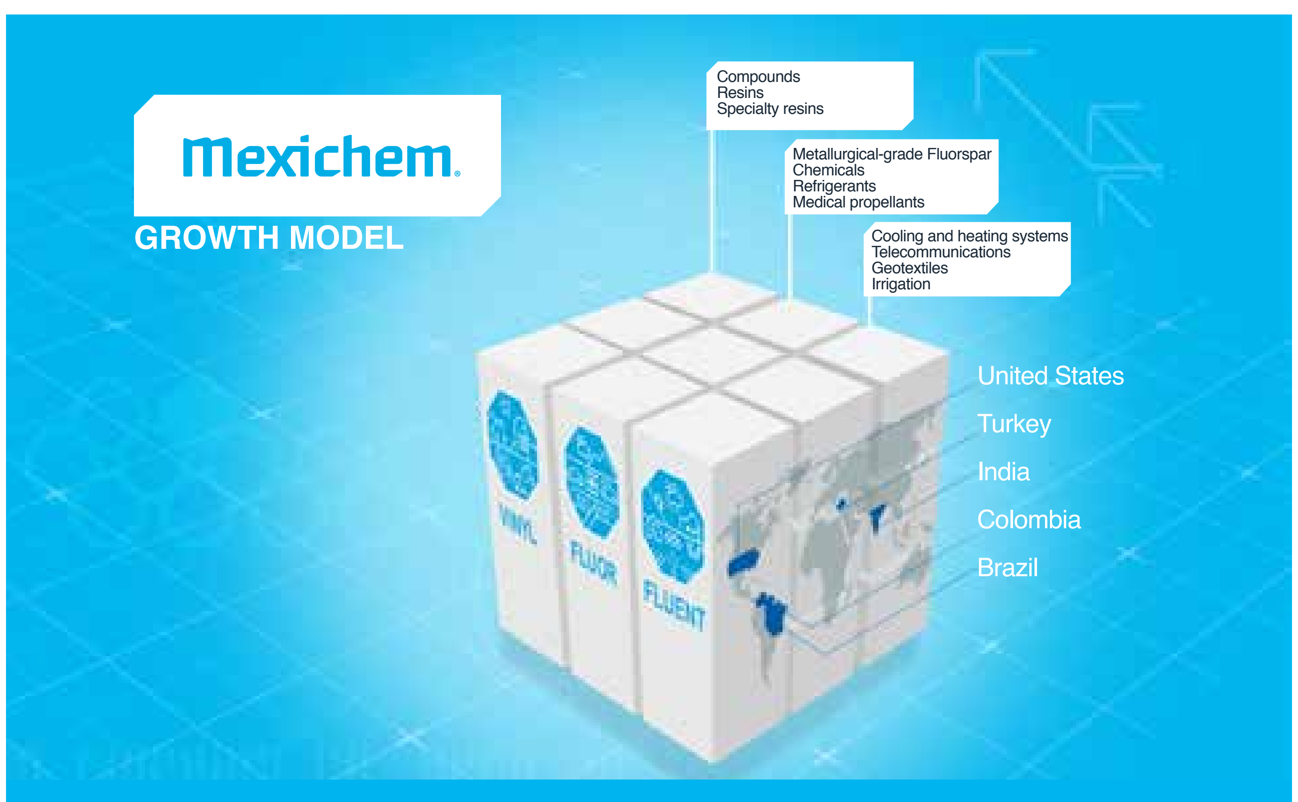
In short, in 2015 Mexichem reaped solid financial results in a highly complex environment, while making significant inroads toward its long-term objectives. The coming year should see the conclusion of a transformational cycle of investments and the consolidation of our strategic projects. Our priorities for 2016 are very clear.

First and foremost is achieving short-term financial results. Mexichem must demonstrate that we can achieve organic growth in dollar terms and continue to improve operating margins, even in the face of the current global macroeconomic environment. The strong dollar, low commodity prices and weak demand, as well as economic slowdowns in China and other key markets are all obstacles that must be overcome. We must also continue to generate high levels of operating cash flow before capex, in order to fund our investment program. We need to complete the investment in the Texas ethylene cracker, and the construction or expansion of several plants that will contribute to organic growth in the future.

I am confident that we will meet all these objectives.

The second priority is to bring our upstream investments up to full capacity. We will begin the start-up tests of the Ingleside ethylene cracker in Texas this year with a view toward starting commercial production by early 2017.

Third, we are launching a new business model in the Fluor business, to sell solutions to the cement industry instead of just selling minerals. Once we complete the testing phase at various cement plants, we hope to begin building volume by 2017.



Fourth, we are transitioning from an intensive focus on EBITDA, to making a strategic priority out of increasing returns on invested capital ROIC and on equity (ROE). We are implementing a new approach at Mexichem, and adopting the same methods that we used to improve safety, reduce working capital usage, and increase margins. I am confident that, by making it a management priority and aligning the compensation system with this goal, we will generate and maintain increasingly high returns for our shareholders.

Our final priority is to continue strengthening Mexichem's culture of decentralization, giving our local managers full authority to act within the parameters of our strategy and the company's policies and making them responsible for delivering results. This is particularly true in the Fluent division, where we have appointed a new President. We will continue to strengthen the culture of safety throughout the organization, with a focus on work processes.

In addition to these specific objectives for the year, we are undertaking two high-level reviews of Mexichem strategy in terms of organic growth and sustainability, which will give us a detailed road map for pursuing these goals in the medium term.

To this end, we have begun a product-by-product and unit-by-unit analysis of the opportunities for using the geographic platform the company has built and promoting the growth of our entire range of products across multiple markets in order to increase organic growth rates. This initiative will be rolled out in five pilot countries during the second half of 2016, and with that experience we expect to roll out the project company-wide in 2017.

Additionally, we will review our objectives in the area of Sustainability. We have made major progress in meeting the goals set in 2012, particularly in the area of workplace safety. Since then, however, both Mexichem and the interests of our stakeholders have evolved significantly. With this in mind, we hired a global firm to survey our main stakeholders in order to establish new goals more in line with the realities that we at Mexichem are building. This work should be completed in 2016 and when the time comes we will publish our new targets.

This is an ambitious agenda, and will only be possible through the efforts and dedication of Mexichem's more than 18,000 employees. Focusing all of their efforts on solving customer problems, using all the capacities this company offers, empowering local operations, operating with agility and efficiency, being careful of costs, and focusing on improving returns -- I am confident that Mexichem will have an excellent year in 2016 and in the years to come.

Finally, I am also grateful for the unceasing support we have received from our shareholders, suppliers, customers, joint-venture partners, and financial institutions.

Sincerely,

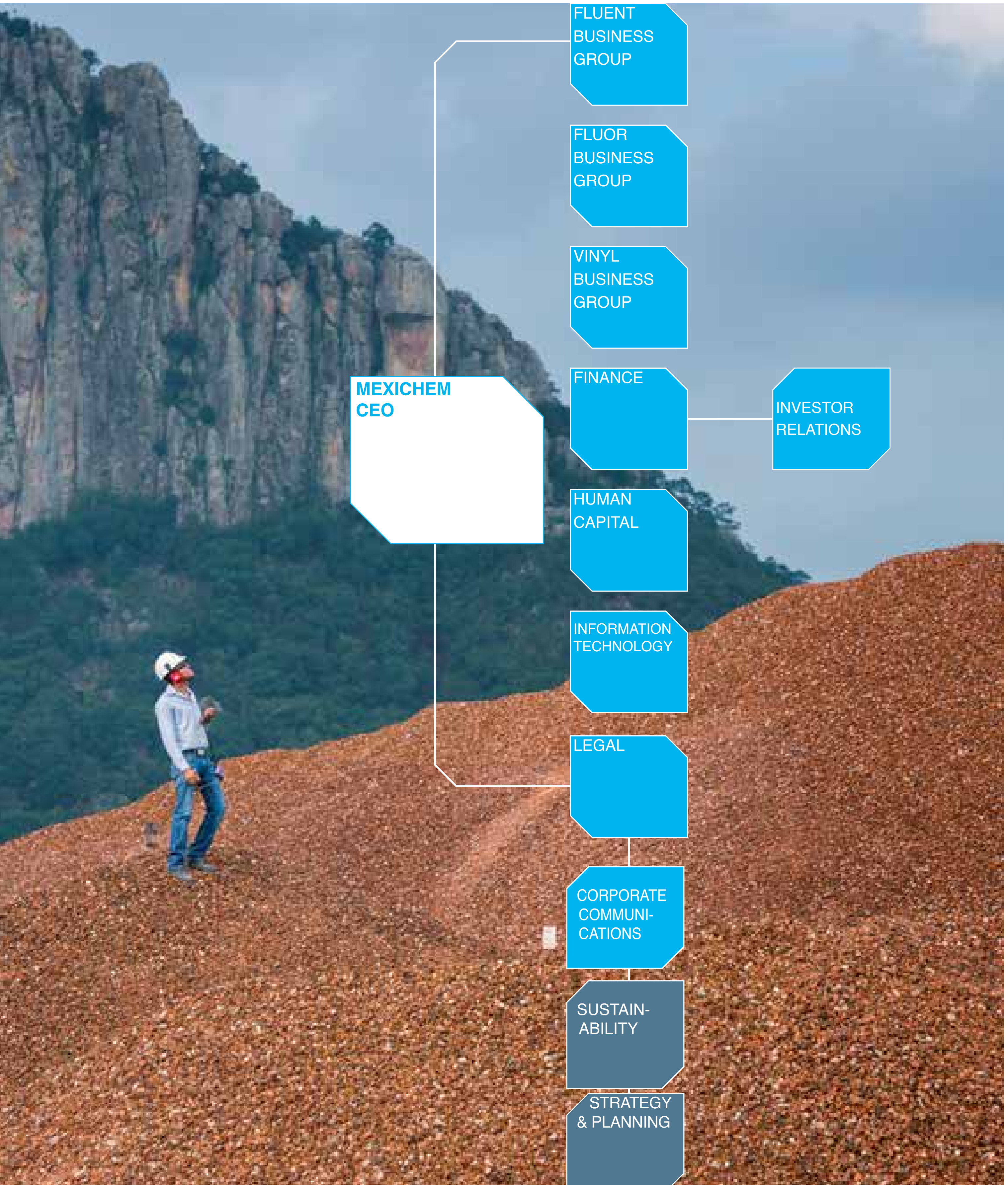
Antonio Carrillo
CEO Mexichem

01.

MEXICHEM PROFILE AND STRATEGY

LEADING SUPPLIER OF PRODUCTS AND SOLUTIONS ACROSS MANY INDUSTRIES

OPERATING STRUCTURE



In 2015, Mexichem changed the designations and names of certain operating segments to more precisely reflect the way in which the Company is organized, and to broaden the scope of their operations.

WHY ETHYLENE?

Ethylene is the key raw material for producing PVC, and therefore, the bridge to complete the vertical integration between the Vinyl and the Fluent Business.

WHY VINYL?

To simplify communication about the chemical process is at the root of the Vinyl business group, whose main finished product is PVC resin.

WHY FLUENT?

To have a more descriptive name for the business linked to the image of something that "flows", like water, gas, electricity and data, key markets served by Mexichem products.

Mexichem has experienced significant growth over the past several years, evolving from a regional chemical and mining company into a leading global player serving the petrochemical, construction and infrastructure sectors, among others.

Throughout the Company, from its business model to it organizational structure, from the markets it serves to the products it offers, Mexichem has made a commitment to responsible corporate citizenship.

As Mexichem continues to grow and expand its global footprint, the Company is committed to remaining a responsive, aligned and empowered organization.

Ethylene, Value chain

This chain incorporates two business units: Vinyl and Fluent. The final applications of these business groups are present in plastic products, polymers, fibers and elastomers, among others.

Ethylene is the raw material of this value chain, and a product that is considered the backbone of the global petrochemical industry because of the many products that can be made from it, including vinyl chloride monomer, which in turn is the raw material out of which PVC (poly vinyl chloride) is made, and used in countless products we use every day.

To secure a reliable supply at highly competitive costs, Mexichem established two joint ventures for ethylene production: the first in the city of Coatzacoalcos, in the state of Veracruz, Mexico, with Pemex Ethylene; and the second with OxyChem, one of the world's leading companies in this industry, to build an ethylene cracker in Ingleside, Texas.

Ethylene is a gaseous, colorless and flammable hydrocarbon that is obtained by cracking the ethane from natural gas or light gasoline--known as naphtha--and applying high temperatures of more than 1,000˚C.

Vinyl, business group

Mexichem extracts salt, the material that lies at the root of the Vinyl business group: by injecting water into a saline dome and turning it into brine which is then separated into chlorine and caustic soda by applying an electrical current. Mexichem uses the chlorine it produced by combining it with ethylene to make vinyl chloride monomer (VCM)—which is polymerized to produce polyvinyl chloride, or PVC. At present, Mexichem obtains the VCM it needs to product PVC primarily by purchasing it from OxyChem and PMV.

Poly vinyl chloride, or PVC, is a heat-moldable resin produced by polymerizing vinyl chloride. PVC can be produced by four different processes: suspension, emulsion, bulk, and solution. The main use of PVC resins is in the construction industry, where it supplies insulation for wires and cables, door and window frames, ducts and pipes for water and sewage, floors, tiles, etc. It is also used to make, among other things, dolls, inflatable toys and balls. In the automotive industry it is used for door panels, dashboards, seat covering, moldings, electrical cable, oil and air filters, automotive sealants and harnesses. In the textile industry it is used to make synthetic leather and awnings. In the packaging industry it goes into making jugs and bottle for purified water and cleaning products, films for food wrappers, laminate for packing medicines. In the medical industry it is the main material used to make bags for saline solution and blood, as well as other health care accessories.

Fluent, business group

This business group units Mexichem processes and products that are in more direct contact with the general public. Its most important products are PVC pipes and connections, polyethylene and polypropylene, as well as geosynthetics. All these products and solutions are produced and sold throughout Latin America, Asia (India, China and Australia), Africa (South Africa), the Middle East (Oman), Europe and the United States, contributing to the health and welfare of millions of people.

The Fluent business group is divided into three regional operations: Fluent LatAm, Fluent Europe and Fluent US/AMEA. In each of these regions, its brands and the marketing of its products and solutions are different.

Mexichem is a leader in Latin America, and among the leading firms in Europe in the production and distribution of plastic pipes, connections and accessories for fluid conduction, primarily water and gas, and for protection of electrical and fiber optic conduits. Fluent LatAm and Fluent Europe are focused on the residential and commercial construction markets and infrastructure. They also offer technical solutions with geosynthetic products like non-woven textiles, textiles, geo-drains, geo-membranes and geo-mesh. All of these are used in civil, environmental and infrastructure works. It also offers other products in this market, aimed at the construction, mining and other industries.

With the recent acquisition of Dura-Line, a company now known as US/AMEA, Mexichem is also positioned as a global leader in the production of high-density polyethylene (HDPE) ducts and micro-conduits used mainly in conduit and pressure pipe solutions for voice and data services in telecommunications, in and the water, energy and infrastructure industries.

Fluor, Value Chain

The value chain of this business group originates in Calcium Fluoride, better known as fluorspar.

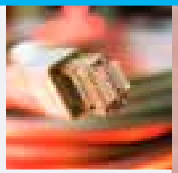
Mexichem owns the concession for the world's largest fluorspar mine, in San Luis Potosí, among others.
In its natural state, fluorspar is used in making steel, cement, glass and ceramics and allows for considerable energy savings among other advantages.
Concentrated fluorspar, free of impurities, is known as acid-grade fluorspar and is used in the production of hydrofluoric acid. This product is used primarily in making refrigerant gases for air conditioners, refrigerators and freezers. It is also used as an input in making gasoline, in producing aluminum fluoride and in pickling stainless steal, in nuclear fuels, integrated circuits, specialized plastics, and fluoridated salts like lithium, which is used in batteries. Mexichem is one of the world's leading producers of hydrofluoric acid.

The company is one of the world's leading suppliers of refrigerant gases, used mainly in the automotive and refrigeration industry and as a propellant gas for medical devices, where Mexichem has 75% of the world market. This chain has two business groups: Upstream and Downstream.

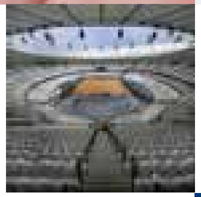
Markets we serve

and product categories we offer G4-4, G4-8

BUSINESS UNITS	MARKETS SERVED	PRODUCT CATEGORIES	BRANDS
VINYL	Automotive Construction Textile Food and beverages Healthcare Home, lawn and garden Industrial Packaging Paints, dyes and colorants Wires and cables	Resins Specialty resins Specialty compounds PA and Plasticizers Phosphates Other chemicals	Primex Izavil Petco Vesolit Polivisol Vindex B Iztablend Alphagary Alphaseal Evoprene Garaflex Smokeguard Lugatom
FLUENT	Agriculture Construction and infrastructure (installation, construction, engineering solutions) Energy Mining	PVC, polyethylene and polypropylene plastic pipes and fittings High-pressure pipe Big bags High-density polyethylene micro-conduits and conduits Heating and cooling systems Hot water systems in various gauges Wastewater treatment systems Rainwater filtration systems Sanitation and ventilation systems Water tanks, septic tanks, PVC glue	Amanco Pavco Plastigama Plastubos Bidim Dura-Line Aquacell Arot Chemidro Climasol Connect to better Help2O Herpworth Q-Bic Quickstream Warmfloor Warmawall Wavin
FLUOR	Aluminum Air conditioning (automotive, commercial, residential) Construction 8cement, ceramic, steel, welding) Chemicals Energy (nuclear, oil) Medical industry (pharmaceutical, propellants) Refrigeration (commercial, industrial, transport) Technical propellants (thermal insulation, industrial aerosols)	Aluminum fluoride Met Grade fluorspar Acid Grade fluorspar Hydrofluoric acid Anhydrite Aluminum fluoride Refrigerants Technical propellants	Zephex Respia Klea Arcton

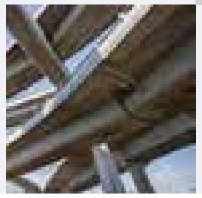






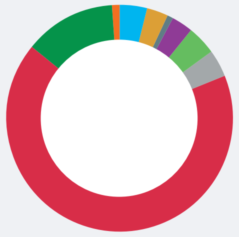






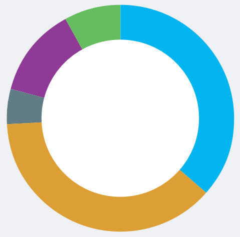
*Markets as % of revenues of 2015

VINYL



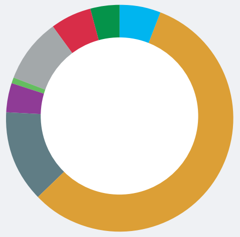
	%
Automotive	4
Industrial	3
Clothing	1
Food and beverages	3
Health	4
Home, lawn and garden	4
Construction	67
Wires and cables	13
Paints, dyes and colorants	1

FLUENT



	%
Infrastructure	37
Housing	38
Agriculture	5
Telecommunications	13
Oil and gas	8

FLUOR



	%
Aluminum	6
Air conditioning	57
Construction	13
Chemicals	4
Nuclear energy	1
Medical energy	9
Refrigeration	6
Technical propellants	4

Global Footprint G4-6, G4-17

NET SALES
USD 5.71 BILLION

18,803 EMPLOYEES
G4-9

BUSINESS GROUPS	USA / CANADA	LATAM	EUROPA	AMEA
Mexichem Fluor	United States Canada	Mexico	United Kingdom	Japan Taiwán
Mexichem Vinyl	United States	Colombia Mexico	Germany United Kingdom	
Mexichem Fluent	United States	Argentina Brazil Colombia Costa Rica Ecuador El Salvador Guatemala Honduras Panama Peru Mexico Nicaragua Venezuela	Germany Belgium Denmark Finland France Hungary Ireland Italy Netherlands Poland Lithuania Norway United Kingdom Czech Republic Russia Sweden Turkey	China India Oman South Africa

NOTE: MARKETS ARE SHOWN IN ALPHABETICAL ORDER, NOT BY MARKET SHARE OR REVENUES

Value Chains

COUNTRIES WITH COMMERCIAL ACTIVITIES: 90 VINYL, 84 FLUENT, 44 FLUOR

+30 COUNTRIES WITH OPERATIONS: 5 VINYL, 34 FLUENT, 5 FLUOR

109 SITES: 21 VINYL, 10 FLUOR, 78 FLUENT

121 PLANTS: 31 VINYL, 9 FLUOR, 81 FLUENT

4 PILOT PLANTS: 3 VINYL, 1 FLUENT

2 FLUORSPAR MINES: 2 FLUOR

16 R&D LABS: 9 VINYL, 3 FLUOR, 4 FLUENT

2 INNOVATION AND TECHNOLOGY CENTERS: 1 VINYL, 1 FLUENT

8 TRAINING ACADEMIES: 8 FLUENT

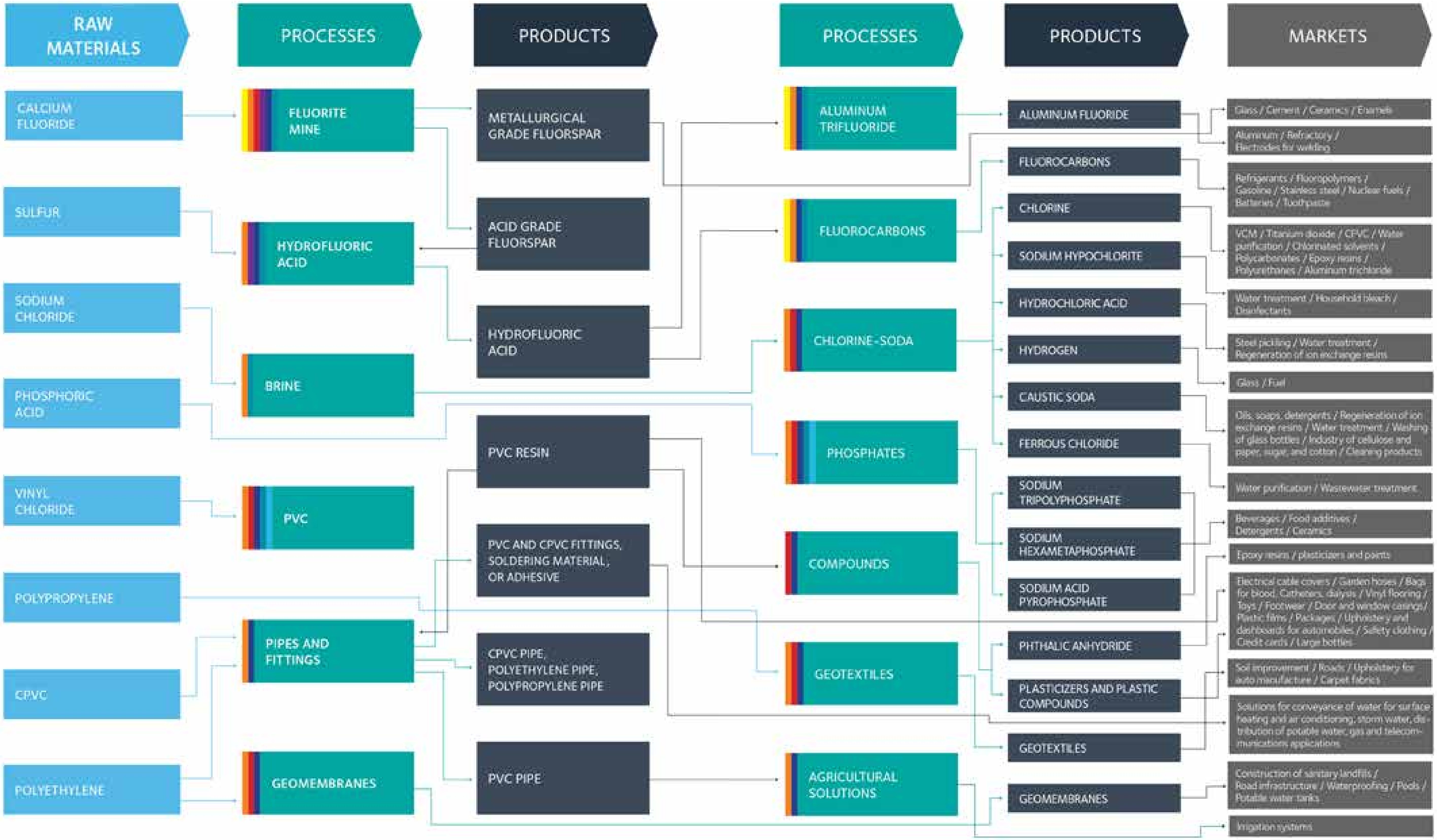
103 ISO-9001 CERTIFICATES
QUALITY MANAGEMENT

62 ISO-14001 CERTIFICATES
ENVIRONMENTAL MANAGEMENT

21 OHSAS 18001 CERTIFICATES
SAFETY

19 ISRS CERTIFICATES

SUPPLY CHAIN G4-12



MAIN IMPACTS

- Altering the environment
- Use of resources (energy, water)
- Atmospheric emissions (dust and gases)
- Waste, tailings, and slag
- Toxic and/or hazardous waste
- Health and safety risks
- Discharge of treated wastewater

ACRONYMS AND DEFINITIONS

CPVC - Chlorinated polyvinyl chloride

PVC - Polyvinyl chloride

Brine - Solution of sodium chloride in water

VCM - Vinyl chloride monomer

Fluorite - Calcium fluoride

MEXICHEM CULTURE AND STRATEGY G4-56

Mexichem's business strategy stresses the importance of being a vertically integrated company, focusing on specialty products in order to temper the impact of volatility in commodity markets and thus focus on making and selling more profitable, higher value-added products. By acquiring other companies involved in businesses related to its production chains, Mexichem has strenghten its leadership in the value chains where it is present and holds a geographic footprint across international markets in countries where its products are needed.

The Company is developing a global growth model focused on leveraging twelve product categories in five countries where it operates, in order to maximize the capabilities it already has and thus improve margins and boost organic growth through cross-selling . Mexichem pursues the creation of an integral platform of comprehensive solutions and products that provide its customers with direct solutions, which in turn creates long-term ties. To efficiently integrate its recent acquisitions, Mexichem seeks to encourage cooperation and maximize synergies to optimize its resources under the current financial structure.

The triple bottom line focus, which unites economic, social and environmental concerns under one business strategy, is grounded in the concept of sustainability. This strategy is in turn set within the framework of the company's mission, vision and corporate values, which are applied in all of our operating units

http://www.mexichem.com/company/principles

G4-56

Corporate commitment

EVERYTHING WE DO IS FOCUSED ON IMPROVING PEOPLE'S LIVES.
WE AIM TO FULFILL THIS COMMITMENT BY DELIVERING
TOTAL VALUE TO ALL OUR STAKEHOLDERS.

UNIQUE BUSINESS MODEL + GLOBAL ORGANIZATION + FOCUSED MARKET SECTORS + HIGH-ADDED VALUE OFFERINGS + SUSTAINA-BILITY + POSITIVE IMPACT = TOTAL VALUE

Our sustainability vision

VISION

TO BE RESPECTED AND ADMIRED GLOBALLY AS A LEADING CHEMICAL COMPANY FOCUSED ON GENERATING RESULTS, CONTRIBUTING TO PROGRESS AND IMPROVING PEOPLE'S LIVES.

MISSION

WE TRANSFORM CHEMICALS INTO INNOVATIVE PRODUCTS, SERVICES AND SOLUTIONS FOR DIVERSE SECTORS. BY FOCUSING ON OPERATIONAL EXCELLENCE AND MARKET DRIVEN NEEDS, WE GENERATE TOTAL VALUE FOR CUSTOMERS, EMPLOYEES, PARTNERS, SHAREHOLDERS AND THE COMMUNITIES IN WHICH WE OPERATE.

VALUES

VALUES
LEADERSHIP
RESPONSIBILITY
COMMITMENT
RESULTS
INTEGRITY
SAFETY

Leadership
We seek to continually drive innovation with our products, processes and solutions and generate a positive impact on the market and the industry.

Responsibility
We act responsibly and fairly in the communities where we do business. We contribute positively way toward the preservation of the environment through sustainable activities.

Commitment
We are dedicated to teamwork and a focus on achieving shared goals in order to exceed the expectations of our clients and maintain our commitments to our partners, employees, and the communities of which we are part and in which we operate.

Results
We believe that operational and financial efficiency and excellence are the foundation of our ability to deliver positive results, sustainable growth and products that make a difference.

Integrity
We are committed to being an ethical, honest, and trustworthy company that treats employees in an appropriate and respected manner.

Safety
The health and safety of our people are our priority. We strive to ensure safety at our facilities, in the communities in which we operate, and for the environment.

EXTERNAL ORIENTATION
MAXIMIZING VALUE FOR SOCIETY

PRODUCT

LIFE CYCLE IMPACT
• PRODUCT TRANSPARENCY AND LEGAL COMPLIANCE
• SAFE MANAGEMENT OF HAZARDOUS SUBSTANCES
DESIGN AND INNOVATION (R&D)
PRODUCTS / SOLUTIONS THAT CONTRIBUTE TO SUSTAINABILITY

COMUNIDAD

COMMUNITY ENGAGEMENT
SOCIAL INVESTMENT
LOCAL ECONOMIC DEVELOPMENT
ACCIDENT PREVENTION, PREPAREDNESS AND RESPONSE

INTERNAL ORIENTATION
CONTRIBUTING TO SUSTAINABILITY

TALENT

CULTURE
DIVERSITY
VOLUNTEERING

OPERACIONES

OCCUPATIONAL HEALTH & SAFETY
ENERGY CONSUMPTION
WATER MANAGEMENT
EMISSIONS REDUCTION
CHEMICAL TRANSPORTATION
WASTE MANAGEMENT
PROTECTING BIODIVERSITY AND ECOSYSTEMS

A global growth model

In the first half of 2016, Mexichem will conclude a strategic analysis of its new model for organic growth. Ths will provide the Company with a list of geographic and product priorities that will be the base for the strategic action plan for the coming years. The company also started up a pilot program in five countries--Brazil, Colombia, the United States, India and Turkey--to take advantage of its capacities in those geographies. There have been identified twelve product categories in the 3 business groups where cross sales opportunities can be exploited with the exisiting platforms in these countries, ensuring an optimal utilization of the Company's assets and experience in business development.

An ongoing focus on highly efficient operations

The Company's vertical integration strategy reduces its exposure to volatility in the prices of the leading commodities. The Fluor business group is 100% vertically integrated, from mining the fluorspar to producing refrigerant gases. In the Vinyl business group the Company is in the process of integrating to ethylene, which will make the chain 65% integrated and extend its scope from salt extraction to PVC production. When this process is complete, Mexichem will be able to improve its profitability through better cost management. The Company also focuses on improving Return on Invested Capital throughout the organization, based on the assets and operations it already has.

An ongoing focus on high added-value specialty products

Mexichem focuses on products with added value. For example, it developed a last-line process for purifying fluorspar from its mine at a significantly lower cost, and to manufacture HF, a product that usually sells for ten times the price of fluorspar. Furthermore, the acquisition of Fluent Europe (Wavin) and the assets of PolyOne, a specialty PVC resin company in the United States, and more recently Dura-Line and Vesolit, are all part of the Company's strategy of continuing its integration toward higher added-value products through strategic acquisitions.

Mexichem will continue to exploit its competitive advantages in developing new and advanced production processes in its 16 research and development centers. These centers develop new products that meet its customers' needs and makes them available through an extensive distribution network in the markets where it operates. The company will also continue developing and installing proprietary technologies and process that have considerable benefits for Mexichem and for the industry at large. It has its own in-house technology, for example, for making PVC resins, PVC pipe, compounds, and plasticizers and fluorine purification to produce HF.

With these technologies the Company can make unique pipes that meet the requirements of most infrastructure projects, and offer the competitive advantages of a high-purity HF product. Mexichem has also developed solutions based on fluoro compounds for the cement industry that help optimize clinker production, not only cheaper, but also with less CO_2 production, which is beneficial for the environment.

An ongoing focus on excellent customer relations

Mexichem wants to be the leader in its market niche by manufacturing top-quality products at competitive prices. The Company is working on increasing both both its scale and its production efficiency, and on developing that produces low-cost solutions for its customers.

The Company will continue building excellent relationship with its customers through long-term contracts that reward loyalty. It seeks to expand its connection with new and existing clients, helping them to develop new products. For example, it designs tailor-made products for its customers, like cable and wire insulation for special applications, three-gallon bottles and other materials used in construction, including window frames, laminated subflooring and window blinds, designed according to the needs of their strategic markets.

An agile, solid financial structure

Mexichem maintains a solid and flexible financial base so that it can successfully pursue its growth goals. It has self imposed a limit on its net debt/EBITDA ratio to no more than 2.0 times, and and it has ensured its liquidity position through a revolving credit line of up to USD1.5 billion. The Company will continue implementing other financial strategies, including a conservative debt maturity profile, a conservative hedging strategy, and other strategies to balance its exchange-rate exposure so it can remain financially flexible and continue executing its growth strategies.

Business culture

Mexichem's current operations are the result of 24 acquisitions involving a total of 80 companies since 2003, which has placed it at the forefront of various countries and regions, and integrated many different companies and work cultures. Mexichem believes that having a single, consolidated business culture is crucial to meeting the goals it has set for itself and which the market requires of it.

Mexichem is proud to have established and inculcated among all its companies its unique mission, vision and values, and to encourage strict compliance with its Code of Ethics. It wants its employees not only to be aware of its organizational culture but to apply it in their daily lives. Furthermore, in 2015, the company launched a new corporate identity and global brand alignment policies.

Multicultural Company

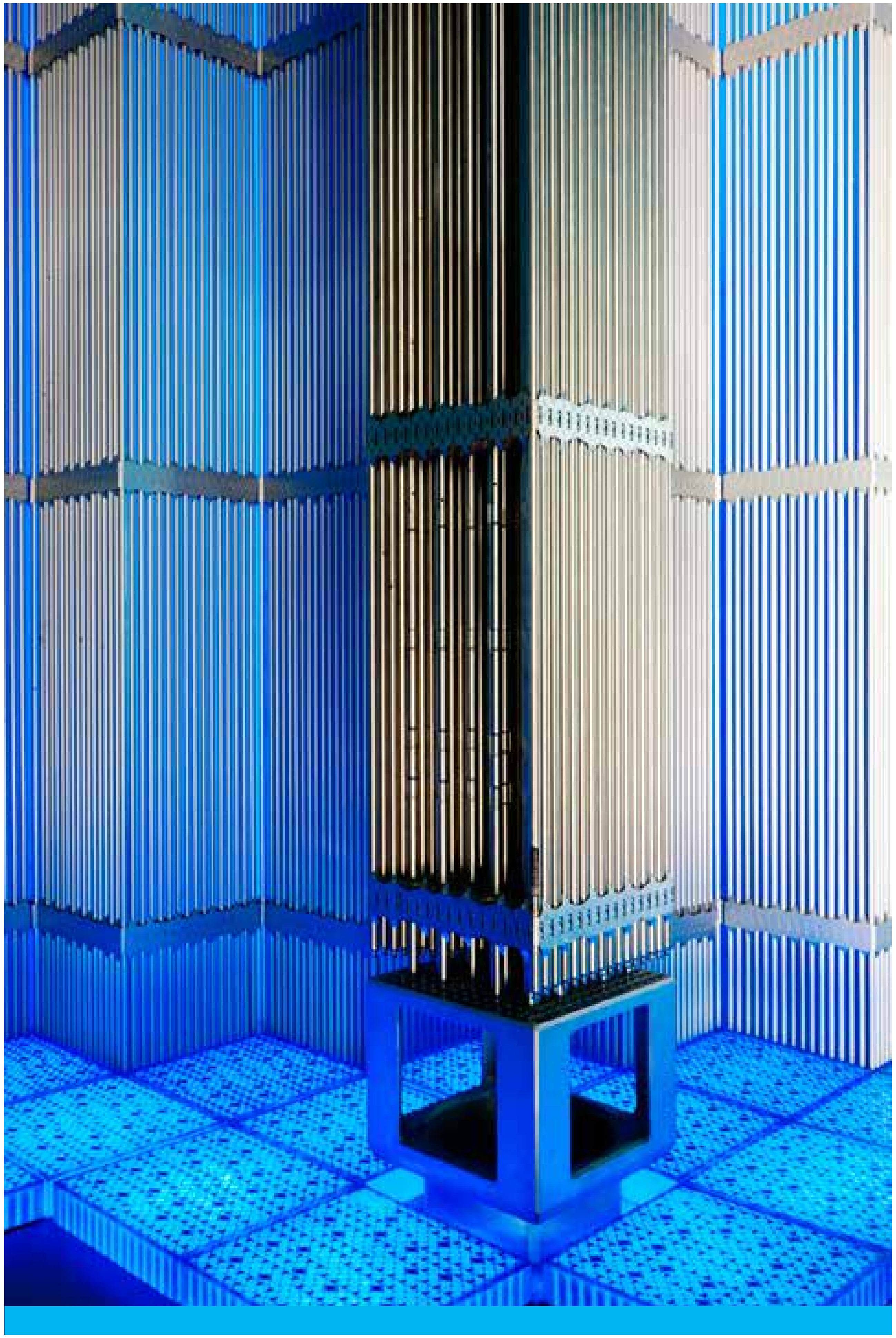
Mexichem is fortunate enough to be a highly culturally diverse company thanks to the integration of its various subsidiaries around the world. However, while this diversity enriches us, it also poses the challenge of building a single global organization, with a common vision and corporate culture.

In November 2015, Mexichem's first global leadership meeting included a workshop on this specific topic so that our top management could jointly tackle the opportunities and challenges facing the company. This meeting focused on how national cultures can take on different dimensions in the workplace, and how this diversity can bring advantages to the Company.

Mexichem considers agile decision-making and broad involvement in projects as primordial, requiring the integration of work cultures where attitudes about individual or collective efforts may vary, for example. Althoug we are not to underestimate or minimize these differences, we must take advantage of the diversity they naturally bring to the Company.

This is why Mexichem has made collaboration among operations across different brands, subsidiaries and countries an absolute priority, so as to develop a growth strategy which takes all our cultural variety into account at a global level.

By fashioning a multicultural corporate environment at its core, Mexichem will provide its operations around the world with clear guidance as to this strategy, and at the same time allowing them to empower their people in its implementation. This independence, backed by true cultural unity, will see us move Forward as One!



Committed to safety

Mexichem considers the safety of its employees and its operations a top priority, and its ultimate goal is to avoid accidents and achieve zero fatalities. It has made substantial progress in its chemical, manufacturing and mining operations.

In 2015 we saw an improvement in safety indicators: a 30% reduction in the general incident rate and a 28% reduction in the severity rate. This allowed the Company to reach the goal of reducing accidents by 50% set in 2012 a year in advance.

Mexichem continues creating a new culture of safety by applying international standards throughout the Company, the result of which have been described in previous social responsibility reports.

Social progress and enviornment

For Mexichem, it is highly important that all its employees can grow. not only professionally but personally, taking on new challenges that are balanced with their work life. Its work strategy takes the form of a new and significant initiative: M'People, the purpose of which is to connect employees from around the world, strengthen their sense of belonging and team spirit, and giving them more possibilities for growing within the Company.

Because it is both a communication tool and a Human Resources area process, M'people helps employees in many different ways--publishing information about opportunities for advancement within the company, reviewing performance, and even offering a simpler way to plan vacations.

Social progress also extends to our commitment to the environment, and to the communities surrounding or close to Mexichem operations. The Company's commitment to stakeholders in our neighboring communities is shown in many ways: from improving access to education to facilitating housing solutions. Mexichem's most emblematic effort has been working to improve access to water and sanitation, action that has been done in various countries where it operates.

In Guatemala, for example, we installed rainwater capture and filtration system; in Mexico we helped revamp the urban image of Villa de Zaragoza, promoting the economic and social development of local residents. In Honduras, we introduced a product called "Rainwater Harvest," and we sponsored a social impact project in the community of Pasacaballos, Colombia. All of these are examples of our interventions in neighboring communities where we operate.

02.

PERFORMANCE

FINANCIAL

ONGOING FOCUS ON HIGHLY EFFICIENT OPERATIONS AND SPECIALTY AND ADDED-VALUE PRODUCTS

Management Commentary and Analysis
on the Company's Operating Results and Financial Position

Operating Results

Mexichem's full year 2015 performance showed significant year-on-year improvement, with reported EBITDA up 10% on a 3% revenue increase, in a comparable base, isolating the effects of currency, restructuring costs and the hedging effect of fluor, sales and EBITDA growth rates were 13% and 22% respectively. The currency fluctuations began in late 2014 and continued throughout 2015. Mexichem trusted its capability to post double-digit EBITDA growth in a challenging environment, demonstrating both the inherent strength of global operations and its increased capability to generate profits.

In addition to the operating progress achieved in 2015, the Company maintained a financial discipline with the objective to maximize the return in the long term. Specifically, we significantly reduced our working capital requirements in 2015 by $319 million compared to 2014, which was a major accomplishment. Free cash flow for the year was $166 million, an impressive number considering that we invested over $666 million in capital projects in 2015. We also strengthened our financial position by reducing our net debt to EBITDA to 1.88x at year-end, representing more than 0.20x sequential improvement over levels at the end of the third quarter of 2015.

Our operating and financial achievements in 2015 provide the foundation for Mexichem to continue gaining momentum in 2016 and to demonstrate our resilience amid difficult market conditions. Global industrial companies are facing an uncertain macroeconomic environment, and Mexichem is no exception. In addition to product pricing pressures and the potential for additional currency fluctuations, we continue to monitor developments in Brazil, which will have a difficult 2016, but we are confident that the measures we have taken there will enable us to navigate this challenging period.

There are several positive factors to consider in 2016. First, we have achieved initial successes in cross selling products across our geographies and business groups, and we have made changes to our organizational structure designed to accelerate this progress. Second, in addition to opening up new products and new markets for Mexichem, the integration of our Dura-Line and Vestolit acquisitions during 2015 has significantly increased our industrial flexibility and has improved our geographical balance. Third, both of our joint venture projects are moving in a positive direction. Our ethylene cracker joint venture with OxyChem should be operational on schedule and fully ramped in the First Quarter 2017 .

Finally, the greatest source of our confidence in Mexichem's 2016 performance comes from our people's track record in meeting key corporate objectives. As we look forward into 2016 and beyond, we have challenged the entire organization to contribute to increasing companywide returns on our expanded asset base. This is a long term objective, by focusing every Mexichem employee on this key goal we will begin showing progress in the short term.

Data Highlights for 2015

- EBITDA increased at a double-digits rate, by 10%, on 3% revenue growth
- The consolidated EBITDA margin increased 107 bps to 15.9%, reflecting significant margin expansion in the Vinyl and Fluent business group and stable margin in Fluor. Also:
  - The Vinyl Group EBITDA margin increased 320bps to 14.6% compared to 11.4% in the prior year; PMV's EBITDA margin more than doubled.
  - Fluent Group EBITDA margin rebounded to 12.9% from 11.1%, despite strong currency headwinds
- Operating cash flow before Capex increased 27% to $896 million; this is equivalent to 99% of EBITDA, boosted by working capital management.
- Free cash flow was positive by $166 million even in a peak investment year for the Ethylene Cracker in Ingleside, Texas. This implied a free cash flow yield of 3.5% as of December 31, 2015.
- On a constant currency basis excluding restructuring charges and the hedging impact, revenues and EBITDA would have increased 13% and 22%, respectively
- Net debt to EBITDA improved sequentially to 1.88x at year-end, below the self-imposed ratio of 2x

Revenues

- Revenues for 2015 increased 3% year-on-year to $5.71 billion, reflecting both organic and acquisition growth. On a constant currency basis, total sales would have increased 13% year-on-year. Our Vinyl business group was the key contributor to full year revenue growth, posting $232 million, or a 12% revenue increase resulting from the consolidation of our December 2014 Vestolit acquisition, lower raw material and electricity costs, and improved performance of our PMV joint venture. Consolidated revenues also benefitted from $468 million in additional revenues from the consolidation of Dura-Line in our Fluent Group.
- Partially offsetting this growth was a decline of $54 million in revenues from Venezuela, as a result of currency conversion law changes, lower revenues in the Fluor business group and a decline of $510 million in reported revenues from the Fluent Group's LatAm and European operations as a result of the appreciation of the US dollar against the Euro and almost all the currencies in Latin America.
- On a constant currency basis, 2015 sales would have increased $701 million or 13% year-on-year. We experienced a total negative foreign currency impact on sales of $542 million, which lowered sales in Fluent, Fluor and Vinyl by $510 million, $17 million, and $14 million, respectively.

EBITDA

For full year 2015, EBITDA totaled $905 million, 10% higher than the $821 million reported in 2014; exceeding our 2015 guidance.

The factors that contributed to improved EBITDA performance in the full year of 2015 included:

- The consolidation of Dura-Line and Vestolit, which contributed an incremental $107 million in EBITDA.
- Lower raw material costs for compounds, lower VCM prices for the production of PVC resins, the positive performance of PMV and the inclusion of Vestolit combined to expand the Vinyl Group EBITDA margin by 327 bps to 14.6%. These benefits together with higher volume more than offset the effect of lower caustic soda, ethylene and PVC resin selling prices.
- The Fluent Group EBITDA margin expanded 188 bps to 12.9% or $47 million in reported EBITDA. The effect of the appreciation of the U.S. dollar on our European and LatAm operations reduced Fluent's EBITDA by $59 million.

Among the factors that negatively impacted our EBITDA performance were:

- The foreign exchange translation impact of approximately $61 million associated with the appreciation of the U.S. dollar against global currencies.
- An increase of $44 million in non-operating losses at the holding and eliminations level primarily due to: $21 million in losses the company incurred related to the fluorspar mine Mexican peso-denominated cost hedging strategy which Mexichem unwound in 3Q15. The hedging impact was related to the fluorspar mine personnel and administrative expenses, which are in Mexican pesos - while sales-, are in dollars. Since 2014, we hedged this mismatch by selling USD forward at an average of MXN13.76 pesos per dollar. When the Mexican peso depreciated, fluorspar mine costs were lower in dollar terms, but Mexichem was selling dollars "forward" at a lower FX rate against pesos than the market price. We do not have any other hedges of this kind since 3Q15.

On a constant currency basis, and excluding restructuring and non-recurring charges, EBITDA for the full year of 2015 would have increased by $179 million or 22%.

Operating Income

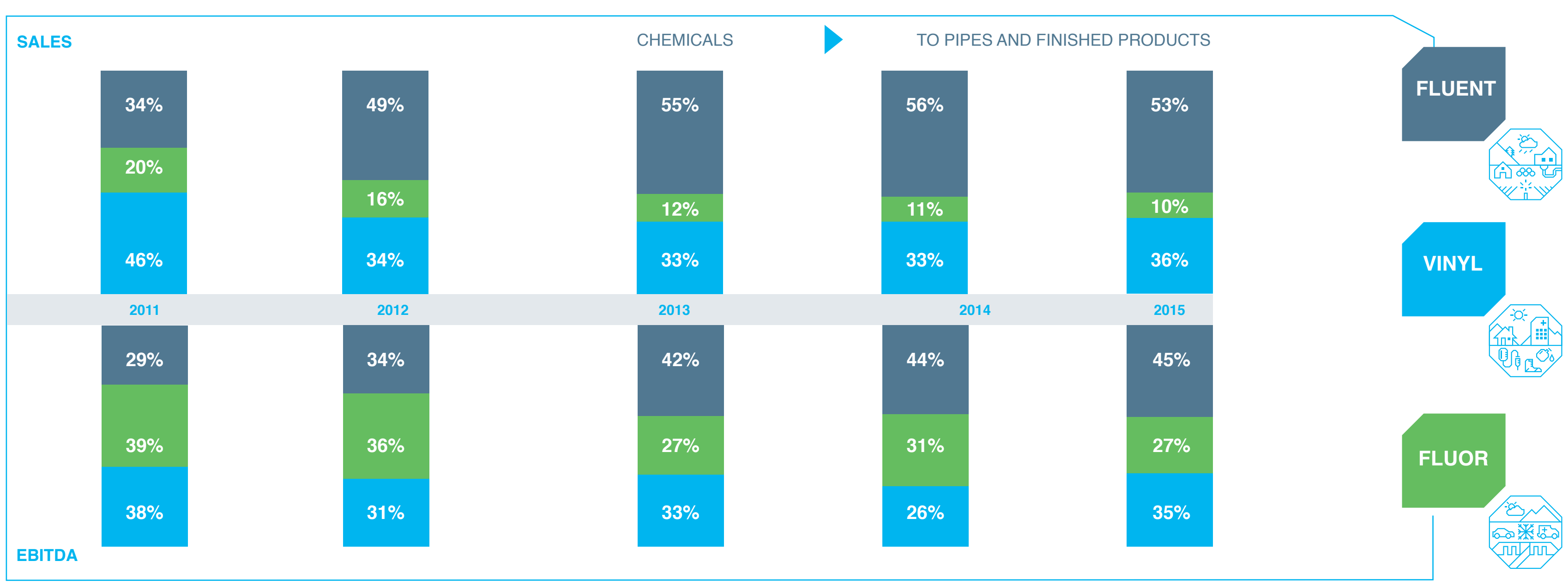
In 2015 operating profit was $509 million, up 24% from $410 million in 2014. This was due to the factors mentioned before and to lower depreciation and amortization costs as a result of the FX conversion factor in our operating regions and/or countries where our functional currency is local, such as Fluent Europe and Fluent Brazil. We also had lower depreciation and amortization costs in PMV due to the changes in the useful life of the assets resulting from the revamping process of the Pajaritos complex.

Financial costs

For the full year of 2015, financial costs decreased by 5% mainly as a result of lower losses in foreign exchange operations mainly due to the Venezuelan foreign-exchange transactions totaling $22 million in 2014, which did not recur 2015. Foreign-exchange losses totaled $57 million in 2015 and $91 million a year ago.

Income taxes

The effective tax rate for the full year 2015 increased 500 bps from 27% to 32%, mainly due to higher operating income. The increase in current income tax did not occur at the same rate as profits, because consolidated income before taxes includes both profit- and loss-generating subsidiaries.

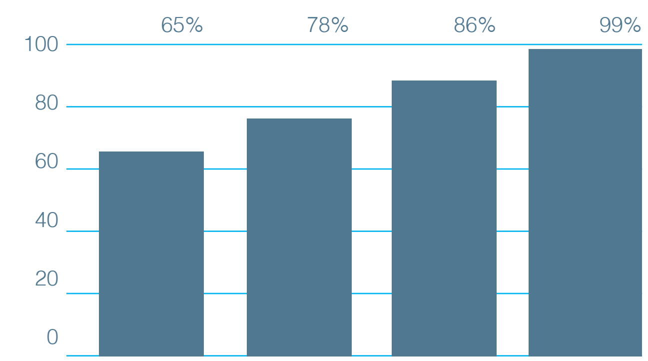


Net income from continuing operations

Full year 2015 net income from continuing operations was $181 million, up from $113 million in 2014. Net majority income for 2015 was $135 million, compared with $125 million in 2014, an increase of 9%.

Operating cash flow (Operating cash flow is EBITDA less taxes, net interest, bank fees and commissions, and foreign-exchange loss in Venezuela, plus change in working capital).

STRONG CASH FLOW CONVERSION
Operating cash flow before capex/EBITDA (USD$mn)
*Includes discontinued operations in United Kingdom and Rumania



In 2015, operating cash flow before capex improved by 27% or $193 million year-on-year, mainly due to effective working capital management, which produced an improvement in working capital by $319 million. Operating cash flow before capex to EBITDA reached 99%, while in 2014 was 86%. For the year Mexichem generated $896 million in operating cash flow before capex, compared to $703 million in 2014.

Capital expenditures for full year 2015 totaled $666 million, $325 million of which was invested in the ethylene cracker, $65 million in PMV and $276 million in organic projects. As of December 31st, 2015, Mexichem's equity investment in the ethylene cracker has reached $528 million. This amount represents 73% of the total equity investment that Mexichem signed for the JV with OxyChem out of the total 50% Mexichem's stake.

Balance Sheet

Net working capital

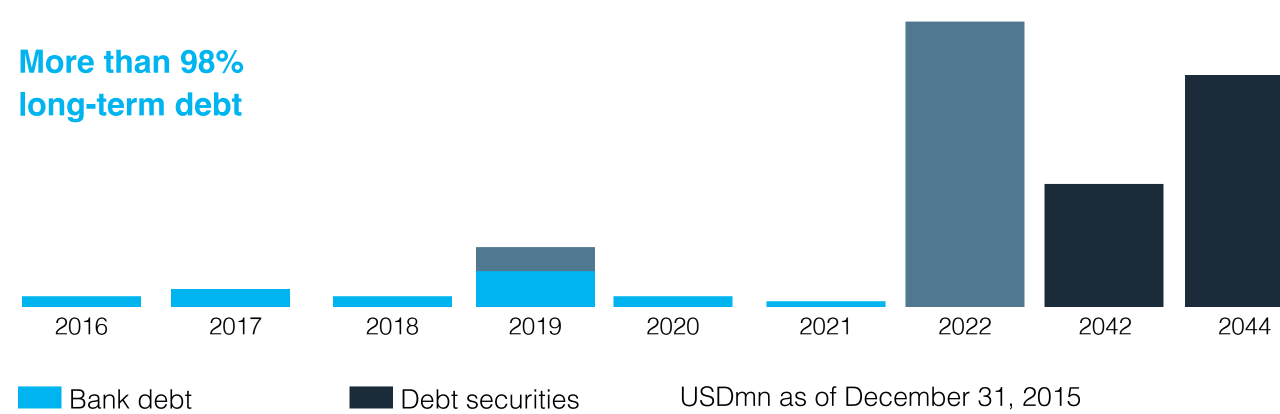
(Net clients plus inventories less suppliers and letters of credit).

Pro forma net working capital (comparable) as of December 31st, 2015 improved by $310 million or 65% compared to December 31st, 2014, on 3% growth on sales.

Financial debt

Total financial debt as of December 31st, 2015 was $2.3 billion plus $21.4 million in letters of credit with maturities of more than 180 days, while cash and cash equivalents totaled $653 million, resulting in net financial debt of $1.7 billion. Financial debt as of December 31, 2014 was $2.4 billion, while cash and cash equivalents totaled $620 million, resulting in net financial debt of $1.8 billion. The net debt / EBITDA ratio was 1.88x at December 31st, 2015 Interest coverage was 4.3x at the end of 2015.

More than 98% long-term debt



USDmn as of December 31, 2015

Operating results by business group

VINYL (36% and 35% of Mexichem's sales before eliminations and EBITDA, respectively, in 2015)

In the full year 2015, the Vinyl business group's sales increased by 12% year-on-year, which was mainly the result of the consolidation of Vestolit and a 68% year-on-year increase in VCM volume production on PMV, which reached 177,000 tons in 2015 compared to 107,000 tons in 2014. This increase in volumes more than offset the lower prices on PVC resins. Full year EBITDA for the Vinyl business group increased 44%, to $313 million, an EBITDA margin expansion of 327 bps to 14.6% from 11.4%.

Operating income in Vinyl increased by 108% year-over-year to $159 million from $76 million. This is mainly explained by lower costs on raw materials, namely in electricity overall (-45% YoY), natural gas in Mexico (-39% YoY), and ethylene prices in North America.

In 2015, PMV sales increased by 16%, as a result of higher VCM production. In 2015, operating income increased to positive $14 million from negative $30 million year-on-year, in part as a result of lower depreciation and amortization expense due to the revamping changes made at the Pajaritos complex mentioned above which produce the change in the useful life of its assets. EBITDA for the full year was positive in $49 million, an increase of 193% from 2014.

FLUENT (53% and 45% of Mexichem's sales before eliminations and EBITDA, respectively, in 2015)

In 2015, the Fluent business group's performance was affected mainly by $12 million in restructuring costs and nonrecurring expenses from operations in Fluent Brazil and Fluent Europe, and a $510 million and $59 million reduction in sales and EBITDA resulting from the strength of the U.S. dollar globally.

Full year 2015 sales for the Fluent business group decreased 3% to $3.12 billion due primarily to declines in Fluent LatAm and Fluent Europe sales of 20% and 17%, respectively. This decline was mainly the result of the appreciation of the US dollar against almost all other currencies globally. In the aggregate, sales in Fluent Europe and in Fluent LatAm were hurt by foreign exchange translation impact of $510 million.

Fluent sales in Latin America for 2015 declined 20% to $1.17 billion for the full year of 2015, on a reported basis, which include the impact of conversion effects. On a constant currency basis, sales decreased 1.9% to $1.4 billion. Fluent Europe sales declined 17% to $1.3 billion, including a $238 million exchange rate effect. On a constant currency basis, Fluent Europe sales would have totaled $1.5 billion, a 2.1% decline year-on-year.

FLUENT

VINYL

Summing up, on a constant currency basis, revenues in the Fluent business group increased 13% to total $3.6 billion.

2015 EBITDA was 13% higher than in 2014 due mainly to the consolidation of Dura-Line and increased profitability of operations from Fluent Europe. EBITDA margin was 12.9%, an increase of 188 bps year-on-year.

Excluding the US dollar exchange rate effect in Fluent Europe and Fluent LatAm, which totaled $59 million, and the restructuring costs and nonrecurring expenses totaling $12 million, EBITDA would have increased 33% in 2015, implying an EBITDA margin expansion of 200 bps to 13% compared to 11.1% in 2014.

Operating income for the full year of 2015 increased 39%, mainly due to the EBITDA increase noted above and the exchange rate impact on depreciation and amortization in Europe and in Brazil, where the functional currency is not the USD.

In 2015, Venezuelan operations accounted for less than 1% of Mexichem's total sales and EBITDA.

FLUOR business group (10% and 27% of Mexichem's sales before eliminations and EBITDA, respectively, in 2015)

For the full year 2015 revenues decreased 5% to $608 million mainly due to weaker demand for metallurgic fluorspar and lower prices; however, this decline was offset by better performance in acid-grade fluorspar and European refrigerant gases.

EBITDA in 2015 decreased 6%, to $241 million, while EBITDA margin remained flat at 40%. Full year 2015 operating income decreased 5%, or $10 million, to $177 million.

In 4Q15, Mexichem made the decision to close a production plant accounting it as "discontinued operations", as well as a JV investment. As a result, $49.9 million are recognized as discontinued operations.

Mexichem, S.A.B. de C.V. is a Mexican corporation (limited-liability corporation of variable capital) whose bylaws are governed by the General Mercantile Societies Law and the Securities Market Act. No government has any stake in the company's shares.

FLUOR

03.

CORPORATE GOVERNANCE

ETHICS AND TRANSPARENCY ARE THE PILLARS OF OUR CONSOLIDATION AS A GLOBAL ENTERPRISE

Corporate Governance and Code of Ethics G4- 34

Board of Directors G4- 34

According to the Company's bylaws, Mexichem's management is the responsibility of a Board of Directors and a Chief Executive Officer, who carry out the duties established in the Mexican Securities Market Law.

In 2015, the Board of Directors was made up of 16 regular members and 9 alternates, 50% of whom were independent.

The General Shareholders' Meeting in which the members of the Board are elected or ratified in their position, also qualifies the members' Independence.

Independent board members, and their respective alternates, are selected on the basis of their experience, capacity and professional prestige. The Shareholders' Assembly considers their business or professional background and they are expected to perform their functions free of conflict of interest, exercising free judgment, and without regard to their personal, equity or economic interests.

In fiscal year 2015, the Board of Directors met four times, and all of the meetings were attended by between 81% and 93% of the regular members. In all cases the quorum was completed with alternate members.

In its annual report of activities to the General Ordinary Annual Shareholders' meeting of April 30, 2015, the Board of Directors reported on the performance of its duties in accordance with the Law and the Company's bylaws.

In order to give Board members an overview of the social responsibility their duties entail, as established in the Regulations of the Mexican Stock Exchange (MSE), the Secretary of the Board of Directors presents them with an annual report containing the main obligations, responsibilities and recommendations applicable to the Company as an issuer of securities listed on the MSE, pursuant to the Securities Market Law, the Securities regulation issued by National Banking and Securities Commission and other applicable legislation. That report also describes the main obligations, responsibilities and faculties applicable to members of the Board of Directors of Mexichem.

The Board of Directors that was appointed and ratified for fiscal year 2015 in the General Ordinary Shareholders' Meeting of April 30, 2015, is made up of the following members:

Regular Members	Title	Type of Member
Juan Pablo del Valle Perochena	Chairman	Related owner
Antonio del Valle Ruiz	Honorary Chairman	Related owner
Antonio del Valle Perochena	Member	Owner
Francisco Javier del Valle Perochena	Member	Owner
Adolfo del Valle Ruiz	Member	Owner
Ignacio del Valle Ruiz	Member	Owner
Jaime Ruiz Sacristán	Member	Owner
Ricardo Gutiérrez Muñoz	Member	Owner
Divo Milán Haddad	Member	Independent
Fernando Ruiz Sahagún	Member	Independent
Jorge Corvera Gibsone	Member	Independent
Guillermo Ortiz Martínez	Member	Independent
Eduardo Tricio Haro	Member	Independent
Juan Francisco Beckmann Vidal	Member	Independent
Valentín Diez Morodo	Member	Independent
Eugenio Santiago Clariond Reyes	Member	Owner Independent

Alternate Members		
María de Guadalupe del Valle Perochena	Member	Owner
María Blanca del Valle Perochena	Member	Owner
Adolfo del Valle Toca	Member	Owner
José Ignacio del Valle Espinosa	Member	Owner
Francisco Moguel Gloria	Member	Independent
José Luis Fernández Fernández	Member	Independent
Jorge Alejandro Quintana Osuna	Member	Independent
Arturo Pérez Arredondo	Member	Independent
Eugenio Clariond Rangel	Member	Owner Independent

Secretary		
Juan Pablo del Río Benítez	Non member of Board	
Pro-secretary		
Álvaro Soto González	Non member of Board	

Audit and Corporate Practices Committee (members)
Divo Milán Haddad
Fernando Ruiz Sahagún (Chairman and "financial expert")
Eugenio Santiago Clariond Reyes

Our Code of Ethics

Leadership is not measured in what we say but in the way we conduct business. Leadership is proven in the way we are related to each one of our employees and ensuring that we all work together under one common goal. This is what we have achieved with our Code of Ethics.

As a global company, it is essential that the Mexichem employees continue showing their strict adherence to our ethical guidelines, implying that they form part of our culture. This commitment has been shaped by a strong communication campaign led across the company over the last two years. While this campaign has been very successful, our ethical guidelines can only be improved by reporting inconsistencies in the application of our Code of Ethics. That is why, in Mexichem, we count with a Whistleblower Line that encourages employees to report any incidents involving a breach of our ethical principles while confidentiality is guaranteed as a way to support our commitment to our ethical guidelines.

Mexichem views the global reach of its Code of Ethics as one of the pillars of its consolidation as a global company. One common philosophy, one common vision to keep us moving "Forward as One!"

Emoluments

Compensation for members of the Board of Directors and the Audit and Corporate Practices Committee

The General Ordinary Shareholders' Meeting of April 30, 2015 resolved that the chairpersons of the Board of Directors and of the Audit and Corporate Practices Committee would receive $140,000 Mexican pesos for every meeting they attend, that board members would receive $70,000 Mexican pesos and that members of the Audit and Corporate Practices Committee would receive $80,000 Mexican pesos for attending Committee meetings.

Audit and Corporate Practices Committee

Pursuant to Articles 25, 41 until 43 and other applicable provisions of the Securities Market Law, in the execution of its responsibilities the Board of Directors will be supported by committees that carry out activities in the area of Corporate Practices and Audit. These committees shall be made up exclusively of independent board members, and must have a minimum of three members appointed by the Board of Directors and nominated by the Chairman. The chairpersons of those committees may not be appointed as chairperson of the Board of Directors. The secretary of the Board of Directors will also function as secretary of the committees but will not be considered a member of them.

Mexichem in recent years merged the duties of the Audit Committee and the Corporate Practices Committee into a single committee, which consists of three independent members of the Board of Directors, appointed by the General Ordinary Annual Shareholders' Meeting.

Fernando Ruiz Sahagún is the designated financial expert member of the Audit and Corporate Practices Committee of Mexichem; he is also the chairman of the committee.

Stock ownership by employees and executives

To the Company's best knowledge, no employee or relevant executive individually holds stock equivalent to more than 1% of the total.

As of December 31, 2015, the Company's capital stock remained unchanged, and was represented by 2,100,000,000 shares.

Significant Changes in Stock Ownership in the last Three Years

No significant changes in stock ownership have been recorded in the last three fiscal years. G4-13

Main shareholders

As of December 31, 2015, the main shareholder of the Company was Kaluz, an entity owned by the Del Valle family, and owner of approximately 41.87% of the capital stock with voting rights. Kaluz must therefore be considered a shareholder that exercises significant influence over the Company, in accordance with the Mexican Securities Market Law. Furthermore, other shareholders related to the Del Valle family own approximately 10.57% of the capital stock with voting rights. Together with Kaluz, this must be considered a group of persons who exercise control over the Issuer, as established by the Securities Market Law.

Corporate bylaws and other Agreements

The following is a brief summary of the main provisions contained in the Company's corporate bylaws.

Pre-emptive rights

In capital increases that are made in cash, shareholders have a pre-emptive right to subscribe any new shares issued to represent the increase. This pre-emptive right must be exercised by in no less than 15 calendar days immediately counted after the day of the publication in the electronic system established by the Ministry of Economy, of the agreement taken by the Shareholder's Meeting that declared the capital stock increase. Additionally, the Company may publish the respective notice in a largest circulation newspaper corresponding to the Company's domicile. However, if in the Shareholders' Meeting that would have resolved the increase, the total number of shares that integrates the total share capital are represented, said term of at least 15 days shall begin to run and shall take account of the time from the date the Meeting was held, if so is resolved by the Shareholders' Meeting, and the shareholders shall be considered themselves notified at that time, in consequence no notice publication is required.

The Board of Directors are authorized to offer to third parties for subscription and payment, the shares not subscribed by the shareholders, after the expiration of the term mentioned above for the exercise of Pre-emptive rights in the capital increases

Shareholders shall not have the right to exercise the pre-emptive rights, in the case of: (i) merger of the Corporation, (ii) those that result from the conversion of bonds to shares, (iii) the issuances made in accordance with article 53 of the Securities Market Law and Article Eight of the Corporate Bylaws (the subscription of shares made through public offering), (iv) the case of any capital increase by subscription and payment in kind, or by capitalization of liabilities, (v) the own shares acquired and placed among the investing public in accordance with Article 56 of the Securities Market Law and Article Thirteen of the Corporate Bylaws (vi) the capitalization of premiums in respect of shares, retained earnings and reserves or other components of the Company's equity, and (vii) any other case in which the Law permits an exception to the pre-emptive rights.

Shares

All shares representing both the fixed minimum capital, with no right for withdraw, and those representing the variable capital, are common, nominative shares, without nominal value, and grant equal obligations and rights to their holders.

Shareholders' meetings

The General Shareholders' meeting is the supreme body of the Company. Meetings may be Ordinary, Extraordinary or Special. Extraordinary Meetings are those held to address any of the matters referred to in Article 182 of the General Corporations Law, as well as Articles 53 and 108 of the Securities Market Law. Special Special Meetings are those held to deal with matters that may affect only one category of shareholder. The General Shareholders' Ordinary Meetings will be held at least once a year, within the four-month period following the closing of every fiscal year, to address the matters mentioned in Articles 181 of the General Corporations Law and Article 56, section IV of the Securities Market Law .

The General Ordinary Shareholders' Meeting appoints members to the Board of Directors based on a slate of candidates nominated by the control group. Pursuant to the Securites Market Law and the corporate bylaws, any shareholder or group of shareholders that own the equivalent of 10% or more of the capital stock may appoint and revoke, in a General Shareholders' Meeting, a member of the Board of Directors. Said appointment may only be revoked by other shareholders when the appointment of all the other board members is also revoked.

In accordance with Article 47 of the Securites Market Law, General Ordinary Shareholders' Meeting, in addition to the provisions set forth in the General Corporations Law, are held to approve transactions that the company or the corporate entities controlled by it, intend to execute within the lapse of a fiscal year, whenever such transactions represent 20% or more of the Company's consolidated assets, based on the figures corresponding to the closing of the immediately preceding quarter, regardless of the way in which they are executed, whether simultaneously or successively, but which, by their characteristics, may be considered as a single transaction.

Furthermore, the General Ordinary Annual Shareholders' Meeting will receive the annual report prepared by the committee(s) responsible for Corporate Practices and Audit matters referred to in Article 43 of the Securities Market Law, which must be represented to that Shareholders' Meeting by the Company's Board of Directors.

Shareholders' Meetings must be called at least 15 calendar days in advance, by means of publication of the call of meeting through the online publication system established for these purposes by the Mexican Federal Ministry of the Economy. Additionally, Mexichem publishes this call in a newspaper with a largest national circulation. All of Shareholders' Meeting must invariably contain the order of business ("agenda") to be dealt with, which may not vary in the actual meeting unless 100% of the shares issued are represented at the Shareholders' Meeting.

Ordinary Shareholders' Meetings may be legally called to order by virtue of the first call, if at least 50% of the voting shares are represented at that Meeting. In second or later calls, with mention of this fact, the meeting may be legally called to order with any number of shares represented at that Meeting.

Extraordinary Shareholders' Meetings may be legally called to order by virtue of the first call, if at least 75% of the voting shares are represented at that Meeting. In second or later calls, with mention of this fact, the meeting may be legally called to order if at least 50% of the voting shares are represented at that Meeting.

Ordinary or Extraordinary General Shareholders' Meetings may be legally called to order even if a meeting call has not been published, when the holders of a majority of the shares representing the Company's capital stock are present or represented. The resolutions adopted in these Meetings shall be considered valid if at the time of exercising the vote all the shares are represented.

Admission to Shareholders' Meetings

In order to attend a Meeting, shareholders must obtain the corresponding Admission Card from the Secretary of the Corporation at least one day in advance of the time indicated for the Meeting.

To obtain the Admission Card, shareholders must deposit, with sufficient time in advance, the shares they own with the Secretary of the Corporation; in the case of shares deposited with S.D. INDEVAL Institución para el Depósito de Valores, S.A. de C.V. (The Central Securities Depository), that institution must inform the Secretary of the Corporation on a timely basis of the number of shares that each such depositor has submitted to it for custody, indicating whether the deposit was made for their own account or for another's, and this certificate must be accompanied by the listing referred to in article 290 of the Securities Market Law and delivered to the domicile of the Secretary of the Corporation or at the domicile of the Company itself, in order to obtain the Admission Card.

Shareholders may be represented at Meetings by the attorney or attorneys-in-fact they appoint by means of a proxy before two witnesses or attorneys-in-fact with sufficient general or special power granted under the terms of the applicable legislation or by means of the proxy forms referred to in Article 49 of the Securities Market Law, which must be made available to shareholders starting on the date the call of meeting is published.

Faculties of the Board of Directors

The Board of Directors is responsible for the strategic management of the Company and has the authority to decide on any matter not expressly reserved for the Shareholders' Meeting. Among others, the Board of Directors must concern itself with the obligations and responsibilities established in Article 28 of the Securities Market Law.

Furthermore, the Board of Directors is responsible for overseeing compliance with the resolutions passed in Shareholders' Meetings, which it may do through the Audit Committee. The Board of Directors must prepare and present to the Annual Shareholders' Meeting a report on its activities and resolutions, and the Shareholders' Meeting has the power to evaluate, qualify and, when such is the case, approve that report on the duties of the Board of Directors, and may even require additional or complementary reports.

Responsibilities of the Secretary and Pro-Secretary of the Board of Directors:

- Prepare, sign and publish the notices of meeting and other notifications for Shareholders' Meetings, and, when necessary, calling meetings of the Board of Directors and the Corporate Practices and Audit Committee.
- Participate with the right to speak but not to vote in Board Meetings.
- Preserve the confidentiality of the information and matters of which it becomes aware in connection with their responsibilities in the Company, when that information has not been made public.
- Attend all General Shareholders' meetings and Meetings of the Board of Directors, preparing the corresponding minutes and keeping a Book of Minutes of the General Shareholders' Meetings and Meetings of the Board of Directors in the form provided for by Law.
- Sign the minutes of those Meetings and certify those meetings or the resolutions contained therein for all legal intents and purposes.
- Act as special agent or representative of the Company for the purpose of appearing before a notary public in order to obtain the comprehensive formalization or certification or other formality regarding the minutes of the General Shareholders' Meetings and Meetings of the Board of Directors.
- Issue the certificates or authentications regarding legal representation of the Company and the entries in the Record of Shareholders and Significant Ownership, as required.

Additionally, and as established in the Securities Market Law, the Secretary must present, distribute and explain to board members each year an Annual Report on the obligations, responsibilities and recommendations applicable to the Company as an issuer of securities listed on the MSE, in accordance with the applicable legal provisions and regulations, and the degree of compliance by the Company with those provisions and regulations.

Transactions with Company securities

In its meeting of February 24, 2015, the Board of Directors approved the Policies and resolutions on transactions with securities and the acquisition and underwriting of the shares of Mexichem, S.A.B. de C.V., the purpose of which is to communicate the limitations and prohibitions imposed upon certain parties related to the Company, including members of the Board of Directors, the Chief Executive Officer, senior management and others, in engaging in transactions with securities issued by Mexichem, pursuant to the provisions issued by the National Banking and Securities Commission.

The Company has endeavored to alert those parties regarding these provisions and informs them regularly of periods of restriction on the purchase or sale of Mexichem shares by virtue of the existence of inside information that has not been made public.

Disclosure of conflicts of interest for Board Members

When some conflict of interest arises involving some board member, this is communicated to the chairman of the Board of Directors and those present at the Board Meeting, and that member is asked to remove him or herself from the meeting room while resolutions concerning that point of conflict are discussed and resolved upon.

Code of ethics

Mexichem is a company that has always been recognized for its principles and values. In order to maintain and strengthen its ethical and professional performance, the Code of Ethics was updated and reinforced, and a more effective whistleblower system was created to report conduct that violate the Company's principles and values.

The Code of Ethics applies equally to employees and to Company board members.

Accordingly, the current Code of Ethics has been approved and authorized by the Board of Directors of Mexichem.

The Code of Ethics establishes Mexichem's commitments to society, the government and the competition, as well as to its employees, suppliers, customers, clients, partners and shareholders. It is available for consultation at:
http://www.mexichem.com.wp/content/uploads/2015/04/Code-of_ethics.eng.pdf

The whistleblowers' hotline can be accessed at:
http://www.mexichem.com/investors/corporate-governance/whistleblower-line/

Investor information

To ensure that shareholders and investors have enough information to evaluate the organization's performance and progress, there is an area in charge of keeping communications open and transparent. To this end, the contact information is given on Mexichem's website, and there is also a section containing information that the investing public may require for making investment decisions. Furthermore, company shareholders have a number of mechanisms for communicating their opinions, questions or concerns to the Board of Directors through:

- Shareholders' Meetings.
- Investor Relations Area.
- Conferences in which the Company participates. The information about these conferences is available in Mexichem's website under the section Calendar.
- Meetings with analysts, banks, shareholders, investors, rating agencies and financial market participants.

The Company owns various subsidiaries which are obligated to comply with all the provisions established for each of their operating areas. These guidelines have the following purposes:

- To protect and increase investors' equity.
- To issue reliable, timely and reasonable information.
- To delegate authority and assign responsibilities for achieving the goals and targets set forth.
- To detail business practices in the organization.
- Provide administrative control methods that help to monitor and track compliance with policies and procedures.

There are also defined controls for policies regarding sales and promotion and, for operations, there are guidelines for the human resources, treasury, accounting, legal, tax and information systems areas, among others.

The following is a brief description of some of the most significant Internal Control Policies and Procedures.

Human Resources

The Company is supported by the knowledge, experience, motivation, aptitude, attitudes and abilities of its human resources in achieving its goals. With this in mind, it has policies and procedures that regulate the recruitment, selection, hiring and orientation of all personnel, as well as their training, promotion, compensation and attendance. It also covers matters relating to dismissals, benefits and payroll. These guidelines are consistent with current legal provisions and are intended to make the Company more efficient and productive.

Treasury

The policies regarding Treasury include procedures and mechanisms for raising, maintaining and spending of the financial resources necessary for optimal operation of the Company, including credits, loans, leasing, debt issuance, financial and market risk hedging, collections, payments and transfers, intercompany financing, etc. They also provide policies and procedures for controlling client credit and accounts receivable generated by term sales: the origin, management and registry of collections. These policies also include procedures for managing and recording accounts payable relating to the suppliers of goods and services acquired by the Company. The procedures include regulations on various means of payment and collection -such as checks and wire transfers, among others- and define internal systems for authorization and maintaining the necessary support documentation. Finally, Treasury is the main area responsible for the Company's relations with lenders, banks and financial creditors.

The policies of Mexichem's Treasury area are based on the premise of maintaining sound finances with sufficient liquidity to guarantee continuity of its operations on a day to day basis, as well as the investments necessary to acquire, improve or maintain assets that give it access to more efficient and modern high-quality production technology at low cost.

Given the nature of its operations, Mexichem and its subsidiaries maintain banking and investment accounts in both local currency -according to the countries where it operates- and in US dollars.

Systems

Mexichem has information systems in the various regions and countries where it operates, supported primarily by Enterprise Resource Planning (ERP) systems that support the various operating processes of each business. Mexichem's Systems area is responsible for operating these information platforms under the principle of operating continuity and information security, which are the basis for local policies and procedures applicable to the countries where the organization is present.

At Mexichem, every one of the data systems that house the data infrastructure and systems critical to operations have redundancy or backup systems that permit them to operate services and basic infrastructure in a secondary data center in the event of some incident, in order to ensure minimal interruption to key organizational processes. In this respect, Mexichem is aware of the importance of fortifying its business continuity measures, and in 2016 it will began a business impact analysis project and outline a plan of action that includes activities to strengthen policies and procedures to follow in the event of an emergency in any or all of the organization's operating areas.

Environmental commitment

At Mexichem, we are committed to protecting the environment and complying with all existing environmental laws. We strive to minimize the environmental impact of our operations, protect the environment and develop initiatives to raise awareness about the importance of preserving environmentally valuable areas and natural resources.

We strive to be as efficient as possible in the use of resources in our operations, based on the principle of industrial reduction, reuse and recycling. We regularly evaluate risk and identify opportunities relating to climate change in the region where we operate.

We prepare an inventory of greenhouse gases (GHG) by accounting for direct and indirect emissions relating to the electrical energy and fossil fuels we consume. Our commitment to reduce GHG emissions is focused on energy savings and efficiency goals in our processes, and involves all of our employees.

At Mexichem, we try to identify risks or opportunities that may affect the future of our business, in order to manage sustainability through a strategic planning methodology. Our management system entails strategic goals and operating targets, and enables us to measure, evaluate and report on our triple-bottom-line performance.

We will continue to develop a variety of energy savings and eco-efficiency plans in our processes, upgrading technology and evaluating alternative renewable energy sources.

Our environmental commitment also includes:

- Water and energy use optimization.
- Reduction of industrial waste.
- Control of atmospheric emissions.
- Developing plans to protect biodiversity, soil, surface water and aquifers.
- Research and development to design safer, more environmentally friendly products.

In the economic area, the success of our wealth creation and prosperity strategy will continue to focus on the following:

- Implementing our plans.
- Adding value to our raw materials.
- Continuing our vertical integration.
- Further diversifying our markets.
- Applying greater discipline in cost reduction and investments.
- Strengthening relations with stakeholders.

Sustainability Targets

In 2012 we established a series of sustainability targets focused on mitigating risk and reducing our environmental footprint. The chart below shows our progress as of 2015, including the target year for each. Note that in some areas Mexichem has already exceeded its targets.

Target	PROGRESS 2015	TARGET (YEAR)
Reduce the use of electricity from fossil fuel sources by 2018 (baseline year 2009).	-3%	-5% (2018)
Reduce waste sent to landfills by at least 20% by 2018 (baseline year 2011).	-75%	-20% (2018)
Neutralize the impact of our operations on biodiversity by 2025 (baseline year 2012). Operations initiated or acquired after 2012 will have a period of 10 years to achieve environmental neutrality.	30%	100% (2025)
Reuse at least 70% of water consumed, by 2018 (baseline year 2011).	69%	70% (2018)
Reduce greenhouse gas emissions (GHG) by a least 5% by 2018 (baseline year 2009).	-3%	-5% (2018)
Have a strategy for adapting and mitigating the effects of climate change; evaluate the impact of climate change in 100% of the Mexichem operations by 2016.	50%	100% (2016)
Have 100% of our contractors sign an agreement to abide by Mexichem's human rights policy by 2016.	30%	100% (2016)
Establish a training system on sustainable development and continuous improvement that involves at least 50% of Mexichem's employees by 2016.	10%	50% (2016)
Establish and promote two-way communication channels with Mexichem's stakeholders. Reach 100% of the primary stakeholders by 2016 and initiate at least one constructive dialogue with each of these groups.	80%	100% (2016)
Maintain zero claims of impact on the health and safety of our customers or ecosystems caused by safety failures in product handling.	0	0
Train 100% of Mexichem's employees and secure their signed commitment to the company's Code of Ethics and anticorruption policy by 2016.	100%	100% (2016)
Achieve zero fatalities; reduce the number of incapacitating accidents, at least 50% by 2016 (baseline year 2012).	-50%	-50% (2016)
Develop shared-value social projects in the communities in which Mexichem operates. Each of the chains must have at least one new social project by 2016.	3 PROJECT	3 (2016)

Bases for the 2015 Sustainability Report

Through the Sustainability Report, Mexichem communicates to its stakeholders the progress it has made on its triple-bottom-line approach to simultaneously creating economic, environmental, and social value. The report summarizes Mexichem's activities, progress and performance, plans for the future, its policies and goals in subjects such as corporate governance, economic results, labor issues, the safety and health of employees, commitment to the protection of human rights, support for social progress, and the protection of the environment, among other key aspects of the company's operations.

This report was drafted based on the Global Reporting Initiative (GRI) guidelines, fourth generation (G4) under the core "in accordance" option G4-32, and adhering to the AA1000 AccountAbility standards (2008), with regards to the principles of relevance or materiality, inclusion, and response to our main stakeholders. The principles of the United Nations Global Compact, the Universal Declaration of Human Rights, and the recommendations of the International Labor Organization also served as a reference. G4-18

The information presented in this report was compiled and adapted to GRI indicators based on an analysis of the facts and data reported by all operating sites (plants) located in the Americas, Europe, Africa, the Middle East and Asia. G4-18

Mexichem has plant locations in Argentina, Belgium, Brazil, China, Colombia, Costa Rica, Czech Republic, Denmark, Ecuador, El Salvador, Germany, Finland, France, Guatemala, Honduras, Hungary, India, Ireland, Italy, Japan, Lithuania, Mexico, Netherlands, Nicaragua, Norway, Oman, Panama, Peru, Poland, Russia, South Africa, Sweden, Taiwan, Turkey, United Kingdom, United States, and Venezuela. G4-17, G4-6

The information takes into account materiality, stakeholder participation, and relevance in a context of sustainability, completeness, balance, comparability, accuracy, periodicity, reliability, and clarity.

This report is prepared on an annual basis. G4-30 Historical data from the four previous years (2012 to 2015) is included for comparison purposes and to help identify trends in some key indicators. Our previous report was published in 2014. G4-29

Period of this report: Calendar year 2015. G4-28 There have been no considerable changes that affect the comparability of the information reported, nor was it necessary to restate any of the information presented in prior reports. G4-13, G4-22, G4-23

The information included in the current report has been compiled with transparency and integrity based on operations developed by our operating sites in the three main business chains: Vinyl, Fluent and Fluor, as well as its corporate support areas. The information does not include data from sales offices or joint ventures.

The data compiled is documented in our electronic information systems, and technical support used for the mathematical calculations is described in the numeric indicators. Key performance indicators cover all business units, except for those cases where limitations are indicated in the geographic coverage or in the available information. We included all the triple-bottom-line indicators that have been defined as relevant for the business and for our main stakeholders.

For the fifth year in a row, we have relied on the services of Deloitte (Galaz, Yamazaki, Ruiz Urquiza, S.C.) for the third-party review of the 2015 Sustainability Report, ensuring the transparency and reliability criteria of the information. G4-33

Initiatives signed by Mexichem G4-15

- IQNet SR10 Social responsibility management system, HACCP, KIWA ATA in Germany.
- Clean Industry certificate in Mexico.
- Socially Responsible certificate granted by Cemefi).
- Self-management in Safety and Health certificate in Mexico.
- ISO 9001: Quality Management System.
- ISO 14001: Environmental Management System.
- ISO 22000: Food Safety Management System.
- OHSAS 18001: Occupational Health and Safety Management System.
- ISO 50001.
- UN Global Compact in Colombia.
- Responsible Care.
- Comprehensive Responsibility Management System in Mexico.
- International Safety Rating System.

Management systems and policies

Mexichem has established and accredited management systems that meet with the international ISO 9001, ISO 14001, and OHSAS 18001 standards for the main operation of its three product chains. The operating units that produce chemicals (Vinyl and Fluor) are signatories of the Responsible Care® program, which operates under the supervision of the chemical industry associations in Mexico, Colombia, the United States, and the United Kingdom.

Mexichem has a documented comprehensive safety, environmental, and quality control policy, which is communicated to and understood by the entire organization. This policy can be viewed at: http://www.mexichem.com/sustainability/documents-tcenter/.

Safety, Quality and Environmental Policy

At Mexichem and our subsidiary companies, Safety is our top priority. Importance is placed on the environment, quality of our products and services. Mexichem and our subsidiaries strive to comply with customer's requirements, emphasizing the strength of our personnel.

Our Commitments:

- Preventing accidents and property damage by emphasizing that safety is everyone's responsibility.
- Striving for the preservation of health, safety and security of our people.
- Creating a positive impact on the environment through pollution prevention, reduction of resource consumption and the recycling of waste.
- Continuously improving our Management System, performance objectives, measuring results, reviewing and improving processes.
- Communicating openly with stakeholders; complying with current federal and local regulations along with other external requirements and commitments that may apply.

Our success in the above requires the involvement of our personnel, suppliers, customers and the allocation of necessary resources.

Material aspects and identified scope

Based on the guidelines of the Global Reporting Initiative (GRI G4), Mexichem took on the task of defining the content of this report and the Scope of the Aspects, as a reflection of the organization's economic, environmental and social impacts, and because of the impact they may have on our stakeholders' evaluations and decisions.

The materiality analysis at Mexichem is focused on the matters shown in the upper right corner of the chart below. The results shown beneath it are an "approach" to what is contained in the yellow square.

The analysis revealed 17 material issues, divided into four categories: Product, Operations, Community and Talent. It also shows two transversal issues: Corporate governance and ethical conduct/ compliance. Four of these 17 issues have significant strategic relevance: impact on life cycle, Occupational health and safety, Commitment to the community, and Culture. These four strategic issues will be prioritized in the Company's strategy as a way to strengthen compliance and manage risks. The rest of the issues are material depending on the business unit or geographic location.

Materiality determination process

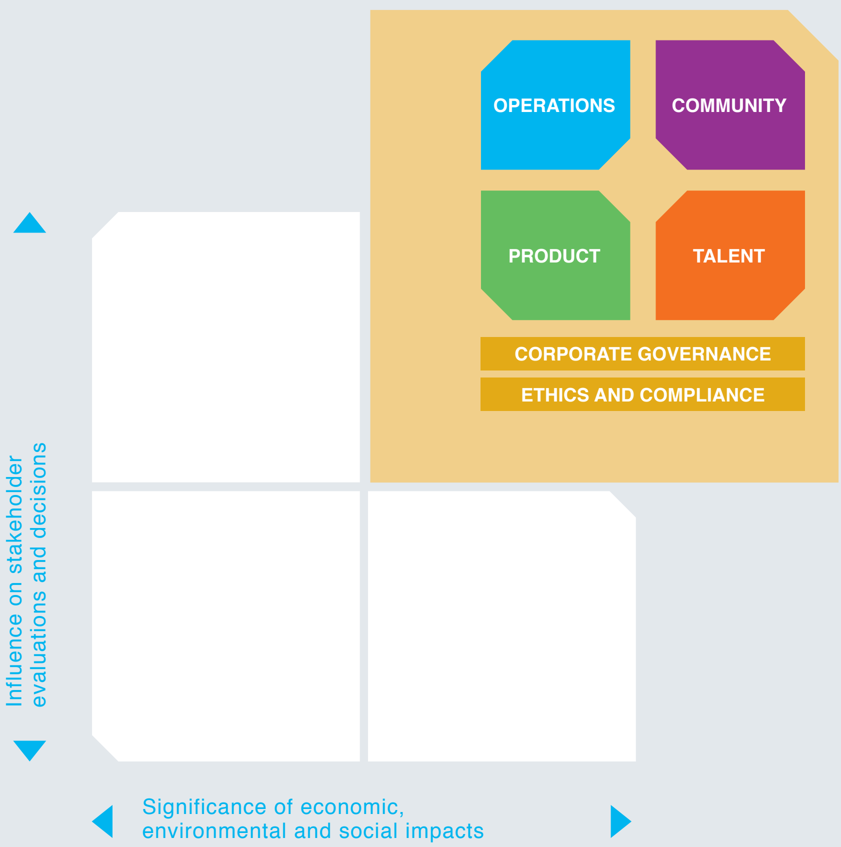
G4-18

1. Identification:
- Review sustainability standards applicable to the sector.
- Review existing regulation.
- Reference external peer companies in the chemical sector.
- Study Mexichem's strategic and corporate documents.
- Map out media and civil society positions.
- Review results from stakeholders' surveys: customers, communities, investors.
- Construction of a list of potentially relevant issues for Mexichem.

2. Prioritization:
- Conduct interviews with Mexichem's Top Management.
- Group issues into categories.
- Evaluate issues according to their impact, risks and opportunities for the business and the available information from stakeholders (2 levels of relevance).

19 issues were prioritized in the analysis and other studied issues were left out.

3. Validation:
- Preliminary results presented to Mexichem's Global Sustainability Council with the Executive Committee.



Results
List of material issues G4-19

Product:
Life cycle impact
- Product transparency and legal compliance
- Safe Management of Hazardous Substances

Design and innovation (R&D)
Products/solutions that contribute to sustainability

Operations:
Occupational health and safety
Energy consumption
Water management
Emissions reduction
Chemicals transportation
Waste management
Biodiversity and ecosystems protection

Community:
Community engagement
Social investment
Local economic development
Accident prevention, preparedness and response

Talent:
Culture
Diversity
Volunteering

Within a context of continuous improvement and strengthening our materiality analysis, in 2016 Mexichem will continue to conduct complementary surveys among its internal and external stakeholders in order to fine-tune this analysis and sustainability strategy.

1

G4-20, G4-21

Sustainability frameworks and standards
GRI
Sustainable Development Targets
ECVM
Responsible Care
Vinyl Plus
OECD
SASB
Leed

Legislation
REACH, Montreal Protocol, Stockholm Convention, Rotterdam Convention, CLCP Convention

Studies
The Future of Plastics

2

Mexichem Divisions involved
Corporate:
Chief Executive Office
Vice President for Finance
Vice President for Legal Affairs
Internal Audit Department
Human Capital
Health, Safety and Sustainability
Corporate Social Responsibility

Business Units
Fluent Europe
Fluent LatAm, Business Group
Vinyl, Business Group
Fluent Business Group
Energy

Impacts
Risks
Opportunities
Strategic relevance
Trends
Industry Peers
Stakeholder expectations

Analysis

Global Sustainability Council

04. SOCIAL PERFORMANCE

OUR OPERATIONS ARE FOCUSED ON MAXIMIZING VALUE FOR SOCIETY AND FACING THE CHALLENGES OF SUSTAINABILITY

Relationship with stakeholders

G4-24, G4-25

We identified our stakeholders' expectations through an analysis of operations and their internal or external impact, as well as Mexichem's strategy, targets and vision as an organization. We identified the expectations of the stakeholders with which Mexichem has a relationship.

Investors: Return on their investment through constant, sustainable growth.

Employees: Mexichem responds to the expectations of its employees by offering a work environment focused on development their talent and recognizing their greatest contributions. In recent years, this has led us to strengthen and introduce initiatives and global processes like the Mexichem Talent Model--the company's framework for managing organizational competencies, global performance, variable compensation systems and salary structures based on international standards for promoting internal equality. These processes and initiatives have had a positive impact on the company, improving employee relations and enabling us to recruit, retain and develop this company's most valuable assets: Our People. Additionally, in 2015 Mexichem started up a key project called M'People--a human resource management system that will enable it to manage its talent globally with world-class processes.

Communities: Communities need Mexichem's support in acquiring its goods and services and those of local suppliers, and also to have access to job opportunities, education, access to clean water and sanitation, dignified housing, and shared value projects.

Customers: Quality and compliance, competitive prices, business leverage, cooperating on strategic matters for the sustainability of the value chain.

Suppliers: Long-term commercial partnerships, mutual support, prompt payment, and fair dealings.

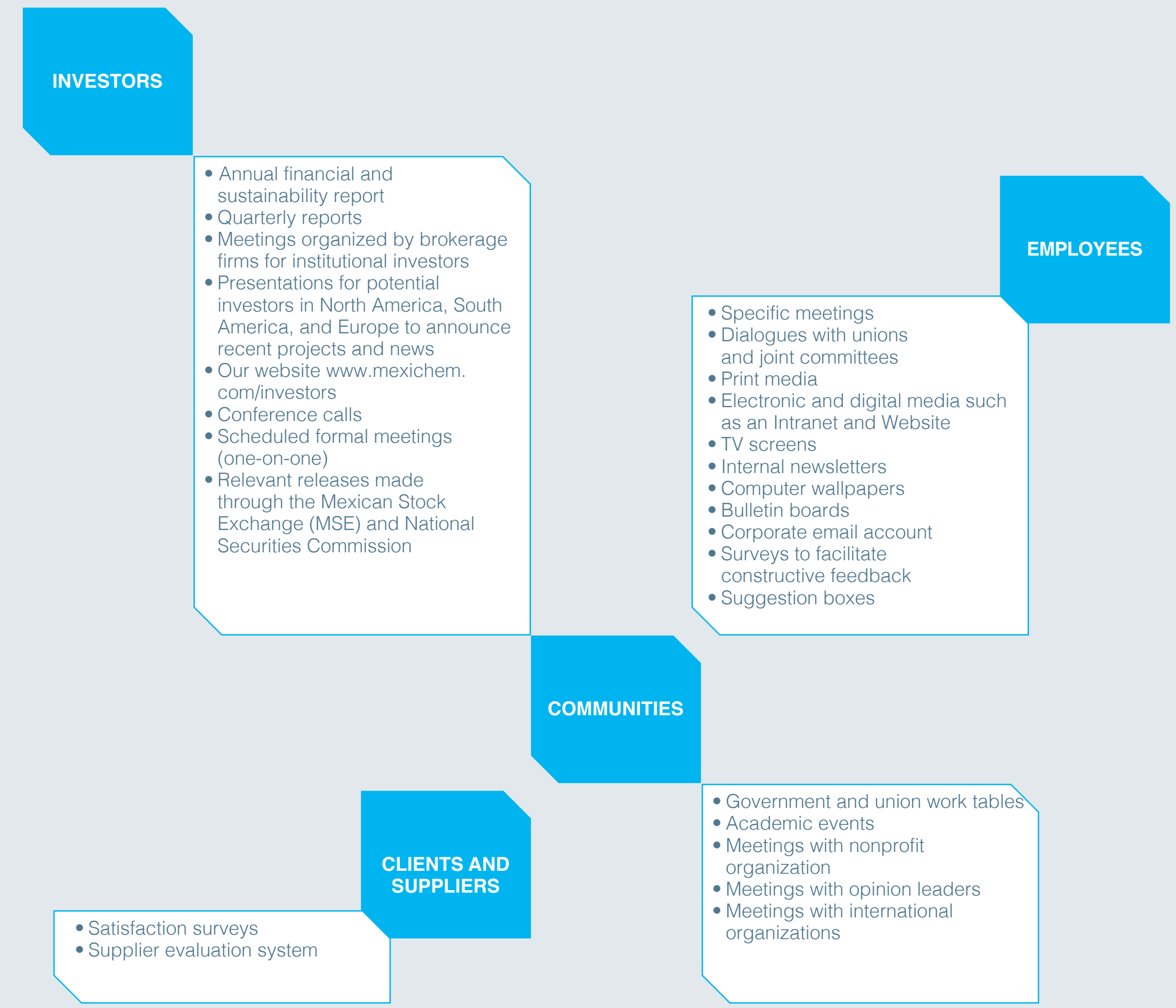
Governments: Shared value projects for community development.

Universities: Support for research in science and technology, joint value creation in developing new products and applications, two-way flow of available knowledge (of the university toward the company and vice versa).

Communications media: Timely press monitoring and access to industrial knowledge of public interest.

Communication with stakeholders

G4-26, G4-27



Human capital management

Employees

As of December 31, 2015, Mexichem had 18,803 employees spread across the countries where we operate. Male employees made up 84% of our human capital, and women the other 16%. G4-10

All employees have a permanent, full time work contract. The above figure does not include subcontractor personnel, who work independently, or part-time workers. G4-10

Average personnel turnover is 1.47%.

62% of our employees are part of collective bargaining agreements. G4-11

Organizational changes are communicated promptly to union centrals, and if they affect the worker-employer relationship in any way they are incorporated into those collective bargaining agreements.

Wages and benefits

Mexichem provides equitable and fair compensation consistent with the market and with each employee's performance, skills, duties and assigned responsibilities. The benefits Mexichem offers exceed the requirements of labor law in each country, such as major medical insurance, retirement plan, life insurance and variable compensation schemes, among others.

The labor laws of each country establish a minimum wage, and Mexichem offers equitable and fair compensation above that minimum based on a wage table that takes into account the labor market, type of industry, and duties and responsibilities of the position according to a job profile based on skills and knowledge and without regard to gender.

Training and development G4-LA9

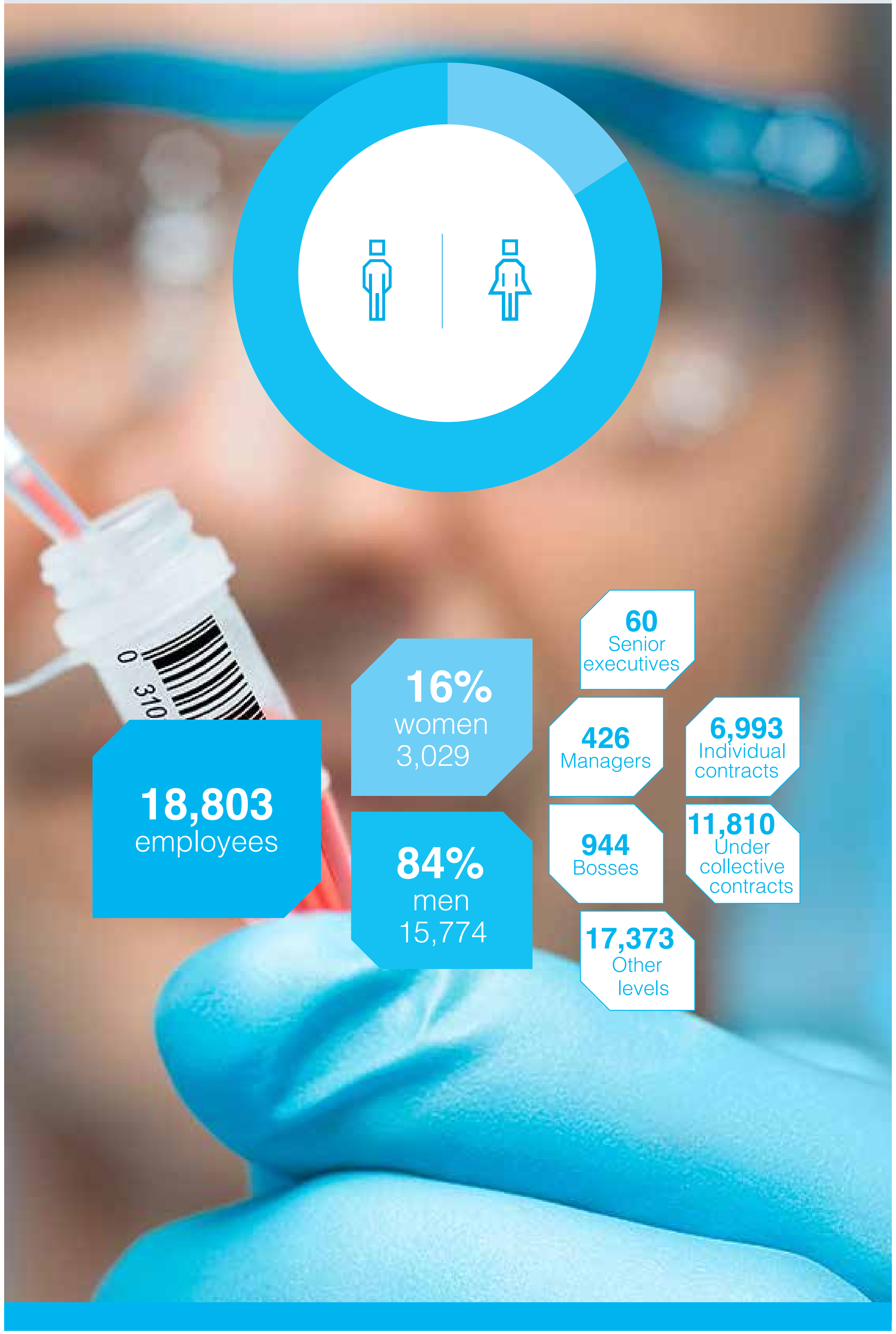
In 2015, we provided 364,929 hours of training, 63% of them given to employees with collective bargaining contracts and 37% to those working under individual contracts. The main areas of training this year were the code of ethics, human rights, sustainability, safety and health, orientation for newly hired personnel, corporate culture, English, process technologies, information technologies, process management and the Hydros Project.

We invested USD1.5 million in this effort.

Non-unionized personal are subject to an annual evaluation, and each employee receives feedback from his or her immediate superior so they can agree on work goals consistent with the company's strategy and the employees' improvement and personal advancement goals. These evaluations are the basis for career plans for executives and personnel with high potential and leadership. G4-LA11

Employee origin

Mexichem has a practice of hiring people from the region where its business units are located. With this it supports communities by providing jobs and encouraging higher quality of life and more family togetherness, making an effort to avoid having employees waste time in lengthy commutes.



Talent Model

Mexichem is committed to developing people and achieving business goals. Our CEO, Antonio Carrillo, says: “We are convinced that our people are one of the main pillars of our business strategy and the most important asset, so we are working on creating the development opportunities for them.”

Mexichem’s unique composition as a leading global company, keen on making use of its employees’ cultural diversity and experience to the fullest, means it faces the challenge of getting the most out of its people. The best way to do this is through its tailor-made Talent Model.

Having sounded out around 50 top leaders across all its businesses and countries of operation, Mexichem developed this model around ten core competencies, which apply to all Mexichem employees.

These competencies allow our people to be on the same page, no matter what the challenge, from exploring partnership opportunities between two distant plants or aligning customer-focused practices around the globe.

A preparation phase such as this, based on the direct experiences of our top leadership and molded by the experiences of our staff, ensures our Talent Model can be equally understood and equally relevant to every employee in every operation. There can be no greater evidence that Mexichem is committed to moving Forward as One!

The Talent Model is also used as a tool by our Human Resources managers and other leaders, to ensure that the same standards are applied to all employees and that their development is measured equally, regardless of the country of operation or the Business Unit involved. Furthermore, advancement within Mexichem is made easier when we all speak the same language when it comes to career promotion.

Having leaders and employees orient their decisions, according to the priorities set out in the Talent Model, is also critical to another important area: change. Mexichem is proud to always be seeking fresh innovation, to provide better value to its customers, or to improve its market share. The Talent Model means that, when the time comes, employees can welcome change with enthusiasm and adjust their work accordingly.

Human rights

Mexichem Human Rights Policy

At Mexichem we have a Human Rights Policy that has been approved by the CEO. Employees are made familiar with the policy, which states that there must be an attitude of dignity and mutual respect between employees and the company, and that we do not tolerate any form of harassment or discrimination. In 2015, 33,827 hours were allocated to sharing Mexichem's policies and procedures concerning human rights and our Code of Ethics with employees. G4-HR2 There were no incidents of discrimination reported during the year. G4-HR3

We will continue to communicate our policies to employees, suppliers, contractors, and distributors. Mexichem's Human Rights Policy and related information are available for consultation at: http://www.mexichem.com/sustainability/documents-center/

Human rights in the company

The right to free association and to belong to collective agreements or contracts is based on the activity or position each employee holds, and we see to it that this is complied with. Free association is granted in collective bargaining agreements, and there are no risks affecting that liberty. G4-HR4

Based on our procedures and the labor law, we only hire people who are 18 years old or older. We do not hire underage workers, and we comply with the International Convention on Human Rights. Minimum working age is clearly stipulated in the collective work contracts and the same criteria applies for our suppliers. No actions were required nor was any risk of incident detected with regard to child labor. G4-HR5, G4-HR6

There are no risks of forced or compulsory labor at any of our operations; consequently, no actions have been required. G4-HR6 According to the evaluation by the Safety and Hygiene Committees, no Mexichem operations have been identified to be at risk of forced or compulsory labor. Any employee can present a complaint to senior management or report abuse through the suggestions box, either anonymously or openly, via e-mail or phone, to our whistleblower's hotline. G4-HR6

Safety and supervision personnel that work for the company receive training on human rights, trust issues, and values. This training helps prevent reputation risks and litigation from inappropriate actions or approaches not tolerated by our company. During 2015, 1,042 people who make up our security staff received training on the human rights policy and procedures at Mexichem. G4-HR7

Human rights and our suppliers

Mexichem communicates its Human Rights Policy to its entire value chain and requires that suppliers pledge to respect and abide by it. We monitor the news media to identify whether any information is published on our leading suppliers involved human rights issues. The greatest vulnerability is an infringement of workers' rights.

Because Mexichem is structured into productive chains that are vertically integrated based on the raw materials extracted from nature, our affiliates become clients and inter-company suppliers. In other words, the finished product of one plant becomes the raw material for another, until reaching the final consumer. These intercompany suppliers, considered as internal in the organization, receive training on human rights policy and knowledge as regards their specific business.

Shared value in communities G4-SO1

Maintaining good community relations is part of Mexichem's business philosophy and good neighbor policy. During the year covered by this report, there were no incidents related to violations of rights to the indigenous communities near sites where we operate.

Mexichem has a commitment to the communities where we operate, and we strive to take advantage of opportunities for creating shared value. These actions include various forms of intervention in response to the interests of our stakeholders-- assistance and support for self-managing development, for example. In these tasks we encourage initiatives and volunteer work by Mexichem employees to support social progress in these communities.

In the year 2015, 55 of Mexichem's 120 plants took part in programs, projects and activities related to social responsibility. This means people from 46% of our operations were involved in programs ranging from awareness-raising campaigns to developing social innovation plans like nominees for the Kaluz Prize. Mexichem volunteers took part in a number of programs and activities.

As part of this effort, 21 plants took action within the framework of the corporate program "Hydros," which involves schools and communities neighboring Mexichem operations in building awareness, sensitization and dialogue about the importance of responsible water use. For more details about his program, visit: http://www.proyectohydros.com

Also last year, 20 Mexichem plants participated in the fifth annual Kaluz Foundation Prize, with the theme "Innovative people with social impact," and another 27 operations took action ranging from campaigns, events and skill-based projects for transferring knowledge in neighboring communities to other entrepreneurial projects.

Through the Kaluz Award, Mexichem's employees show their leadership in involving companies of the group, their management and employees, local governments and the community itself in projects with a positive social impact. Mexichem is participating in The Kaluz Foundation Award (2015-2016) with 38 ongoing projects. For the 5th edition of this Award, Kaluz Foundation is partnering with Ashoka, the largest network of social entrepreneurs worldwide.

Another 34 Mexichem operating sites participated in a program called +Km, whose aim is to promote health, togetherness and social responsibility through sports. Another 26 operations took action ranging from campaigns, events and skill-based projects for transferring knowledge in neighboring communities to other entrepreneurial projects.

2,626 Volunteers

101 in Project Hydros

675 in social projects

1,850 in +Km program

Volunteering

Mexichem's Volunteer Program seeks to engage employees in providing a positive impact in our society by applying their time and talent to the service of those that need it most.

On example is the volunteer participation of employees in the Hydros Project as Water Ambassadors, who promote a healthy water culture in schools, neighborhoods, and communities, and become advocates of campaigns to mitigate impacts related to water consumption.

Water Ambassadors take on the challenge of spreading a message of awareness to as many people a possible, that our natural resources are dwindling and we need to do something about it.

The +Km Program, encourages our employees to practice sports to improve their health, and record those kilometers in the Program; once the annual goal is met, the Kaluz Foundation makes a contribution to support social projects in some communities.

Summary of social initiatives G4-15, G4-26, G4-SO1

FLUENT

Light and Hope in Puerto Tejada
Colombia

Making children and young people more aware of the importance of studying and sports for getting ahead and staying off the streets.

FLUOR

Las Rusias Sports Community
México

Promote sports and encourage physical condition
Strengthen togetherness
Create environmental culture

FLUENT

Attorney School León de Febres Cordero
Ecuador

Improve water storage facilities and training on a community garden equipped with an irrigation system.

FLUENT

Martínez Proyect
México

Support disadvantaged children from the orphanage in their personal and academic development.

FLUENT

Multi-sectorial alliance in Industrial safety
Guatemala

Share industrial safety manuals for building in Central America and train various ethnic groups

FLUENT

Professional plumbers Colombia penitentiary
Colombia

Help inmates with evaluation and certification for labor skills, issued by the SENA

VINYL

Education, sports, and health for Pasacaballos
Colombia

Help schoolchildren between 9 and 13 years old in the Pasacaballos community by sponsoring a soccer championship that contributes to their overall development, the appropriate use of their free time and strengthens family ties

FLUENT

El Salto has a Future
Colombia

Providing participants with tools for protecting the cloud forest by serving as water trainers, restoring El Salto de Tequendama.

FLUOR

Friends United to Help
México

Support for poor and disadvantaged members of the community so they can improve their quality of life through training

FLUOR

Integrating Community Talents
México

Strengthen ties between the business and the community, enriching the skills of operating personnel and inhabitants of La Salitrera and neighboring communities

VINYL

Building Leaders
México

Renovations, maintenance and equipment in priority areas of the Tamaulipas Primary School

FLUENT

"Fri sholen for Bern," Markusminde
Denmark

Contributing to an independent kindergarten for children that were not admitted to public institutions.

Colombia
Ecuador
Guatemala
Mexico

Education

VINYL

Education within everyone's reach Estación Colonias
México

Building a technical high school for close to 3,000 students. Support construction of classrooms using PVC materials.

VINYL

Pasacaballos multi-purpose classroom
Colombia

Building a multi-purpose classroom for community use, a site for training programs (informal education) and a reference center for orientation to small productive enterprises.

Summary of social initiatives G4-15, G4-26, G4-SO1

Culture and tradition

Colombia

FLUENT

Cultural identity through oral tradition
Colombia

Transmitting ancient traditions from local culture in the voice of elderly residents

Health and safety

Mexico
Turkey

FLUENT

HSE in the HouSE
Turkey

Reduce accidents
Raise family awareness about safety
Train employees, their families and the community for dealing with emergencies

FLUENT

Medical dispensary
México

Build and equip a medical clinic to serve rural communities near the plant
Provide basic medical attention and preventive programs for residents

FLUENT

Memories of Yesterday
México

Help low-income elderly persons to become more active

Housing

Mexico

FLUOR

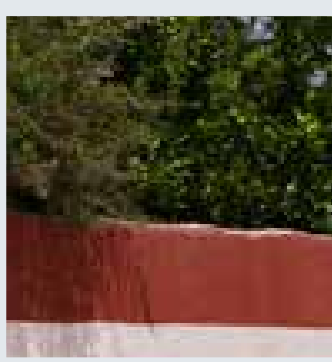
Múzquiz recreational and sports area
México

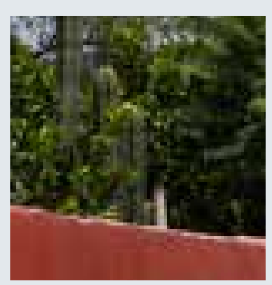
Begin a business-community outreach program Donation of Mexichem land to the community for recreational and sports purposes

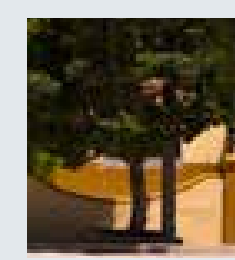
FLUOR

Revamping urban image
México

Giving local residents a sense of pride and belonging







Mexichem and our commitment to communities where we operate

Mexichem owns the world's largest fluorspar mine, located in the municipality of Zaragoza, San Luis Potosí, in Mexico. In 2013 we signed a cooperation agreement with local authorities for the purpose of improving quality of life for local residents.

One of the main activities carried out under this agreement was Urban Image, including the renovation of 151 façades and sidewalks along the main roads of Villa de Zaragoza, the municipal seat where the Las Cuevas mine is located.

Our work on this project was carried out over about 10 months, directly benefiting 151 families and indirectly helping the town's 24,000 inhabitants, because improving the main roads to Zaragoza favors its economic and social development.

This project involved a total investment of almost USD390,000 and required harmonizing the architectural features of homes with local materials--traditional streetlights, bright colors typical of Mexico, and terra cotta cornices that are typical of this region.

Some of the families also received complementary support for home improvement from the authorities. So with this three-part cooperation between community, authorities and Mexichem, we helped the community and achieved other social benefits, like increasing cooperation and communication between neighbors.

At Mexichem, this is how we fulfill our pledge to the communities where we operate, doing what's necessary to fulfill our vision of being respected and admired worldwide not only for its results but for its contributions to progress and to improving people's lives.

Supplier management

We give preference to local suppliers when purchasing materials and services to operate the Mexichem plants as long as they meet quality and service standards and their price range is competitive. We define local suppliers as those that are geographically near our facilities or within the same area of influence.

Employee health and safety

Mexichem works day in and day out to provide a safe workplace for employees, visitors and contractors. Convinced that almost every workplace accident or work-related illness is preventable, in 2013 we made the decision to unify safety systems for our operations and align them with the International Safety Rating System (ISRS) standard. Today we have 19 operating locations certified, and by end of 2016 we plan to certify 12 more. Through ISRS, we were able to reduce the number of incapacitating accidents by 48% in 2015, and lower the number of workdays lost by 52%, against the base year 2012.

For Mexichem, any workplace accident, of any magnitude, is unacceptable. We are working constantly to prevent these. Despite this, we are sorry to report that there was a fatality at one of our mines in 2015. The accident has been analyzed extensively to identify the root cause and the measures that need to be taken to prevent this type of risk in the future. We will not be satisfied until we have achieved zero fatalities and accidents in our operations, and in related transportation activities as well.

In 2015, Mexichem established a Global Sustainability Council made up of representatives from all our worldwide operations. The purpose of this Council is to develop a comprehensive, unified strategy on health, safety, the environment and social responsibility, and to identify best global practices and implement them in every one of our geographic regions.

In addition, all our employees, both those working under individual contracts and those that are part of collective bargaining agreements, are represented in the Occupational health and Safety committees, which are responsible mainly for drafting proposals to improve worker safety and protection, verify compliance with established agreements, conduct plant visits to make sure conditions are up to standard, follow up on any major deviations, comment on accident investigations and promote activities aimed at improving employee health and safety. G4-LA5

Our Safety, Environment and Quality Policy and, in general, all of our efforts are geared toward achieving accident-free operations, although responsibility for achieving those goal rests on each and every one of the company's employees.

Operational safety indicators G4-LA6

	2011	2012	2013	2014	2015
Incapacitating accidents	180	253	188	205	147
Days lost	4,697	8,777	5,950	5,268	4,013
Fatal accidents	1	0	0	0	1
Man-hours worked	22'979,677	36'782,516	36'855,286	39'582,720	41'810,917
Frequency index *	1.5	1.3	1.0	1.0	0.70
Severity or gravity index **	40.8	47.0	32.2	26.6	19.20

* IF=(Incapacitating accidents / Man-hours worked) x 200,000
** IS o IG= (Days lost / Man-hours worked) x 200,000

Education and health prevention programs

During the Safety, Health, and Hygiene Week at the different locations where we operate, experts present and discuss aspects related to education, training, and advice in the prevention and control of risks. We frequently invite families of our employees to participate and acquire good habits to improve their own and their family's health.

As part of medical program activities, we hold talks on preventing the most common serious illnesses in the various regions where our plants are located--high blood pressure, diabetes, obesity, smoking, influenza, stress, alcoholism, cancer, and AIDS--all with a focus on preventive medicine aligned with productivity.

Other health care initiatives include our epidemiological awareness program, regular medical checkups for our workers, vaccination campaigns, and cafeterias and food supervision. We also organize on-site visits by doctors and safety personnel, besides offering information on health and hygiene through newsletters or on bulletin boards.
The purpose of our safety programs is to protect the health of workers that are most exposed to risk, injury, work-related illness and accidents. Labor agreements with our unions include health and safety clauses for all employees. G4-LA8

Our preventive safety programs include, among others:

- Safety orientation for newly hired employees.
- Safety orientation for contractors.
- Safe handling of chemical products.
- Safety Data Sheets and emergency sheets.
- Accident and incident investigation.
- First aid.
- Major emergency training.
- Fire brigades.
- Handling of hazardous materials.

Product Stewardship

Mexichem understands that Product Stewardship is a key mechanism for managing the health, safety and environmental aspects of our products throughout their life cycle and we consider it an essential element for sustainability management.

Mexichem is committed to the Responsible Care initiative and the Global Charter signed by our CEO. We work to strenghten our corporate Product Stewardship strategy by establishing global guidelines and tools for standardizing best practices, guaranteeing product safety and pursuing continuous improvement. This work is being led by the Product Stewardship work team.

Mexichem's Product Stewardship approach seeks to:

- Promote innovation efforts to develop improved products that create value for sustainability.
- Ensure that in Business Groups have the management practices needed to prevent, reduce and mitigate environmental and health impacts of its products throughout their life cycle.
- Update or complete the risks assessments needed to cover the full range of Mexichem's chemical products and make this information available to stakeholders.
- Maintain compliance with applicable product regulations where Mexichem products are produced and sold.
- Provide complete and appropriate product safety information for customers.
- Make available to all stakeholders all the information about the benefits that Mexichem products contribute to building a sustainable society.

Research and Development

Mexichem recognizes that research and development is the engine of our future growth. It creates new market opportunities, improves understanding about our products' impact throughout their life cycle, and provides solutions for risk management. In 2015, Mexichem invested a total of USD31.57 million in R&D.

Mexichem's main source of innovation has traditionally been the acquisition of new companies, but we are also prepared to respond to stakeholders who require an increasing amount of scientific information about our products and are eager to learn about innovation and new developments. At present, we have 16 R&D centers working to develop cutting-edge technology to come up with new and better products, processes and applications. They are distributed globally as shown in the list below.

Vinyl: 9:
- 3 Mexico
- 2 US
- 3 Germany
- 1 United kingdom

Fluor: 3:
- 1 UK
- 2 Mexico

Fluent: 4:
- 1 Netherland
- 1 Czech Republic
- 1 US
- 1 India

Mexichem has earned recognition for its development of specialty PVC products, tailored to its clients' needs in Vinyl and Fluent Groups. The Fluor Business Group currently focuses its efforts on working on the development of reduced GWP refrigerants.

Life cycle impact management

Prevention, reduction and mitigation of product impacts throughout their life cycle - extraction, manufacturing, marketing, storage and distribution, usage performance and final disposal, reuse or recycling - are managed through Responsible Care practices in Product Stewardship, with technological support from Mexichem's Research & Development Centers.

All products are assessed for opportunities to improve their use and minimize the risk to human health and the environment.

Use of hazardous materials

Mexichem supports the United Nations Environment Program (UNEP) Strategic Approach to International Chemicals Management (SAICM) and its goal: "by the year 2020, chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health."

In Europe, Mexichem complies with REACH (Registration, Evaluation and Authorization of Chemicals) requirements for all substances produced or imported by subsidiaries in our Fluor and Vinyl Business Groups. We have completed pre-registration of more than 70 substances and registered the substances classified as priorities.

In 2015 there were no reported incidents involving a breach of regulations or voluntary codes concerning the health and safety impacts of products and services during their life cycle. G4-PR2

Product Safety Information

Mexichem provides open access to its product safety information for the general public and throughout its value chains. Its products meet the requirements of a Risk Communication Program that includes labeling and classification according to the Global Harmonized System.

The content of the labels and Safety Data Sheets is consistent with local laws and regulations of each country where our products are sold and includes information such as product composition, safe handling, storage, and recommendations for appropriate disposal. Mexichem also provides technical assistance to clients in order to assure appropriate implementation of the recommended safety measures in product storage, handling and processing.

Mexichem has developed and published risk assessments for the substances it produces and have been registered under REACH. Chemical Safety Reports for these registered substances, including exposure scenarios and complete information, are available for public consultation on websites provided by the European Chemical Agency (ECHA) at the following link: http://echa.europa.eu/web/guest/regulations/reach

In 2015, there were no reported incidents involving a breach of regulations on product and service information and labeling. G4-PR4

Sustainable solutions

Mexichem offers a wide range of additives and finished products that contribute to the success of our clients and improve quality of life for people around the world, through environmental, social and economic benefits.

Our experience and products help improve access to water and sanitation, deal with the effects of climate change by effectively managing fluctuations in ground water and rainfall, providing irrigation solutions for small farmers, medical solutions, more environmentally friendly refrigerants, accessible housing and products that meet the standard for green construction certification.

For more information on our sustainable solutions, visit http://www.wavin.com/ and http://www.mexichem.com/

Risk evaluation

To develop new products, we first conduct a toxicological analysis to prevent possible negative health effects, both in the production process and in their use. Mexichem avoids animal testing as much as possible. In cases where the protocol or regulations require it, we evaluate all alternatives before confirming that animal testing is the only practical option, and it is applied only as the last alternative. G4-PR1

Marketing communications

Mexichem management incorporates the ethical codes and principles of transparency in its information to stakeholders. All marketing and advertising communication and, in general, all information published by the company, is consistent with the policies documented by Mexichem's Legal and Investor Relations Departments. Regulatory specialists in each country where we operate review local communications to ensure they comply with the prevailing laws and regulations, in accordance with the company's Code of Ethics and policies. This review encompasses all marketing and advertising information published on websites, in technical product literature, newsletters, information presented at business fairs, information included in the product packaging, and any other material relating to advertising, promotion or sponsorship.

Through the industrial and mining associations to which we belong, we remain abreast of progress on the regulatory front and other measures for product safety management in light of concerns among the general public and the emergency of any restrictions that might affect our markets. We stay informed so we can act responsibly when justified concerns or legal limitations arise.

Some of Mexichem's products have been the object of controversy raised by certain stakeholders because of the alleged or real risk they might pose to health or the environment. Mexichem remains committed to safe products and promotes their use based on the best scientific information and risk evaluations available, with the support of and compliance with all regulations governing the safety of these products for the intended uses and application. G4-PR7, G4-PR8

During the year covered by this report no incident involving a breach of relations regarding communication, marketing, advertising or sponsorship was reported. G4-PR9

PMV (Petroquímica Mexicana de Vinilo)

On September 11, 2013, Mexichem and PEMEX Petroquímica (a PEMEX subsidiary) entered into a co-investment project. This joint venture with PEMEX added to PMV an Ethylene Cracker, the Clorados III plant (Dichloroehtane (EDC) and VCM), as well as an electric cogeneration plant and one maritime position. Prior to the joint venture, PMV had a salt mine and a chlorine-soda plant located in Coatzacoalcos. Additionally, Mexichem contributed $200 million to expand the VCM plant's production capacity.

Within the co-investment project, it was agreed that the chlorine-soda plant would be operated by Mexichem under a Master Services Agreement, while the Ethylene Cracker, the Clorados III plant (Dichloroehtane (EDC) and VCM), as well as an electric cogeneration plant and one maritime position at the petroquemical Pajaritos Complex, would be operated by PEMEX.

On April 20, 2016, Mexichem reported that an explosion had taken place at the VCM plant, in the "Clorados III" area inside the "Pajaritos" Petrochemical Facility. On the following days, reports about the accident were updated as follows:

- April 21, 2016, the situation inside the plant was under control and, as stated within preliminary reports, it poses no risk to the general population.

- Our priority was to maintain frequent and transparent communication with the families of those affected and to provide the necessary support. In the meantime, the Company´s representatives were actively involved in assisting those who were injured, ensuring proper medical and psychological attention and services were provided.

- The Company, along with its partner PEMEX, remains fully committed to determining the root cause of the accident and, in cooperation with the appropriate authorities, to implement any corrective actions accordingly based on the resulting the investigation.

The health and safety of Mexichem's employees, contractors and visitors is not only one of the Company's top priorities, but also represents one of our core values on which we base our operations on a daily basis.

This tragic accident claimed the lives of 32 PMV contractors and subcontractors who were carrying out maintenance and improvement activities at the plant.

PMV, with Mexichem and PEMEX's full support, is working with a firm that is recognized internationally for its expertise in this area, to analyze and identify the root cause of the accident. Although we are awaiting the final results of this analysis, the Company has already initiated a global review, internally as well as with third parties, of safety processes throughout the organization.

The PMV site is the exception to Mexichem's operating standards for its facilities, which requires that Mexichem maintain full control of all aspects related to facility management, operation and maintenance.

Mexichem reaffirms its unwavering commitment to safety at its facilities as the Company's top priority.

Client privacy

At Mexichem, we closely control information to avoid any unauthorized leakage of data on our clients or ourselves to outside parties. We did not receive any complaints that might indicate privacy violations involving client information during the period reported. Neither were their any reported incidents of recorded during the year for breach of regulations on marketing communications or client claims regarding privacy and personal data. G4-PR7, G4-PR8 We did not receive any fines or admonitions relating to the supply or use of our products. G4-PR9

Awards, certifications and distinctions

In 2015, Mexichem obtained the following awards, recognitions and certifications:

- IQNet SR10 Social responsibility management systems in Germany.
- Clean Industry certification from the Mexican Environmental Authorities.
- Socially Responsible Company certification from the Mexican Center for Philanthropy.
- Certificate in Safety and Health Self-Management, Mexican Ministry of Labor and Social Planning.
- Kosher Certificate from Calidad Kosher, S.C.
- ISO 9001: Quality Management Systems.
- ISO 14001: Environmental Management Systems
- ISO 22000: Food Safety Management.
- OHSAS 18001: Occupational Health and Safety Management Systems.
- NSF, The Public Health and Safety Organization: Independent, objective non-profit organization engaged in product testing and certification, which establishes global performance standards for a wide variety of household and industrial products.
- SARI: Comprehensive Responsibility Management System from the Mexican National Chemical Industry Association.
- ICONTEC: Colombian Technical Standards Institute.
- NORVEN: Brand certifying final product quality in Venezuela.
- SEDAPAL: Lima Water Supply and Sewage Services.
- INEN Quality Seal.
- INASSA Seal of Approval.
- International Safety Rating System.

Mexichem was also awarded distinctions for Environmental Leadership for Competitiveness (Mexican environmental protection agency), the Family Responsible Company Distinction, and Voluntary Environmental Compliance, occupational Health and Safety System Level 3, both of these from the Ministry of Labor and Social Planning.

Global Compact Communication on Progress

Through Mexichem Colombia, we reiterate our commitment to the 10 Universal Principles relating to human rights, labor relations, environmental respect and the battle against corruption, consigned in the UN Global Compact. In line with our sustainability strategy, we work for economic growth, the social development of communities, and a reduced environmental footprint. The Communication on Progress (COP) for 2015 is under development and will be published in May 2016.

Our 2014 COP can be found at: http://www.pavco.com.co/4/comunicacion-de-progreso/3-1003/i/1003#a1003

Or directly on the Global Compact website at: https://www.unglobalcompact.org/system/attachments/cop_2015/159821/original/Comunicaci%C3%B3n_de_Progreso__Mexichem_Colombia_S.A.S_-_Pavco_2014.pdf?1431554140

05. ENVIRONMENTAL PERFORMANCE

WE CREATE PROGRAMS AND EXECUTE INITIATIVES THAT PROVE OUR COMMITMENT TO THE ENVIRONMENT

Mexichem is firmly committed to protecting the environment, and complying with all legal requirements related to our environmental footprint. We maintain environmental protection programs in our operations and have initiatives for building awareness about the conservation of natural resources, including our Hydros Project, geared toward responsible water use.

Our operations apply the principles of industrial reduction, reuse and recycling. We regularly evaluate risk and identify opportunities related to climate change in the geographic zones surrounding our operations.

We prepare an inventory of greenhouse gases (GHG) in our operations and account for direct and indirect emissions related to the electrical energy and fossil fuels we consume. Our commitment to reduce GHG emissions is focused on energy savings and efficiency goals in our process, and involves all of our sites.

Our initiatives to mitigate environmental impact are the following:

- Water and energy use optimization.
- Reduction of industrial waste.
- Control of atmospheric emissions.
- Protection of biodiversity, soil, surface water and aquifers. G4-EN27

We maintain environmental management systems to identify and control significant environmental effects, develop operational improvements and incorporate good industrial and mining practices.

Environmental project investment and expense

In 2015, we invested USD8.4 million in environmental projects, primarily in energy optimization and savings activities, wastewater treatment systems, protection against chemical spills, noise reduction, and industrial waste management. Our operating expense for environmental control in 2015 was USD16.9 million. G4-EN31

The average industrial recycling rate in 2015 for all of Mexichem's businesses was 11%. The top performer was Fluent, where off-specification PVC scrap was recovered for re-integration into the process, closing the product life cycle. G4-EN2

Energy consumption

Most of the energy we consume in our operations comes from fossil fuel sources. Since the generation of GHG is linked to this activity, we will continue working to optimize energy use and identify alternative sources for the future.

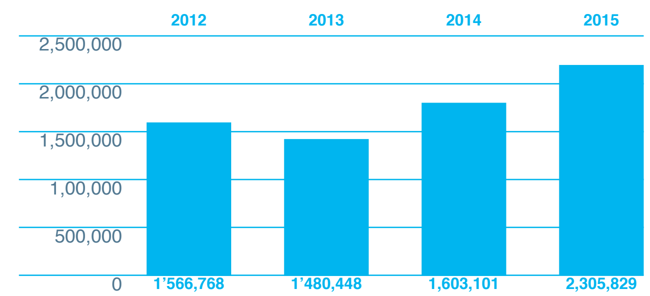
The demand for energy varies among our Vinyl, Fluor and Fluent business groups. The Vinyl business plants consume the most energy. At present, 70% of the energy used in our operations at Altamira comes from a cogeneration process that supplies more efficient energy. We are evaluating the viability of a similar project for the Coatzacoalcos plant, which is one of the biggest energy consumers.

We are projecting a 5% reduction in global energy consumption by 2018, against the base year 2012, primarily through technological upgrades, energy saving plans and operating efficiency. By the end of 2015, we had achieved a 3% reduction, primarily through local energy reduction projects involving process improvements.

These results take into account only operations before the acquisition and integration of Vestolit, which is part of the Vinyl business group. The energy used by this new business will be reflected in a global increase in our demand.

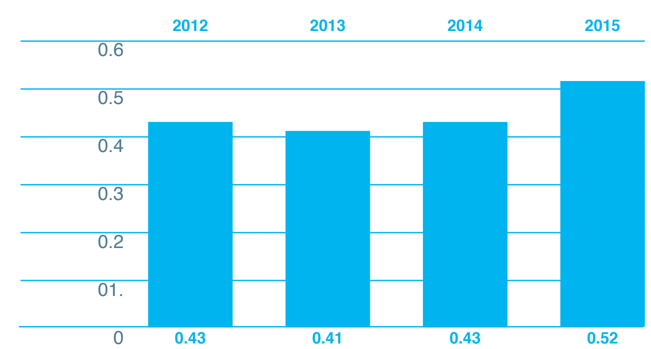
Mexichem's energy comes primarily from two sources: electricity and natural gas. It is supplied almost exclusively by external companies. To a lesser extent, we also use steam, diesel and LP gas. G4-EN3

ELECTRICAL ENERGY IN GCAL/YEAR G4-EN3



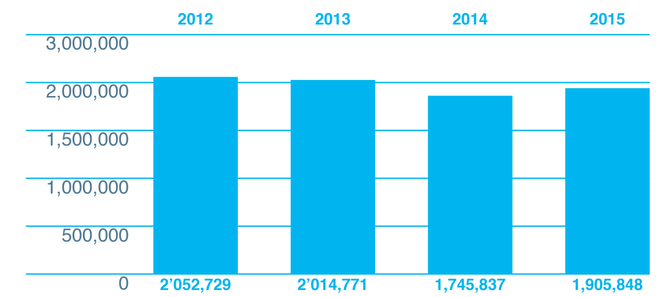
In 2015, we consumed 2,305,829 GCal of electrical energy, more than in the previous year because of our incorporation of Vestolit, a ramp-up of operations, and an increase in productive activity.

ELECTRICAL ENERGY CONSUMPTION GCAL / TON SOLD G4-EN5

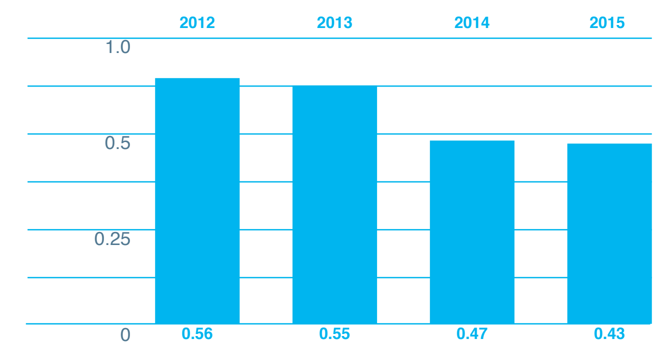


The natural gas used to generate energy for our plants is the main source of direct CO_2 emissions. In 2015, our direct consumption of energy from natural gas was 1,905,848 GCal. G4-EN3 This is 8% more than in 2014, and is due to the acquisition of new industrial plants. Nonetheless we achieved a reduction in the KPI Natural Gas per Ton sold.

NATURAL GAS IN GCAL/YEAR



NATURAL GAS CONSUMPTION GCAL / TON SOLD G4-EN5



In order to save energy, we implemented a number of actions at our operating sites, including technological upgrades in the production of chlorine-soda, the introduction of high-efficiency engines and installation of LED lighting and more efficient cooling equipment. We also introduced operational practices such as shutting down non-critical equipment at peak hours and increasing production efficiency, among others. G4-EN6

Water management

In our business groups Vinyl and Fluor, water is an essential resource for our operations. This means that we are continually working on reducing the amount of water we use in all our processes.

In 2012, we set the goal of re-using at least 70% of our consumed water by 2018. By the end of 2015, we had attained a global water reuse index of 69%, equivalent to a volume of 11,425,139 cubic meters. G4-EN10

Hence we are pleased to note that we are very close to meeting our goal ahead of schedule. Going forward, we will continue working to reuse even more water to the extent we can do so without affecting the safety of our production processes.

Also, in 2015 we began measuring the water footprint of our operations, and we will continue doing so in the coming years, until we have established a basis for regions where water is scarce. In these regions, we are working together with an NGO specialized in water issues, to evaluate the opportunity for joint projects with other companies or their foundations, for the protection of watershed regions through various actions including reforestation and community education, among others.

Finally, Mexichem remains active among disadvantaged communities and groups, educating them about the care and rational use of water, through the Grupo Kaluz "Hydros Project".

The consumption of primary use water last year was 16,552,573 m^3. G4-EN8

In 2015, approximately 77% of our water was extracted from surface water bodies, meaning that most of the water consumed by Mexichem comes from the natural runoff of the water into rivers, lakes, creeks, and water vessels, where there is a natural replenishment of these water supply sources. Only 23% comes from ground sources, which natural replenishment is more complicated.

Water consumption in operations (m^3) G4-EN8

	2012	2013	2014	2015
Surface water	11,422,723	10'634,625	12'646,776	12,752,920
Underground water	3'153,909	3'427,034	3'386,784	3,799,653
Total water consumed	14'576,631	14'061,659	16'033,560	16'552,573

Water reuse (m^3) G4-EN10

	2012	2013	2014	2015
Recycled and reused water (m^3/year)	10'899,117	7'760,089	8'328,649	11'425,139
Recycled and reused water (% of total used)	53	55	52	69

Because all of Mexichem's plants are equipped with wastewater treatment facilities, all waste water is treated before being discharged, according to the quality characteristics required under each country's laws and regulations.

The amount of treated wastewater discharged into surface water bodies, municipal drains, and through filtration was 11,283,900 m^3. G4-EN22

Water footprint at Mexichem Peru

Mexichem Peru is part of an initiative launched by the Swiss Embassy to measure its water footprint according to ISO standard 14046:2014, and is based on life cycle analysis (LCA) applied to water use. In this initiative, five companies known for their social responsibility programs used a single methodology to calculate the consumption and contamination of the water used throughout the value chain of a product or service, from the consumption by suppliers, to the final process of the Company, and thus to identify comprehensive reduction goals.

Between January and December 2013, Mexichem Peru evaluated the water footprint of its 4-inch SAL pipe. The result was a consumption of 398 liters of water per pipe. The measurement points to opportunities to reduce the consumption of water in internal activities.

Two actions were implemented:

- Modernization of the fire extinguishing system, with a 20% reduction in water consumption
- Installation of water-saving bathroom fixtures, with a 40% reduction.

Other important aspects of this initiative were communicating the details, involving new companies and sharing good water consumption practices. These activities are carried out in construction fairs and in training workshops for outside parties.

More information on this initiative can be found at:

http://www.suizagua.org/noticias/mexichem-primera-empresa-de-tubosistemas-en-peru-en-verificar-huella-hidrica-iso-14046

http://www.suizagua.org/noticias/PAVCO-y-SuizAgua-presentan-la-Huella-Hidrica-en-la-EXCON-2014

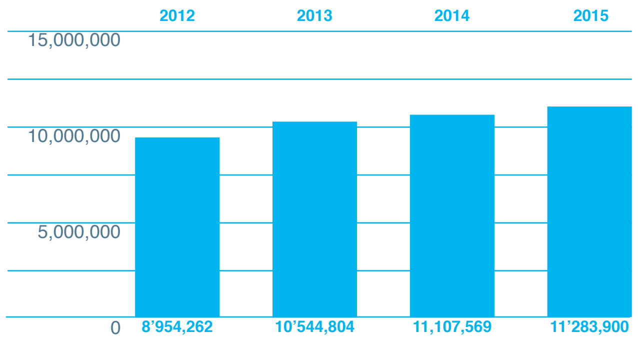
Rainwater harvest at Mexichem Honduras
One of the biggest challenges faced by Central American nations today is access to water. Although the region has high levels of rainfall due of climate change, its distribution becomes more erratic every year, with periods of drought alternating with periods of torrential rain. This variability is particularly marked in the Central American Pacific region, where two-thirds of the region's population resides and where water availability is only 30%.

Faced with this situation, Mexichem Honduras participated in CARE International's PROSADE project, called Rainwater Harvest, which consists of a simple and innovative technology for capturing and storing rainwater.

In Morolica, Honduras, where rainfall varies from 700mm to 1,100mn in irregular periods, with six months of rain and six of drought, there is little surface water available to supply water for human consumption and irrigation. In this region, rainwater is captured through Amanco geo-membrane accessories and bags, and can be stored for up to four months. Storage capacity ranges from 9,000 to 25,000 liters, with a useful life of 25 years for the geo-membrane. Rainwater is used in the winter season to water basic crops in arid or dry areas.

Efficient management of water consumption for domestic use helps to reduce the economic cost and improves health and community development. Thanks to this program, rainwater is now an abundant option and a sustainable solution for these communities.

TOTAL WASTEWATER DISCHARGED G4-EN22



Mexichem has no knowledge that its extraction or discharge of water have significantly affected water sources at any of its operations. G4-EN9

Greenhouse gas emissions

Mexichem measures its emissions of gases and particles pursuant to regulatory requirements of its operating sites to ensure the health and safety of its personnel and neighboring communities and to protect the environment.

Most of the greenhouse gases generated in our operations relate to our consumption of electrical energy and natural gas from fossil sources. Accordingly, we have focused efforts on making our operations more efficient and thus reduction consumption, and on identifying energy cogeneration projects that help us to be less dependent on fossil fuel sources.

Furthermore, we comply with local regulations related to gas and particulate emission and in some of our operations, such as Coatzacoalcos, we have reduced process emissions to levels below the regulatory minimum.

To calculate these emissions, we used the methodology of the World Resources Institute (WRI) and of the World Business Council for Sustainable Development (WBCSD), taking into account emissions factors from Mexico's Federal Electricity Commission (CFE) established in the GEI Mexico program (http://www.geimexico.org/) and the International Energy Agency (CO2 Emissions From Fuel Combustion 2010 Edition). The calculation includes emissions of NOx, consumption of fuels like natural gas, LP gas, diesel and gasoline, both fixed and mobile sources, converted to equivalent metric tons of CO_2.

In 2015, our combined NOx and SOx emissions were equivalent to 1,736 metric tons. G4-EN21

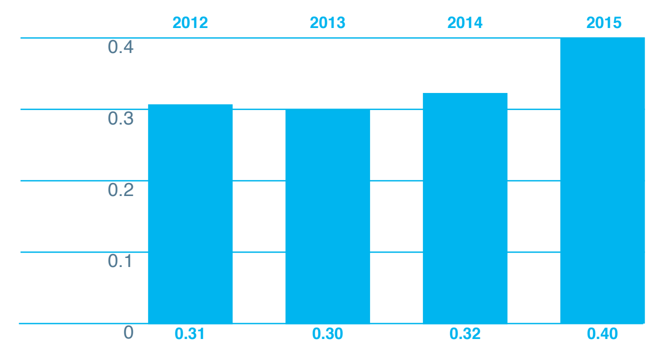
Total greenhouse gas emissions (Metric tons of CO_2 equivalent) per year G4-EN15, G4-EN16

	2012	2013	2014	2015
Direct GHG emissions	498,184	450,613	403,296	525,550
Indirect GHG emissions	624,010	653,271	788,061	1,237,842
Total GHG emissions	1'122,194	1,103,884	1,191,357	1,763,392

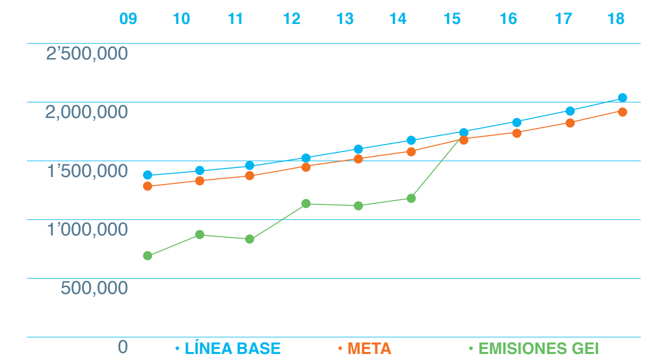
At Mexichem we are committed to reducing GHG emissions and have established energy saving goals at our operations, office buildings, and industrial facilities. Furthermore, we have developed projects to use renewable sources of energy that will allow us to reduce our carbon footprint. Our goal is to achieve a 5% reduction by 2018.

The incorporation of Vestolit into the portfolio of Mexichem companies meant an increase in the energy we consume such as raw material and natural gas. We therefore recalculated our baseline for GHG emissions. The graph shows that we are 3% away from achieving our goal.

TOTAL GHG EMISSIONS TONS CO2 EQ / TONS SOLD G4-EN18



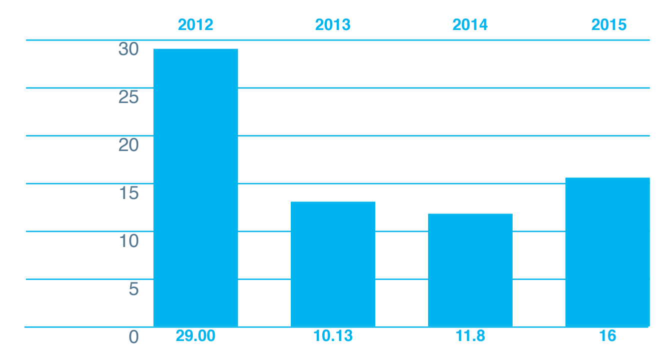
TOTAL GHG EMISSIONS VS. 2018 TARGET (TONS CO2 EQUIVALENT PER YEAR)



Emissions of ozone-depleting substances

As a result of using best practices in managing ozone-depleting substances, in compliance with the Montreal Protocol agreements, Mexichem has been able to continue reducing emissions. Our consumption in 2015 was 16 tons.

EMISSIONS OF OZONE-DEPLETING SUBSTANCES G4-EN20



Industrial waste

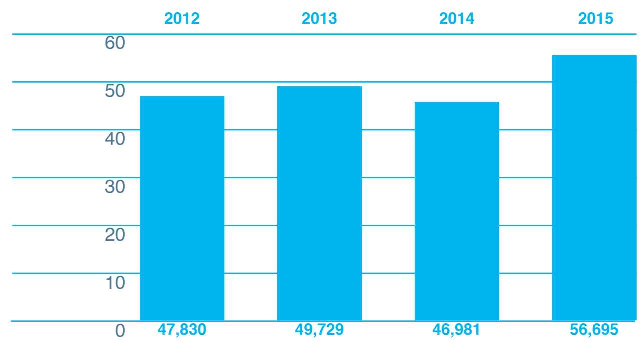
We establlished the goal of reducing the volume of waste destined for containment by 20% by the year 2018, against the base year 2011. Mexichem is very proud to announce that at the end of 2015 we had met and surpassed this goal well in advance, thanks to the correct identification of waste flows in each of our operations and local programs for reuse of generated waste, which include oils, paper and plastic.

Because of the nature of our business, we also generate waste that require special handling or byproducts for which we have specific programs for re-use in the construction industry. With this, we not only reduce the amount of waste destined for containment, but also reduce use of raw materials by various industries.

Most of the waste that requires a special handling and which is not categorized as hazardous - such as spent oil, tires, glass, plastic, paper, cardboard, biodegradable organic matter, wood, among others- is evaluated and reused through waste management programs. For example, industrial oil which can be used as fuel; other waste is reused, including wood, cardboard, and paper; and others, such as plastic, are recycled.

In 2015, we generated 56,695 tons of waste, out of which 92% was nonhazardous. The disposal methods used were 80% sanitary landfill and compacted waste cells, 2% incineration, 17% reuse and recycling, and 1% industrial containment. G4-EN23

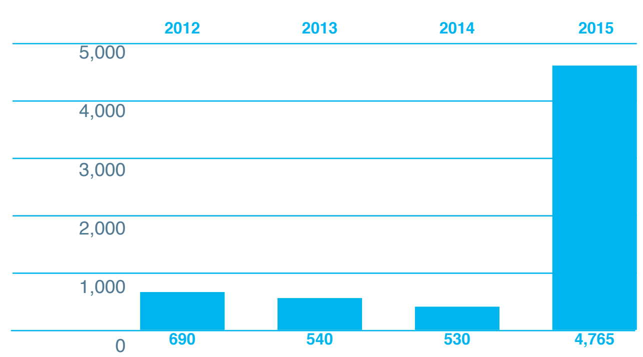
TOTAL WASTE GENERATED
TOTAL WEIGHT OF WASTES HANDLED (Tons) G4-EN23



META **2018 GOAL: 20% REDUCTION**
2015 GOAL: 75% REDUCTION

The hazardous waste generated by Mexichem's operations is handled locally in temporary warehouses and subsequently sent either to controlled confinement sites or for stabilizing or recycling treatment, in compliance with the environmental regulations of each country. In 2015, Mexichem generated 4,765 tons of hazardous waste, 3,577 tons of which were reused or recovered for thermal energy, and 1,188 tons of which were sent to disposal in containment. G4-EN25

HAZARDOUS WASTE TRANSPORTED LOCALLY FOR TREATMENT (TONS) G4-EN25



In 2015 there were two accidental spills of chemical substances totaling 23 m^3, which were controlled and the materials recovered or neutralized. G4-EN24

Shipping of chemical products

Our Vinyl and Fluor business groups produce chemical products wich, if spilled may pose a hazard to the environment and to the communities that reside close to the main routes by which they are carried. To control these risks, Mexichem hires specialized and duly certified shipping companies, in compliance with the laws on handling of chemical products.

In addition, to the latterat our Vinyl and Fluor plants we introduced a system of inspection of containers before loading the product, in which we run specific tests to ensure the equipment is in optimum conditions before transporting the product.

Finally, we train shipping agents' personnel in the handling, transportation and risks of each of Mexichem products they handle and conduct training at clients' facilities as well, so they are trained in situ in the appropriate handling of our products.

Compliance with applicable environmental regulation

In 2015, Mexichem was not fined or sanctioned for failing to any breach of environmental regulation. G4-EN29 Furthermore, the company did not register any significant environmental or logistic impact as a result of transporting products or personnel during the year covered by this report. G4-EN30

We have adopted a precautionary approach regarding our medical and food industry products. The Food and Drug Administration (FDA) validates our new raw materials by performing physical-chemistry, bioaccumulation, cytotoxicity, microbiological, melamine, metallothionein, genetic, and bioavailability tests. G4-14

Biodiversity and ecosystem protection

Mexichem owns areas of land in Mexico that are rich in biodiversity and where it carries out mining and ore processing operations for nonmetallic minerals such as fluorspar and salt.

Mexichem's biodiversity strategy is focused on its extraction-mining and fluorspar processing operations, which could have an environmental impact. Based on our sustainability vision, fluorspar extraction and recovery operations are executed jointly with a biodiversity protection strategy in the area.

The most significant impacts that may arise from Mexichem's mining operations are:

- Generation of waste and tailings.
- Alteration of the ecosystem.
- Impact on biodiversity. G4-EN12

In the areas where we operate or where future operations will be established, we conduct environmental impact studies in order to determine the measures we need to take to protect or restore the natural habitats and species located in the area surrounding the facility. The following table describes our strategies for managing biodiversity impacts.

Focus	Actions
Species that inhabit the region	Monitoring Recording the events related to each species
Quality of air and water	Monitoring
Waste	Ensuring proper management and the best possible recovery of waste
Communities	Supporting organizations that preserve biodiversity Establishing efficient communication channels with stakeholders
Invasive species	Monitoring and control
Native vegetation	Reforesting Monitoring and control of restored population density
Physical, chemical, and seasonal dimensions	Study of physical and chemical indicators Studies of toxicity Study of bio-indicators of environmental health

Endangered species whose habitats are located in areas affected by our operations G4-EN14

As part of the program of identifying species located within our mining complexes and the degree to which they may be threatened, Mexichem identified six species with different degrees of extinction risk, according to the National Commission for Knowledge and Use of Biodiversity (Conabio): two species are vulnerable, two are threatened, and two are endangered, in the area surrounding one mine and two fluorspar extraction sites in Mexico—Villa de Zaragoza and Río Verde in San Luis Potosí; and Álamos de Martínez in Guanajuato.

	Subject to special protection		Threatened	
	Common Name	Cientific Name	Common Name	Cientific Name
Río Verde, San Luis Potosí	Skunk	Spilogale pygmaea	Bush rat	Peromyscus boylii
	Jilguero	Myadestes occidentalis	Rattlesnake	Crotalus molossus
	Aguililla rojinegra	Parabuteo unicinctus		
Álamos de Martínez, Guanajuato	Biznaga barril de acitrón (a type of barrel-shaped cactus) de acitrón	Ferocactus histrix	Golden Eagle	Aquila Chrysaetos
			Codorniz Cotuí	Colinus Virginianus
			Sparrow	Spizella wortheni
Villa de Zaragoza, San Luis Potosí	Skunk	Spilogale Pygmaea		
	Skunk Black-tailed hare	Lepus Californicus	Rattlesnake	Crotalus molossus
	Biznaga de lana dorada	Mammillaria aureilanata		

Summary of environmental initiatives G4-15, G4-26, G4-SO1

VINYL

Feasibility study for bio-remediation of water in Cartagena
Colombia

Grow spirulina by using industrial wastewater from MRC as a medium and gases from the boilers and smokestacks to contribute carbon fixation.

VINYL

Bio-Ecological Preserve and Casa Hydros
México

Recovery and preservation of natural resources and identification of flora and fauna surrounding the production plant.

FLUENT

Mexichem Botanical Garden
México

Maintain local flora, encourage environmental sustainability, build awareness among the workers and their families

FLUENT

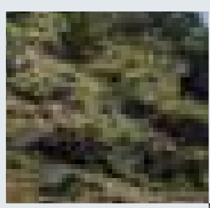
Reforesting Monterrey with Education
México

Improve the environment through better air quality: planting 1,100 evergreen oak trees in the first phase; 10,000 in the second phase and 20,000 in the third.

FLUENT

Rainwater optimization
Guatemala

Continue water management projects.



FLUOR

Reforesting areas near the mine
México

Regenerating flora in the communities where the business unit operates
Improving rainwater capture in the area.

FLUENT

Water park at Parque Lineal
Ecuador

Create a water park in phases, working together with neighboring community and authorities

VINYL

Carrizal fish farm (mojarras)
México

Manage a project that creates development opportunities for the community

Ecology

Colombia
Ecuador
Guatemala
Mexico

FLUENT

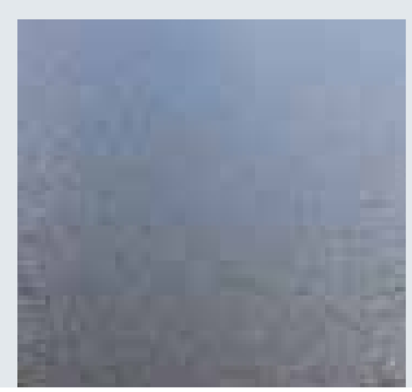
Worm tower
México

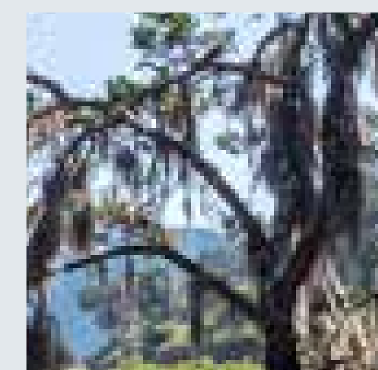
Creating vegetable gardens and taking advantage of waste, avoiding pollution and preventing pests

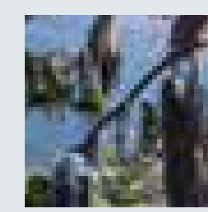
VINYL

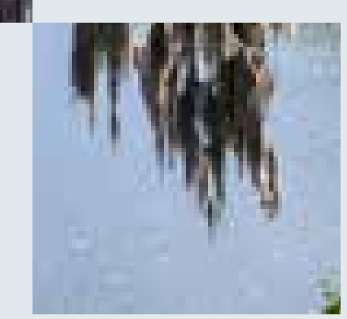
Ribera del Río Frío in Cajicá
Colombia

Help reforest the Rio Frio river basin
Developing a fish farm of species that inhabit the river
Educate community about water resources and protecting environmental services









FLUENT

Water for urban vegetable gardens
Colombia

Designing irrigation system so each garden can optimize its water use

FLUENT

Rainwater Harvest
Honduras

Developing a rainwater capture system

FLUENT

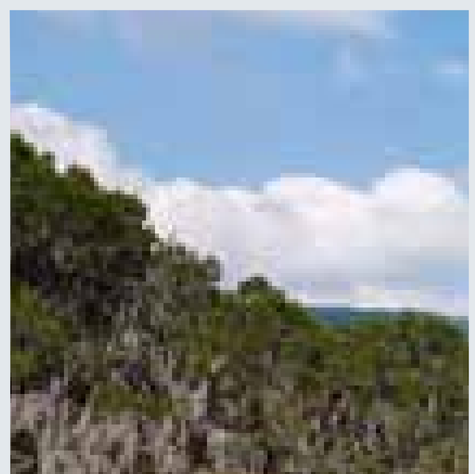
Rainwater for life in Chocó
Colombia

Taking advantage of rainwater by installing a system for collecting, storing, cleaning and preserving it

FLUENT

Plastigama water design contest
Ecuador

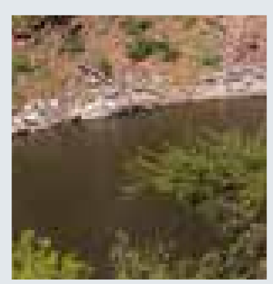
Encouraging future Civil Engineers to use their technological knowledge and creativity to develop tangible solutions to the problems of water conduits.



VINYL

Drinking water for Barú
Colombia

Improving living conditions for 4,500 inhabitants of Barú, helping them to develop a local source of clean water



FLUENT

Safe water and productivity at Guachené
Colombia

Helping small owners become more competitive, improve irrigations systems in traditional farms and business (pork, poultry, dish) based on underground sources and improvements in water collection and management processes.

FLUENT

Leading Progress for a Dignified School
México

Bring water, drainage and basic plumbing facilities to a school in disadvantaged community

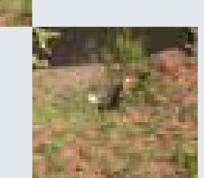
FLUOR

Rainwater capture for Patio SL
México

Develop a system for sustainable use of rainwater involving a capture and filtration system for viable reuse

Water

Colombia
Ecuador
Honduras
Mexico



Plans for protecting biodiversity G4-EN12

Mexichem carries out environmental impact analyses in its mining operation sites, and based on the findings, formulates biodiversity protection plans.

The following aspects are considered in the environmental impacts analysis:

- The scale of the impact of exploiting the mine or recovering materials from the deposits.
- The level of sensitivity of the area where the facilities are located.
- The use of the biodiversity by the local community.
- The importance of communities and employees on environmental protection and biodiversity.
- Identification of protected areas where mines are located.
- Actions to compensate and protect the area.
- Actions for properly closing the mining zones once the operations are suspended.

Based on the environmental impact evaluations carried out for all of Mexichem's mines, we identified the required measures that the company is committed to fulfill, in keeping with our own biodiversity management plans.

Biodiversity of water resources and related habitats G4-EN26

Mexichem conducts environmental impact studies to determine the size, protection status, and biodiversity value of water resources, so we can take the necessary prevention measures. Mexichem reports that there are no impacts to aquifers affected by wastewater discharge from mining operating are controlled trough use of water in its mining facilities is managed in a closed loop systems.

The strategies and actions planned and implemented to manage biodiversity impact resulting from the mine's operations are primarily low-magnitude, and we have mitigation measures in place to temper these impacts.

No natural resources requiring special attention were identified in the mine's area of influence, except for a species of flora with special protection status--the woolly globe cactus or biznaga de lana, which grows near the mine. The area where these species are located has not been affected by mining operations nor are there any plans to extend the operation that far in the future.

Preparing for climate change G4-EC2

The effects of climate change that have been predicted for in the sites where Mexichem has operations or a market presence are desertification and drought, rising sea levels, changes in rainfall patterns, decrease in water availability, deforestation, and diseases.

Although climate change could represent additional costs resulting from the potential shutdown and/or relocation of affected operations, protection measures against natural disasters (like building dikes in sea-level facilities, or protection against floods or fire), relocating facilities to sites with better conditions, and even tighter environmental regulations—it could also present interesting business opportunities:

- Creation of new niches and markets of products for adapting to and mitigating the impact of climate change.
- Endurance and positioning resulting from customer preference for companies committed to protecting the environment and to corporate social responsibility.

Reduced rainfall in the zone of influence could mean an opportunity for the Fluent business, because of increased demand for water extraction and irrigation systems.

Some facilities may need to undergo physical modifications also as a result of the effects of climate change. Coastline protection at sea-level facilities, for example, could be threatened by a higher sea level or more extreme meteorological events. Some operations could also be modified or strengthened in order to adapt. They could, for instance, consider different options that would affect logistics as little as possible if a hurricane were to hit nearby.

The main risks that can be expected are physical risk to current and future facilities, as well as the availability of the water they need to operate. Depending on where the facilities are located, we need to perform a risk assessment for both our facilities and the surrounding communities, which should cover the following risk dimensions:

- Protecting coastal facilities from the increase in sea level and the number and intensity of extreme weather events.
- Fires caused by droughts.
- Storms, flooding, and landslides.

It is also important to monitor the advance of certain diseases in regions where historically they had never been present before, because the impact they could have on the workforce or their food supply could directly affect the company's productivity.

Mexichem must also consider future regulations regarding climate change that could affect operations. Water supply and taxes on GHG emissions are issues that will soon be on the legislative agenda.

At Mexichem, we have identified and mitigated operational risks in sea-level areas by constantly monitoring hurricanes, based on forecasting models provided by the National Water Commission and the National Hurricane Center in Miami. This allows us to plan measures that need to be taken within the supply chain and plant operations in order to prevent problems that these events can generate.

Extreme weather events can also have serious repercussions on the company's logistics. Production units could become isolated and be unable to receive or ship products by land or sea. The flow of materials could also be interrupted in off-site locations that are strategic for transporting products (a closed port in the United States or an inaccessible border crossing due to floods in Europe, for example).

The Intergovernmental Panel on Climate Change (IPCC) forecasts that extreme meteorological events will tend to grow in intensity and number. Mexichem will draft contingency plans to respond to these events, striving to reestablish operations as soon as possible through new logistics options. Redundant options in transportation, different routes, and logistic measures or emergency inventories are some examples of our contingency plans. If we are able to operate in an almost normal fashion during these events, we will have a clear advantage over competition that does not have such plans in place.

Opportunities

Water is an essential resource for the extraction, transformation, and general operations of Mexichem. Consequently, many of our plants have closed-loop circuits, and all of them are equipped with wastewater treatment systems that recover more than 50% of the water they use.

Studies conducted by the Mexican Institute of Ecology (INE) and the Mexican Ministry of the Environment (SEMARNAT) show that extreme variations in temperature are one of the consequences of climate change. These changes can represent an opportunity area of a potential growth in the demand for air-conditioning equipment and in the use and production of more efficient refrigerants.

Vinyl

Vinyl offers comprehensive solutions for wastewater treatment. In areas where less precipitation is expected, we can predict that water availability for household and industrial use will also decrease. To face this problem, the industrial sector will need to become more efficient in using this resource, either by modifying operation facilities to make them a closed-loop circuit or by using wastewater. In both situations, they will be forced to install water-treatment systems. We expect that demand for wastewater treatment systems will increase significantly in these regions, both in the private and public sectors, since they will need more chlorine for water treatment and caustic soda for regenerating treatment resins.

Fluent

Climate change may result in reduced precipitation in the regions where Mexichem operates and could raise the demand for water extraction and irrigation services in agricultural fields. Fluent can serve this growing market. But if the reduction in rainfall is such that aquifers are drained, higher temperatures would directly affect productivity in the fields.

Human settlements that depend on watershed basins where less precipitation is expected will also drive demand for alternative methods for extracting water for both household and industrial use. This is another growing market that Fluent will be able to serve.

Fluor

The Fluor business group supports worldwide regulation to contain and reduce the growth of hydro fluorocarbon (HFC) emissions. It is imperative that HFC emissions are used correctly, because they have a wide array of applications that can provide safe and efficient cooling. Mexichem is currently conducting research in the United Kingdom to develop refrigerants that are as or more efficient than those available today, but a lower global warming potential.

Mexichem has a portfolio of projects in the three chains that take into consideration climate change, market trends, and product demand, as well as other factors, to achieve operational sustainability.

Indirect economic impact G4-EC8

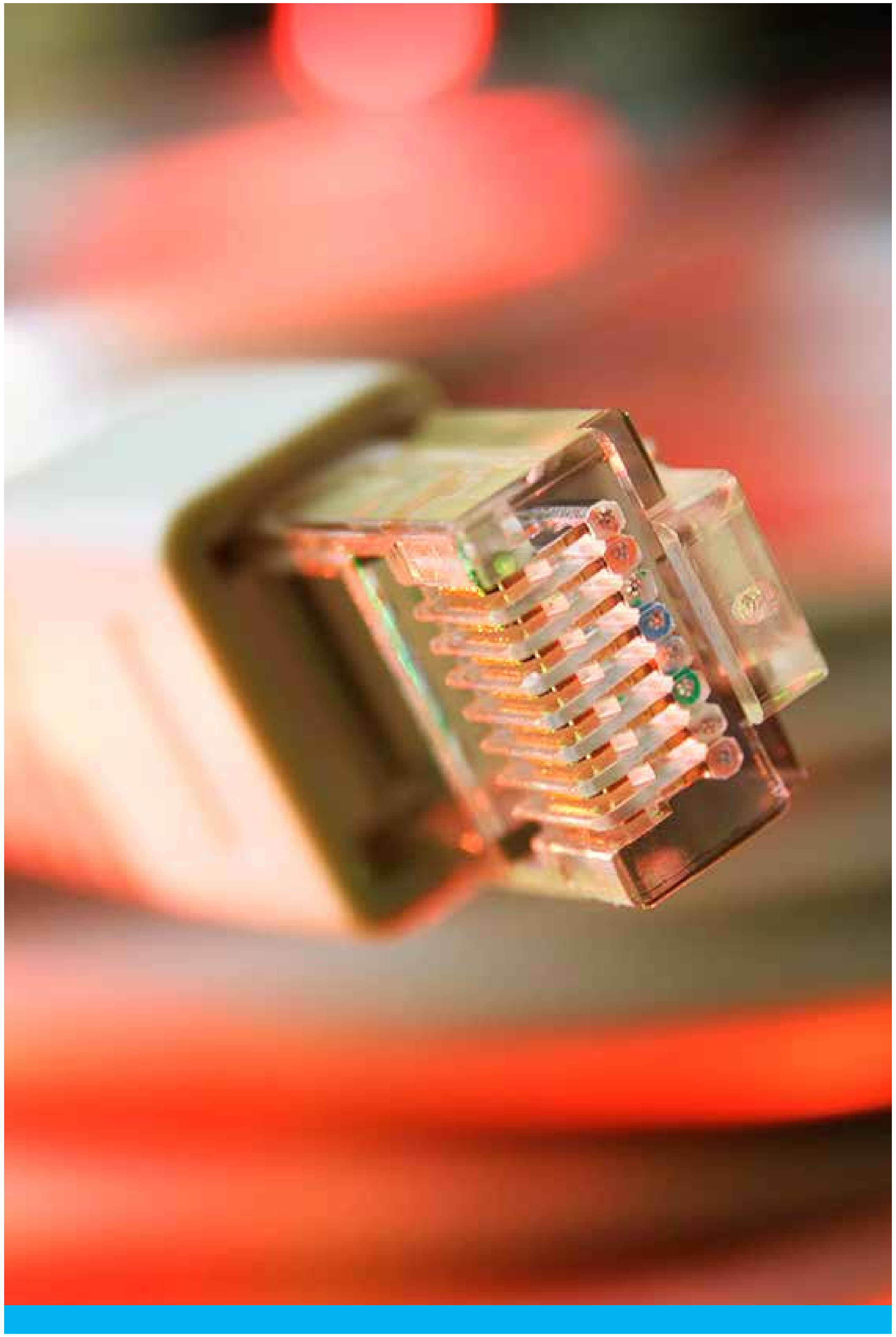
Strategy

Our triple-bottom-line management model includes the involvement and development of the communities in which we operate. Correspondingly, our actions have different impacts on our neighboring settlements; when the impact is positive, we have a virtuous cycle of growth. Including a positive community impact in our strategies has two purposes:

- Awareness When evaluating the vulnerability of our facilities and surrounding communities, we are able to identify those that require immediate attention. It is less expensive to protect or relocate the operations or workforce in the area than to restore the damage caused by a possible disaster, and this also protects human lives.

- Protection. It is important to monitor the progress of diseases that could put our workforce and their income at risk. As part of this process we will also have to monitor the water supply, and our operations will need to be efficient and include a high percentage of recycling or closed-loop water circuits.

At Mexichem, we have programs that foster social and economic growth in the communities. One example is the economies of scale that we have created in the communities neighboring the fluorspar mine, where people who own machinery and dump trucks have formed a local partnership to transport the mineral that Mexichem extracts



15. MEMBERSHIPS G4-16

- Acoplásticos. A Colombian non-profit organization that joins together and represents chemical producing companies, including the plastic, rubber, paint and dyes (coatings), fiber, petrochemical and related industries.
- Mexican Association of Investor Relations.
- National Association of Chemical Industry (ANIQ, Mexico).

Mexico is a member of the following ANIQ Committees:

- Commission for vinyl promotion (PROVINILO).
- Plastics Industry Commission on Responsibility and Sustainable Development (CIPRES).
- Comprehensive Safety.
- Transportation Emergencies System for the Chemical Industry (SETIQ).
- Emergency Squad Training School (ECBE).
- Responsible Care® Initiative of the Chemical Industry to improve Health, Safety and Environmental Development.
- Petrochemical and Chemical Association of Latin America (APLA).
- Mexican Mining Chamber.
- Mexican Center for Philanthropy (CEMEFI).
- Chlorine Institute, headquartered in the U.S.
- Colombian Council of Sustainable Construction.
- Brazilian Business Council for Sustainable Development (CEBDS), member of the World Business Council for Sustainable Development (WBCSD).
- Green Building Council Brazil. A non-profit organization that promotes sustainability in the design, construction and functioning of buildings in Brazil.
- Colombian Institute of Technical Standards and Certification (ICONTEC).
- Institute for Research and Testing of Materials (IDIEM).
- Instituto do PVC (Brazil).
- National Sanitation Foundation (NSF), a product certification organization for food, water, and consumer goods.

GRI G4 CONTENT INDEX G4-32

GRI Materiality Disclosures
MEXICHEM, S.A.B DE C.V.
Apr 2016 Service

Strategy and Analysis		page	external assurance
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	10	
Organizational Profile			
G4-3	Report the name of the organization.	129	
G4-4	Report the primary brands, products, and services.	20	
G4-5	Report the location of the organization's headquarters.	129	
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	22, 62	
G4-7	Report the nature of ownership and legal form.	43	
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	20	
G4-9	Report the scale of the organization, including: Total number of employees; Total number of operations; Net sales (for private sector organizations) or net revenues (for public sector organizations); Total capitalization broken down in terms of debt and equity (for private sector organizations); and Quantity of products or services provided	22, 35	
G4-10	Report the total number of employees by employment contract and gender. Report the total number of permanent employees by employment type and gender. Report the total workforce by employees and supervised workers and by gender. Report the total workforce by region and gender. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as selfemployed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	70	
G4-11	Percentage of total employees covered by collective bargaining agreements.	70	
G4-12	Describe the organization's supply chain.	24, 25	
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	50, 62	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	105	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	62	
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization belongs.	116	
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	22	123
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	62, 65	123

Identified Material Aspects and Boundaries		page	external assurance
G4-19	a. List all the material Aspects identified in the process for defining report content.	64	123
G4-20	a. For each material Aspect, report the Aspect Boundary within the organization.	65	123
G4-21	a. For each material Aspect, report the Aspect Boundary outside the organization.	65	123
G4-22	a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	62	123
G4-23	a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	62	123
Stakeholder Engagement			
G4-24	a. Provide a list of stakeholder groups engaged by the organization.	68	123
G4-25	a. Report the basis for identification and selection of stakeholders with whom to engage.	68	
G4-26	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	69	
G4-27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	69	
Report Profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	62	
G4-29	Date of most recent previous report (if any).	62	
G4-30	Reporting cycle (such as annual, biennial).	62	
G4-31	Provide the contact point for questions regarding the report or its contents.	129	
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. (GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.)	118	
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report; b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided; c. Report the relationship between the organization and the assurance providers; and d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	62	123
Governance		page	external assurance
G4-34	a.Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	46	123
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G4-56	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	26	123
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G4-EN9	Water sources significantly affected by withdrawal of water	102	
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		page	external assurance
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G4-EN14	Total number of iucn red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	107	123
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G4-EN18	Greenhouse gas (ghg) emissions intensity	103	
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G4-EN24	Total number and volume of significant spills	104	
G4-EN25	Weight of hazardous waste	104	
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Products and Services		page	external assurance
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G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non- compliance with environmental laws and regulations	105	123
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G4-HR3	Total number of incidents of discrimination and corrective actions taken	75	123
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G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	75	
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G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	75	123

		page	external assurance
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G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	75	
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G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	75	
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G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	76	123
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G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	84	123
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Indirect Economic Impacts			
G4-EC8	Significant indirect economic impacts, including the extent of impacts	114	

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Independent Assurance Report to Mexichem, S.A.B. de C.V. (Mexichem) on the Integrated Report 2015

Responsibilities of Mexichem and independent reviewer

The elaboration of the Integrated Report 2015 (IR 2015), as well as its content is responsibility of Mexichem, who is also responsible for defining, adapting and maintaining the management systems and internal control from which information is obtained. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively for the management of Mexichem in accordance with the terms of our agreement letter dated March 22nd, 2016 and is not intended to be nor should it be used by someone other than this.

Scope of our work

The scope of our assurance was limited, and is substantially lower than a reasonable assurance work. Therefore, the security provided is also lower. This report in no case can be understood as an audit report.

We conducted our review of the IR 2015 under the following conditions and / or criteria:

a) The adaptation of the contents of the IR 2015 to the Global Reporting Initiative (GRI) Guidelines version 4 (G4) and according to the materiality study provided by Mexichem.

b) The review of the General and Specific Standard Disclosures reported according to the option Core and specified in the GRI Content Index of the IR 2015.

c) The consistency of information contained in the IR 2015 with supporting evidence provided by the management.

Assurance standards and procedures

We have performed our work in accordance with the International Auditing Standard ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of IFAC.

Our review work included the formulation of questions to the management as well as various areas of Mexichem that have participated in the elaboration of the IR 2015 and the application of certain analytical and sample screening tests that are described below:

a) Meetings with staff of Mexichem to learn the principles, systems and applied management approaches.

b) Analysis of the process to collect, validate and consolidate the data presented in the IR 2015.

c) Analysis of scope, relevance and integrity of the information included in the IR 2015 in terms of the understanding of Mexichem and of the requirements that stakeholders have identified as material aspects.

d) Selected sample review from the evidence that supports the information included on the IR 2015.

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The following table details the General and Specific Standard Disclosures reviewed according to the GRI Guidelines version 4:

G4 - 17	G4 - 22	G4 - EN3	G4 - EN15	G4 - EN30	G4 - PR1
G4 - 18	G4 - 23	G4 - EN6	G4 - EN16	G4 - HR2	G4 - PR2
G4 - 19	G4 - 24	G4 - EN10	G4 - EN23	G4 - HR3	G4 - PR9
G4 - 20	G4 - 34	G4 - EN12	G4 - EN27	G4 - HR5	G4 - LA5
G4 - 21	G4 - 56	G4 - EN14	G4 - EN29	G4 - SO1	G4 - LA6

Conclusion

Based on the work performed and described in this report, nothing comes to our attention that could make us believe that the IR 2015 contains significant errors or has not been prepared in accordance with the Core Option established in the Sustainability Reporting Guidelines G4.

For those Specific Standard Disclosures where Mexichem does not report in a quantitative way, qualitative information such us procedures, policies, evidence of activities was reviewed.

Recommendations

Our recommendations for strengthening future Integrated Reports, which do not modify the conclusions expressed in this report, are the following:

- Define performance indicators for the practices that are been carried out in order to have a better management, as well as more clarity and support in the report.
- Review the last Materiality Analysis considering all the new business units. Define, as an outcome of this revision, a communication mechanism with the stakeholders, as well as key performance indicators for material aspects.
- Develop a training system for the new business units and the people responsible of the elaboration of the IR in order to communicate the methodologies for calculating and reporting sustainability indicators.
- Define and implement a supplier management system supported by sustainable procurement guidelines, assessment, homologation and monitoring processes, with the purpose of minimizing and/or mitigating the risks associated.
- Review the Reporting Framework established by the International Integrated Reporting Council (IIRC) in order to have a better alignment to criteria for the IR to IIRC.

We have submitted a detailed report of recommendations to the Environmental Corporate Manager of Mexichem concerning areas of improvement in the sustainability strategy (specifically for the verified indicators) and the reporting process.

Galaz, Yamazaki, Ruíz Urquiza, S.C.

Member of Deloitte Touche Tohmatsu Limited

Rocío Canal G

Rocío Canal Garrido

Sustainability Partner

April 26th, 2016

REPORT OF THE CORPORATE
PRACTICES AND AUDIT COMMITTEE

February 22, 2016
To the Board of Directors of Mexichem, S.A.B. and Subsidiaries:

In my capacity as Chairman of the Corporate Practices and Audit Committee of Mexichem, S.A.B. de C.V. and subsidiaries (Mexichem), I present the following report:

During the year the Committee met seven times: on April 15, May 25, July 15, September 25, October 14, November 5, 2015, and on February 22, 2016. These meetings were attended by members of the Committee, as well as the Internal and Independent Auditors and Mexichem officers as required. The activities and resolutions passed were documented in the respective minutes.

Pursuant to article 43, Sections I and II of the Securities Market Act, I hereby present the report on activities corresponding to the business year ended December 31, 2015.

I. Compensation of Senior Management
The Committee reviewed the comprehensive compensation package of the Chief Executive Officer and other members of senior management.

II. Transactions with related parties
We reviewed transactions with related parties to check that they were conducted according to the policies previously approved by the Committee, and we observed no atypical movements. These transaction are transcribed in note 21 of the 2015 Audited Financial Statements and are still in the process of studying the transfer prices as required under Mexican law.

III. Evaluation of Internal Control Systems
We have reviewed the evaluations of the Internal Audit Department, the Independent Auditors and the office of the Chief Executive Officer, and as a result, this Committee believes that the functioning of the Internal Control System at Mexichem meets Management's objectives and provides reasonable security of its capacity to prevent or detect material errors or irregularities in the normal course of operations.

IV. Evaluation of the duties of the Statutory Auditor
The Audit Committee has remained attentive to the needs of the Internal Audit area in order to ensure it has the human and material resources needed to carry out its duties in an appropriate fashion. To this end, the work programs and activities established for fiscal year 2015 were completed in a satisfactory manner, and the Work Plan and Budget for fiscal year 2016 were approved. Furthermore, Committee members met with the Director of the Internal Audit Department without other company officials present, in order to receive and discuss the information that department deemed appropriate.

V. Evaluation of the duties of the Independent Auditor
The Company continued to use the services of Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte) as its Independent Auditors. The fees corresponding to fiscal year 2015 were duly reviewed and approved

We received from the Independent Auditor the Audited Financial Statement as of December 31, 2015, without qualifications or limitations, in which it states that it received the appropriate cooperation from all areas of the company in carrying out this task.

Furthermore, we evaluated the work of the Independent Auditors Galaz, Yamazaki, Ruiz Urquiza, S.C. and Mr. Carlos M. Pantoja Flores, the directing Partner, which were considered satisfactory. The Independent Auditors confirmed that they remain independent of this firm.

Committee Members met with the Independent Auditors without the presence of company officials and received their full cooperation in providing additional information on the matters dealt with in the cases requested of them.

VI. Financial Information
The Company's Financial Statements were discussed quarterly with the executive responsible for preparing and reviewing them, with no observations on the information presented. The Financial Statements were approved by the Committee before being sent to the Mexican Stock Exchange.

Likewise, we reviewed and discussed the Audited Financial Statements for the business year ended December 31, 2015, which were received without objections and approved by this Committee.

VII. Material events of the year
Acquisition of and investment in new businesses.
On May 12, 2015, the company opened a new manufacturing plant in Hyderabad, India. The new plant will produce high-pressure conduits and pipes for the water, telecommunications, voice, data and gas markets. The new plant is the fourth the company has in India, along with two other located in Goa and Neemrana, close to Delhi. The location of the Hyderabad plant in southern India provides a strategic platform for exporting to southeast Asia, serving clients in the south of India and capturing new business opportunities in the region. The opening of the plant is part of Mexichem's ongoing strategy of becoming a global, vertically integrated chemical company with a focus on specialty products and solutions.

Acquisition of a distribution and sale License
On January 6, 32015, the company acquired a license from E.I. Dupont de Nemours & Company to distribute and sell pharmaceutical-grade HFC-227ea/p gas for the regulated medical and pharmaceutical propellant market. The acquisition is in line with the company's strategy of focusing on specialty product with global growth potential by investing in specialty products. The acquisition price was $4.1 million. Mexichem acquired the exclusive international rights to sell and distribute the product for the regulated medical and pharmaceutical propellant market. It is sold under Mexichem brand ZEPHEX®, a world leader in medical propellants with around 7% of the medical inhalers produced around the world.

Discontinued operations
In 2015 the Company made the decision to close the Hydrofluoric Acid (HF) operation in the United Kingdom and discontinue its investment in the company Fenix Fluor Limited, which produces Chlorodifluoromethane. In recent years the HF market has faced daunting challenges due to a decline in prices in Europe, in turn the result of excess demand supply and imports from China, as well as the shutdown of operations by its main clients, which made Mexichem's HF plant in Rocksavage less competitive.

VII. Accounting Policies
The Committee reviewed and approved the accounting policies followed by Mexichem in terms of the information received in connection with new regulations.

The accounting and reporting policies followed by Mexichem are considered appropriate and sufficient.

IX. Report of the Chief Executive Officer
The Committee received and approved the report of the Chief Executive Officer regarding activities in fiscal year 2015.

X. Legal Report
The Committee received the report of the corporate council with regard to the status of pending legal matters and lawsuits.

XI. Proposal
In accordance with the work carried out, this Committee recommends that the Board of Directors present the Audited Financial Statements of Mexichem, for the business year ended December 31, 2015, for approval of the Shareholders' Meeting.

Sincerely,

Fernando Ruiz Sahagún
Chairman of the Corporate Practices and Audit Committee.

Glossary of terms and acronyms

AQUIFER: Water-bearing porous rock.

BIODIVERSITY: Biodiversity includes various living organisms, genetic and habitat diversity. Different species of plants, animals, fungi, and microbes interact with each other in diverse ecological processes to form ecosystems. Biodiversity is important because the combination of different life forms has made Earth a unique place that sustains human life and life itself.

BRINE: Solution of sodium chloride in water.

CARBON COSTS: The virtual price of carbon that is used to assess the increase or decrease of greenhouse-effect gases (GHG) as a result of a specific policy. In simple terms, this virtual value “sets a price” for damage caused by climate change resulting from each additional ton of GHG emissions, expressed as equivalents of carbon dioxide (CO_2e) to facilitate comparison.

CLOSURE PLAN: Plan that is required for mines to obtain an operating license. It includes the procedures for closing the site, with a schedule of the stages of remediation, the revegetation or stabilization of land program, and the proposal for monitoring, maintaining, and using the site after closing the mine.

CO2e: Carbon Dioxide Equivalent.

COMPREHENSIVE RESPONSIBILITY: Global, voluntary initiative from the chemical industry, whose goal it is to make member companies, in their normal course of business, continually take measures to improve safety, protect health, and be stewards of the environment in accordance with the principles of sustainable development.

CPVC: Chlorinated polyvinyl chloride.

CSR: Corporate Social Responsibility.

DIRECT USE OF ENERGY: Consumption of primary energy sources owned or controlled by Mexichem.

ECO-EFFICIENCY: Level of efficiency associated with operating processes, expressed as a combination of economic and environmental performance. Eco-efficiency is commonly expressed in terms of the monetary value of the product or service, divided by the monetary cost of its environmental impact.

ENGAGEMENT: The process of contacting, dialoguing, and interaction that guarantees that all interested parties have adequate information and participate in decisions that affect their future.

ENVIRONMENTAL AUDIT: Analysis of the operation of a company with respect to the contamination it generates and the associated risks, as well as its degree of compliance with environmental regulations. These audits specify the preventive and corrective measures necessary to protect the environment.

EQUATOR PRINCIPLES FROM THE WORLD BANK: Constitutes the framework that financial entities use to evaluate environmental and social risks associated with the financing of projects. These projects are evaluated according to the following criteria:

- Category A
  A.1 Significant impact on people (involuntary relocation, economic displacement, issues affecting indigenous population).
  A.2 Loss or degradation of habitat in preserved ecosystems.
  A.3 Adverse impact on cultural heritage.
  A.4 Different substantial impacts, in combination with all of the above.

- Category B
  Projects whose activities take place in natural habitats, with a specific land-use. Impacts are local, can be mitigated, and do not trigger any Category A policies.

- Category C
  Refinancing of projects, expansions with minimal or nonadverse environmental impact.

FATAL ACCIDENTS: Accidents that result in the loss of human life.

FOSSIL FUEL: Product of the partial or complete decomposition of prehistoric animals and plants, found as crude oil, coal, natural gas, or heavy oils, which were created as a result of their exposure to intense heat and high pressure under the earth’s crust for millions of years.

G4: GRI Sustainability Reporting Guidelines, version G4.

GREENHOUSE GASES (GHG): Gases in the lower part of the atmosphere (troposphere) that cause the greenhouse effect (increase in temperature). They include carbon dioxide, chlorofluorocarbons, ozone, methane, and nitrous oxides. These gases, once released into the atmosphere through the burning of fossil fuels and through other means, are the primary cause of world climate change.

GRI: Global Reporting Initiative; the most common methodology for presenting sustainability reports. It lists indicators that act as a guide for companies when reporting on their economic, environmental, and social performance. For this report, we used the GRI Guide, version G4.

HUMAN RIGHTS: Concept that affirms human beings have universal rights or statuses, irrespective of jurisdiction or other distinctive factors, such as ethnic group, nationality, or gender.

ICMM: International Council on Mining and Metals.

INCAPACITATING ACCIDENTS: Accidents that result in a loss of faculties or skills and which make it impossible for a person to perform his or her job for a period of a least one full work shift, subsequent to the date the accident occurred.

INCIDENCE RATE: This is the number of incapacitating accidents per man-hours worked in the period, multiplied by 200,000.

INDIGENOUS GROUPS: Cultural groups and their descendants who have a historic relationship with a specific region. They share cultural identity and, as minorities, can be vulnerable to current social and economic systems.

INDIRECT ECONOMIC IMPACTS: As defined in the Economic Indicators Protocols of the GRI, these impacts are the result, often non-monetary, of direct economic impacts (transactions between the company and its stakeholders).

INDIRECT USE OF ENERGY: Energy used by Mexichem, generated by sources owned and controlled by other companies (electricity, heat, or imported steam).

IPCC: Intergovernmental Panel on Climate Change. ISO 14001: International standard governing environmental management systems.

ISO 14001: International benchmark standard for environmental management systems.

IUCN: International Union for the Conservation of Nature.

LOST DAYS: Work days that are lost as a consequence of a resulting inability to perform a job due to working accidents.

MAN-HOURS WORKED: This is the sum of hours worked by employees at each location of the group.

MATERIALITY: Information that can affect the company and could influence the perceptions and decisions of stakeholders seeking to make decisions and evaluate Mexichem's commitment to sustainability.

MSDS: Material Safety Data Sheet.

NGO: Non-governmental organization; a nonprofit organization financed mainly by private contributions, which operates outside institutionalized government or political structures. In general, an NGO's agenda includes social, political, and environmental issues.

OSHA 18001: System for evaluating occupational health and safety that governs management systems in those areas.

OSHA: U.S. Occupational Safety and Health Administration. Guidelines are issued by this agency to evaluate occupational health and safety.

PVC: Polyvinyl chloride.

RESTORATION: Reestablishment of the original properties of an ecosystem or habitat with regards to its community structure and fulfillment of its natural functions.

SEVERITY RATE: The number of disability granted days within the number of man-hours worked in the period, multiplied by 200,000.

SLAG: Waste from the metal smelting and refining processes, comprised mainly of iron, silica, and calcium.

SOCIO-EFFICIENCY: Describes the relationship between the added value of the company and its social impact.

STAKEHOLDERS: Groups of people that can be positively or negatively impacted by the financial, environmental, health and safety, and social aspects of our operations, as well as those who have an interest in or influence on our activities. This term is also known as stakeholder communities.

SUSTAINABILITY: A focus of the economy that promotes the development of our society and that exists in equilibrium with the natural resources and ecosystems of the planet. Sustainability balances environmental quality and economic growth. It is a concept that recognizes that economic activities, environmental conditions, and equality in social development opportunities need to be integrated in benefit of humanity in the long-term.

SUSTAINABLE DEVELOPMENT: The kind of development that satisfies present needs without compromising the capability of future generations to fulfill theirs, just as defined by the World Commission on Environment and Development (Brundtland Commission) in 1987.

TAILINGS: Waste from the concentration process or smelting of low-content minerals.

TAILINGS DAM: Shallow depression where tailings are confined. Its main function is to provide time for the heavy metals to settle, or for the cyanide (used to dissolve gold and silver from the mineral) to be destroyed, before the water is discharged into a local source.

UNITED NATIONS GLOBAL COMPACT: An initiative for ethical commitment, encouraging entities in all countries to adopt as an integral part of their strategy and operations, its Ten Principles of Conduct and Action with regard to human rights, labor, the environment, and the fight against corruption.

UNIVERSAL DECLARATION OF HUMAN RIGHTS: Declaration adopted by the United Nations General Assembly that describes the guaranteed rights of all persons.

VCM: Vinyl chloride monomer.

WASTEWATER: Liquids with varied composition discharged after use by various sources: municipal, industrial, commercial, agricultural, livestock, or any other type, whether private or public, which has degraded its original quality.

WASTEWATER TREATMENT: Procedure by which water that is polluted with organic and mineral matter is purified. It is divided into three phases:

- Primary treatment
  First step in the treatment of wastewater, in which all floating and sedimentable solids are eliminated by means of screens, mechanical extractors, and other devices.
- Secondary treatment
  During this phase, the organic materials are eliminated through microbial processes.
- Tertiary treatment
  In this stage of the process, nutrients (phosphorus and nitrogen) are removed along with a high percentage of suspended and dissolved solids.

WBCSD: World Business Council for Sustainable Development.

WRI: World Resources Institute.

Definition of units and conversion factors

T	tons (1,000 kg)
Kt	kilotons (1,000 t)
mg	milligram (0.001 g)
µg	microgram (0.000001 g)
ppm	parts per million
L	liter
m^3	cubic meters
GJ	Gigajoules (109 joules)
TJ	Terajoules (1012 joules)
kWh	kilowatts/hr (0.0036 GJ)
GWh	Gigawatts/hr (106KWh)

GHG conversion factors by fuel type

	CO_2	CH4	N_2O	GJ
Diesel	2,730 g/l	0.12 g/l	0,1 g/l	38.68 GJ/m3
Gasoline	2,360 g/l	0.19 g/l	0.39 g/l	34.66 GJ/m3
Natural gas	1,880 g/m3	0.048 g/m3	0.02 g/m3	0.03723 GJ/m3
Propane	1,530 g/l	0.03 g/l	0	25.53 GJ/m3
Heavy fuel oil	3.090 g/l	0.12 g/l	0.013 g/l	38.68 GJ/m3
Coal	2,110 g/kg	0.015 g/kg	0.05 g/kg	30.5 GJ/t
Coke	2,480 g/kg	0.12 g/kg	0	28.83 GJ/t

Source: Canadian Mining Association

MEXICHEM, S.A.B. DE C.V. AND SUBSIDIARIES
(A SUBSIDIARY OF KALUZ, S.A. DE C.V.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013,
AND INDEPENDENT AUDITORS' REPORT DATED FEBRUARY 22, 2016

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF MEXICHEM, S. A. B. DE C. V.

We have audited the accompanying consolidated financial statements of Mexichem, S.A.B. de C.V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2015, 2014 and 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mexichem, S.A.B. de C.V. and Subsidiaries as of December 31, 2015, 2014 and 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

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

C.P.C. Carlos M. Pantoja Flores
February 22, 2016

MEXICHEM, S.A.B. DE C.V. AND SUBSIDIARIES
(A SUBSIDIARY OF KALUZ, S.A. DE C.V.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015, 2014 AND 2013
(THOUSANDS OF U.S. DOLLARS)

	NOTES	2015	2014	2013
ASSETS				
Current assets:				
Cash and cash equivalents	8	$ 653,274	$ 619,525	$ 1,232,561
Accounts receivable, Net	9	884,344	1,124,167	1,032,726
Due from related parties	21a	1,577	4,058	11,168
Inventories, Net	10	647,984	775,219	728,805
Prepaid expenses		48,169	48,322	27,537
Assets classified as held for sale		16,505	12,183	20,181
Total current assets		2,251,853	2,583,474	3,052,978
Non-current assets:				
Property, plant and equipment, Net	14 and 25	4,202,927	3,729,968	3,152,748
Investment in shares of associated entity	4l	31,232	33,354	33,381
Other assets, Net		69,378	79,143	72,639
Deferred income taxes	23b	186,989	169,122	125,357
Intangible assets, Net	15a	1,249,140	1,407,964	1,208,186
Goodwill	15b	678,157	723,220	536,513
Total non-current assets		6,417,823	6,142,771	5,128,824
Total assets		$ 8,669,676	$ 8,726,245	$ 8,181,802

See accompanying notes to consolidated financial statements.

MEXICHEM, S.A.B. DE C.V. AND SUBSIDIARIES
(A SUBSIDIARY OF KALUZ, S.A. DE C.V.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015, 2014 AND 2013
(THOUSANDS OF U.S. DOLLARS)

	NOTES	2015	2014	2013
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans and current portion of long-term debt	16	$ 43,653	$ 61,736	$ 62,121
Suppliers		565,746	678,664	553,696
Credit letters of suppliers		635,275	451,616	399,451
Due to related parties	21a	26,750	32,546	1,610
Other accounts payable and accrued liabilities		457,218	489,977	399,754
Provisions	19	16,996	22,183	25,963
Employee benefits		9,253	9,272	7,934
Short-term finance lease	17b	44,053	52,695	41,668
Derivative financial instruments	12 and 13	-	10,399	-
Liabilities associated with assets held for sale		19,617	7,343	22,748
Total current liabilities		1,818,561	1,816,431	1,514,945
Non-current liabilities:				
Bank loans and long-term debt	16	2,291,422	2,366,457	2,103,086
Employee benefits	18	154,972	221,533	80,196
Long-term provisions	19	27,157	34,262	49,621
Long-term other liabilities		23,180	34,341	24,937
Derivative financial instruments	12 and 13	68,482	61,765	74,689
Deferred income taxes	23b	476,130	481,689	511,913
Long-term finance lease	17b	116,757	170,085	185,564
Long-term income tax	23	14,234	49,943	45,794
Total non-current liabilities		3,172,334	3,420,075	3,075,800
Total liabilities		4,990,895	5,236,506	4,590,745
Stockholders' equity:				
Paid-in capital-				
Nominal	20a	256,482	256,482	256,482
Additional paid-in capital		1,474,827	1,474,827	1,708,376
Cumulative effect of restatement		23,948	23,948	23,948
		1,755,257	1,755,257	1,988,806
Earned capital-				
Retained earnings		850,836	795,298	683,173
Other comprehensive income		140,050	368,813	570,265
Buy-back shares program reserve	20b	156,219	126,663	56,312
		1,147,105	1,290,774	1,309,750
Controlling interest		2,902,362	3,046,031	3,298,556
Non-controlling interest		776,419	443,708	292,501
Total stockholders' equity		3,678,781	3,489,739	3,591,057
Total liabilities and stockholders' equity		$ 8,669,676	$ 8,726,245	$ 8,181,802

MEXICHEM, S.A.B. DE C.V. AND SUBSIDIARIES
(A SUBSIDIARY OF KALUZ, S.A. DE C.V.)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(THOUSANDS OF U.S. DOLLARS, EXCEPT EARNINGS PER SHARE EXPRESSED IN U.S. DOLLARS)

	NOTES	2015	2014	2013
Continuing operations:				
Net sales		$ 5,708,309	$ 5,549,347	$ 5,142,502
Cost of sales	22a	4,156,282	4,153,577	3,607,643
		1,552,027	1,395,770	1,534,859
Net sales of finished goods purchased		-	-	124,793
Cost of sales		-	-	124,430
		-	-	363
Gross profit		1,552,027	1,395,770	1,535,222
Selling and development expenses	22b	707,088	675,701	645,372
Administrative expenses	22c	356,337	347,420	338,386
Other income	22d	(20,255)	(37,628)	(51,992)
Exchange gain		(38,313)	(79,101)	(29,424)
Exchange loss		95,335	170,410	81,272
Interest expense		212,075	195,013	174,892
Interest income		(21,785)	(34,679)	(66,567)
Monetary position loss (gain)		(2,097)	6,381	13,831
Equity in income of associated entity		(3,080)	(2,729)	(705)
Profit before income taxes		266,722	154,982	399,911
Income tax expense	23d	85,627	42,370	156,785
Profit for the year from continuing operations		181,095	112,612	243,126
Discontinued operations:				
Gain (loss) from discontinued operations, Net	24b	(49,984)	2,001	(160,071)
Consolidated profit for the year		131,111	114,613	83,055
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss:				
Property, plant and equipment revaluation		99,094	10,118	310,308
Impairment of fixed assets		-	(1,088)	-
Actuarial losses recognized during the year		40,497	(57,944)	(2,866)
Income taxes		(30,496)	11,361	(101,438)
		109,095	(37,553)	206,004

See accompanying notes to consolidated financial statements.

MEXICHEM, S.A.B. DE C.V. AND SUBSIDIARIES
(A SUBSIDIARY OF KALUZ, S.A. DE C.V.)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(THOUSANDS OF U.S. DOLLARS, EXCEPT EARNINGS PER SHARE EXPRESSED IN U.S. DOLLARS)

	NOTES	2015	2014	2013
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		(381,367)	(239,926)	(9,735)
Valuation of financial instruments		101,954	46,531	(49,047)
Income taxes		(30,586)	(13,959)	15,115
		(309,999)	(207,354)	(43,667)
Other comprehensive income (loss) for the year		(200,904)	(244,907)	162,337
Consolidated comprehensive (loss) income for the year		$ (69,793)	$ (130,294)	$ 245,392
Consolidated net income for the year:				
Owners of the Entity		$ 135,170	$ 124,559	$ 80,603
Non-controlling interests		(4,059)	(9,946)	2,452
		$ 131,111	$ 114,613	$ 83,055
Comprehensive (loss) income attributable to:				
Owners of the Entity		$ (62,504)	$ (117,981)	$ 233,269
Non-controlling interests		(7,289)	(12,313)	12,123
		$ (69,793)	$ (130,294)	$ 245,392
Earnings (loss) per share attributable to owners of the Entity:				
From continuing operations		$ 0.09	$ 0.05	$ 0.11
From discontinued operations		$ (0.03)	$ -	$ (0.07)
Basic earnings per share		$ 0.06	$ 0.05	$ 0.04
Weighted average common shares outstanding		2,100,000,000	2,100,000,000	2,100,000,000

MEXICHEM, S.A.B. DE C.V. AND SUBSIDIARIES

(A SUBSIDIARY OF KALUZ, S.A. DE C.V.)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(THOUSANDS OF U.S. DOLLARS)

	Paid-in capital										
	Nominal	Additional paid-in capital	Cumulative effect of restatement	Retained earnings	Property, plant, and equipment revaluation	Cumulative translation effects of foreign operations	Valuation of financial instruments	Buy-back shares program reserve	Controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of December 31, 2012	$ 256,482	$ 1,708,376	$ 23,948	$ 776,838	$ 287,762	$ 127,856	$ - -	$ 38,609	$ 3,219,871	$ 18,339	$ 3,238,210
Dividends declared in cash	-	-	-	(79,599)	-	-	-	-	(79,599)	(1,142)	(80,741)
Purchase of shares	-	-	-	1,252	-	-	-	(63,751)	(62,499)	-	(62,499))
Increase in buy-back shares program reserve	-	-	-	(81,454)	-	-	-	81,454	-	-	-
No controlling equity derived from business acquisition	-	-	-	(12,486)	-	-	-	-	(12,486)	263,181	250,695
Other comprehensive (loss) profit of the year	-	-	-	(1,981)	197,562	(8,983)	(33,932)	-	152,666	9,671	162,337
Consolidated profit for the year	-	-	-	80,603	-	-	-	-	80,603	2,452	83,055
Balances as of December 31, 2013	256,482	1,708,376	23,948	683,173	485,324	118,873	(33,932)	56,312	3,298,556	292,501	3,591,057
Dividends declared in cash	-	-	-	(76,520)	-	-	-	-	(76,520)	-	(76,520))
Purchase of shares	-	-	-	(170)	-	-	-	(55,487)	(55,657)	-	(55,657))
Increase in buy-back shares program reserve	-	-	-	(141,838)	-	-	-	141,838	-	-	-
Transfer of equity accounts	-	(233,549)	-	233,549	-	-	-	-	-	-	-
Partial cancellation of the buy-back shares program reserve	-	-	-	16,000	-	-	-	(16,000)	-	-	-
No controlling equity derived from business acquisition	-	-	-	-	-	-	-	-	-	163,520	163,520
Other comprehensive (loss) profit of the year	-	-	-	(43,455)	5,902	(239,926)	32,572	-	(244,907)	(2,367)	(247,274))
Consolidated profit for the year	-	-	-	124,559	-	-	-	-	124,559	(9,946)	114,613
Balances as of December 31, 2014	256,482	1,474,827	23,948	795,298	491,226	(121,053)	(1,360)	126,663	3,046,031	443,708	3,489,739
Dividends declared in cash	-	-	-	(63,447)	-	-	-	-	(63,447)	-	(63,447))
Purchase of shares	-	-	-	(11,594)	-	-	-	(6,124)	(17,718)	-	(17,718))
Partial cancellation of the buy-back shares program reserve	-	-	-	110,725	-	-	-	(110,725)	-	-	-
Increase in buy-back shares program reserve	-	-	-	(146,405)	-	-	-	146,405	-	-	-
No controlling equity derived from business acquisition	-	-	- -	-	-	-	-	-	-	340,000	340,000
Other comprehensive (loss) profit of the year	-	-	-	31,089	78,006	(378,137)	71,368	-	(197,674)	(3,230)	(200,904))
Consolidated profit for the year	-	-	-	135,170	-	-	-	-	135,170	(4,059)	131,111
Balances as of December 31, 2015	$ 256,482	$ 1,474,827	$ 23,948	$ 850,836	$ 569,232	$ (499,190)	70,008	$ 156,219	$ 2,902,362	$ 776,419	$ 3,678,781

See accompanying notes to consolidated financial statements.

MEXICHEM, S.A.B. DE C.V. AND SUBSIDIARIES
(A SUBSIDIARY OF KALUZ, S.A. DE C.V.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(THOUSANDS OF U.S. DOLLARS)

	2015	2014	2013
Cash flows from operating activities:			
Consolidated net income for the year	$ 131,111	$ 114,613	$ 83,055
Adjustments for:			
Income tax expense	85,627	42,370	156,785
Loss (gain) from discontinued operations	49,984	(2,001)	160,071
Net labor obligation cost (gain)	6,033	11,989	(5,029)
Depreciation and amortization	396,456	410,361	334,388
Gain on sale of fixed assets	(2,990)	(1,302)	(1,371)
Net loss derived from financial liabilities valued at fair value through results	-	-	8,146
Unrealized exchange (gain) loss	32,538	(55,787)	11,710
Impairment of fixed assets	-	1,088	-
Equity in income of associated entity	(3,080)	(2,729)	(705)
Interest income	(21,785)	(34,679)	(66,567)
Interest expense	212,075	195,013	174,892
	885,969	678,936	855,375
Changes in working capital:			
(Increase) decrease in:			
Accounts receivable	113,600	83,426	40,682
Inventories	107,294	43,005	2,319
Other assets	35,032	(62,073)	(48,531)
Discontinued operations	7,785	18,702	8,063
Increase (decrease) in:			
Suppliers	72,333	42,600	9,253
Related parties	(3,315)	38,046	(38,395)
Other liabilities	(102,300)	(52,665)	(81,961)
Discontinued operations	(39,615)	(19,554)	7,247
Interest received	21,785	34,679	66,567
Net cash provided by operating activities	1,098,568	805,102	820,619
Cash flows from investing activities:			
Acquisition of machinery and equipment	(710,967)	(517,700)	(420,294)
Proceeds from sale of machinery and equipment	57,469	17,738	43,147

See accompanying notes to consolidated financial statements.

MEXICHEM, S.A.B. DE C.V. Y SUBSIDIARIAS
(SUBSIDIARIA DE KALUZ, S.A. DE C.V.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(THOUSANDS OF U.S. DOLLARS)

	2015	2014	2013
Trade investments	-	-	250,000
Investments in other assets	(8,938)	(5,741)	(19,265)
Acquisition of subsidiaries, net of cash acquired	-	(831,045)	(250,154)
Net cash used in investing activities	(662,436)	(1,336,748)	(396,566)
Cash flows from financing activities:			
Borrowings	32,416	842,013	336,586
Loan repayments	(59,252)	(479,235)	(490,158)
Interest paid	(211,556)	(187,025)	(182,622)
Dividends paid	(64,642)	-	(158,607)
Purchase of shares	(17,718)	(55,657)	(62,499)
Net cash (used in) provided by financing activities	(320,752)	120,096	(557,300)
Adjustment to cash flows due to exchange rate fluctuations	(81,631)	(201,486)	(29,389)
Net decrease in cash and cash equivalents	33,749	(613,036)	(162,636)
Cash and cash equivalents at the beginning of the year	619,525	1,232,561	1,395,197
Cash and cash equivalents at the end of the year	$ 653,274	$ 619,525	$ 1,232,561

MEXICHEM, S.A.B. DE C.V. AND SUBSIDIARIES
(A SUBSIDIARY OF KALUZ, S.A. DE C.V.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(THOUSANDS OF U.S. DOLLARS)

1. Activities

Mexichem, S.A.B. de C.V. and Subsidiaries (the Entity or Mexichem), whose main address and place of business is in Río San Javier No.10, Fraccionamiento Viveros de Río, Tlalnepantla, C.P. 54060 Estado de Mexico, is an entity that holds the shares of a group of companies located in the American and European continents, some Asian countries and Africa; which are engaged in the production and sale of chemicals and petrochemical products. The Entity's main products are: chlorine, caustic soda, ethylene, vinyl chloride monomer (VCM), resins and compounds of polyvinyl chloride (PVC), extractions of fluorite, hydrofluoric acid and refrigerant gases, as well as pipes and fittings of PVC, polyethylene and polypropylene; and geo-synthetics. The strategic position of the Entity focuses on the chemical sector through four Business Groups: Vinyl, Energy, Fluor and Fluent (before called production chains: chlorine-vinyl, energy, fluorine and integral solutions).

2. Significant events

a. Establishment and acquisition of new businesses - During 2015, 2014 and 2013, Mexichem established and acquired the businesses described below:

i. On May 12, 2015, Mexichem opened a new manufacturing plant in Hyderabad, India. The new plant produces high-pressure pipes and tubes for water, voice and data markets in the telecommunications and gas transportation industry. The new plant is the fourth Mexichem plant in India, together with two more located in Goa and another in Neemrana, close to Delhi. The location of the Hyderabad plant in southern India will enable Mexichem to have a strategic positioning to make exports to Southeast Asia, deal with customers from southern India and exploit new business opportunities in the region. The opening of the plant is part of the ongoing strategy of Mexichem to become a globally and vertically integrated company, with a focus on specialty products and solutions.

ii. On December 1, 2014, Mexichem acquired 100% of the shares of VESTO PVC Holding GmbH (Vestolit), the sixth-largest company manufacturer of PVC in Europe. Vestolit is located in Marl, Germany and is the only European producer of high impact suspension PVC resin (HIS-PVC), for applications such as climate resistant windows, auto chassis coverings, ladies' purses, and plastic bins. Vestolit is the second largest producer in Europe of PVC paste for floors and walls. This acquisition had a value of €219 million in cash and assumed liabilities, equivalent to US $273.2 million.

iii. On September 19, 2014, Mexichem acquired 100% of the shares of Dura-Line Holding Inc (Dura-Line). With this transaction Mexichem entered the high density polyethylene pipe business (HDPE), specialized in the telecommunications sector, with manufacturing plants headquartered in North America, India, Oman, Europe and South Africa. This acquisition had a value of US $630 million.

iv. On October 31, 2013, Mexichem and Occidental Chemical Corporation (OxyChem) formalized a joint venture with equal shareholding denominated Ingleside Ethylene LLC, to construct an ethylene cracker with an annual capacity of 1,200,000,000 pounds (550,000 tons). This new plant represents a total investment of $1,500 million, will be located at the installations of OxyChem in Ingleside, Texas, and will utilize the duct and storage system located in Markham, Texas. The total amount invested as of December 31, 2015, 2014 and 2013 is $680, $330 and $45 million, respectively.

v. On September 11, 2013, Mexichem and PEMEX Etileno (formerly PEMEX Petroquimica) formalized the joint venture in Petroquímica Mexicana de Vinilo, S.A. de C.V. (PMV) which will allow for greater competitiveness of the domestic petrochemicals industry in the global market, through the integration of a new entity that will generate value to the Vinyl business group. Thanks to this strategic alliance, Vinyl (Salt-Ethylene up to PVC resin and the fluids conduction systems) in Mexico will be fully vertically integrated, allowing the Mexican industry to become more competitive compared to that of the US and allowing Mexico to benefit from the Shale Gas revolution. The contributions of PEMEX Petroquímica include an Ethylene Cracker, the Dichloride Ethanol plant (EDC) and VCM, two electricity cogeneration units and a maritime location; the contributions of Mexichem include the deposit of Salt, the Chlorine-Soda plant located in Coatzacoalcos, as well as $200 million for the capacity expansion of VCM from the current almost 200,000 tons a year to the designed capacity of 400,000 tons a year. As a result of applying the accounting policies of Mexichem, property, plant and equipment were revalued. The total amount of the transaction was an increase in the value of the assets for $256 million, as a contribution in kind.

vi. On March 25, 2013, Mexichem reached an agreement with PolyOne to acquire 100% of its special PVC resin operations in the United States, where it has two production plants and one research and development center. This acquisition had an approximate value of $250 million.

b. Acquisition of Distribution and Sale License -
On January 6, 2015 Mexichem acquired from Dupont FluorChemicals the license to distribute and sell pharmaceutical grade HFC-227ea/P gas for the regulated medical and pharmaceutical propellants market. The acquisition is in line with the strategy of Mexichem, which focuses on specialty products with a global growth approach through participation in specialty products. The acquisition price was $4.1 million. Mexichem has acquired exclusive global rights to sell and distribute the product for the regulated medical and pharmaceutical propellants market. This will be sold under the Mexichem brand named ZEPHEX®, the global brand leader for medical propellants with approximately 75% of the medical inhalers produced worldwide.

c. Issuance of International Bond -
On September 9, 2014, the issuance of a 30 year International Debt Bond was concluded under Rule 144ª / RegS for $750 million with a spread of 270 base points on U.S. treasury bonds. The International Bond is payable upon maturity. The resources were used mainly for the refinancing of the issue "MEXICHEM 11", which matures as of 2016, and for the funding of the acquisitions.

d. Advance repayment of Securitized Certificates -
On September 23, 2014 Mexichem settled in advance the totality of the securitized certificates "MEXCHEM 11", for which purpose it paid the holders a price per instrument equal to the higher of the face value of the Securitized Certificates or the clean price calculated through the arithmetical average of the last 30 (thirty) days before the date of advance payment provided by Proveedor Integral de Precios, S.A. de C.V. (PIP) and Valuación Operativa y Referencias de Mercados, S.A. de C.V. (VALMER).

e. Discontinued operations -
The Entity began a restructuring process in the Fluor business group due to the current competition from Chinese producers of refrigeration gases and because of low profit margins in certain products, the entity decided to close certain operations that belonged to this niche of products. The discontinued operations in the 2015, 2014 and 2013 results reflect the effect of maintaining operations in certain markets in which the business conditions were inadequate, and they are presented as such in the financial statements in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

3. Basis of presentation

a. Explanations for translation into English -
The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of IFRS. Certain accounting practices applied by the Entity that conform with IFRS may not conform with accounting principles generally accepted in the country of use.

b. New and revised IFRSs issued 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[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plant[1]
Amendments to IAS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRS	Annual Improvements to IFRSs 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after January 1st, 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1st, 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1st, 2019, with earlier application permitted.

IFRS 9, Financial Instruments

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

Key requirements of IFRS 9:

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

  All other debt investments and equity 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).

- Regarding 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 practical to provide a reasonable estimate of the effect of IFRS 9 until the Entity undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

IFRS 16, Leases

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

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

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

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

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

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

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after January 1st, 2016. The Entity's management anticipate that the application of these amendments to IFRS 11 will not have a material impact on the Entity's consolidated financial statements in future periods if such transactions would arise.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.
The amendments to IAS 1 are effective for annual periods beginning on or after January 1st, 2016. The Entity's management do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Entity's consolidated financial statements.

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

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be refuted 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 1st, 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.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after January 1st, 2016. The Entity's management anticipate that the application of these amendments to IFRS 10 and IAS 28 will not have an impact on the Entity's consolidated financial statements in future periods should if such transactions arise.

Annual Improvements to IFRSs 2012-2014 Cycle

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

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

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

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

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

c. Classification of costs and expenses - These are presented according to their function because this is the practice of the industry to which the Entity belongs.

4. Summary of significant accounting policies

a. Statement of compliance
The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB. The standards include provisions known as IFRS, IAS, IFRIC and SIC.

b. Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, that are measured at revalued amounts or fair values at the end of each reporting period, 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 when and if the asset is sold 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 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 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

The consolidated financial statements incorporate the financial statements of the Mexichem, S.A.B. de C.V. and its subsidiaries. Control is achieved when Mexichem:

- 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.

Mexichem 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 Mexichem 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. Mexichem considers all relevant facts and circumstances in assessing whether or not the Mexichem's voting rights in an investee are sufficient to give it power, including:

- The size of Mexichem holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by Mexichem, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Mexichem 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 Mexichem 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.

Net income (loss) and each component of other comprehensive income are attributed to the owners of Mexichem and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Mexichem 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 Mexichem's accounting policies.

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

The Mexichem's shareholding percentage in their capital stock at December 31, is shown below:

		% Ownership		
Group	Country	2015	2014	2013
Vinyl Business Group:				
Mexichem Derivados, S.A. de C.V.	Mexico	100	100	100
Mexichem Compuestos, S.A. de C.V.	Mexico	100	100	100
Mexichem Resinas Vinílicas, S.A. de C.V.	Mexico	100	100	100
VESTO PVC Holding GmbH, Marl	Germany	100	100	-
Mexichem America, Inc.	USA	100	100	100
Alphagary Corporation	USA	100	100	100
Alphagary Limited	UK	100	100	100
Mexichem Resinas Colombia, S.A.S.	Colombia	100	100	100
Mexichem Speciality Resins, Inc.	USA	100	100	100
C.I. Mexichem Compuestos Colombia, S.A.S.	Colombia	100	100	100
Petroquímica Mexicana de Vinilo, S.A. de C.V.	Mexico	55.91	55.91	55.91
Ingleside Ethylene LLC	USA	50	50	50
Fluor Business Group:				
Mexichem Flúor, S.A. de C.V.	Mexico	100	100	100
Mexichem Flúor Comercial, S.A. de C.V.	Mexico	100	100	100
Minera Holding Alfil, S.A. de C.V.				
Fluorita de México, S.A. de C.V.	Mexico	100	100	100
Mexichem Fluor Inc.	USA	100	100	100
Mexichem UK Ltd	UK	100	100	100
Mexichem Fluor Japan Ltd.	Japan	100	100	100
Mexichem Fluor Taiwan Ltd.	Taiwan	100	100	100
Fenix Flúor Ltd	UK	64	64	64
Fluent Business Group:				
Dura-Line Holdings, Inc.	USA	100	100	-
Mexichem Soluciones Integrales Holding, S.A. de C.V.	Mexico	100	100	100
Mexichem Amanco Holding, S.A. de C.V.	Mexico	100	100	100
Mexichem Soluciones Integrales, S.A. de C.V.	Mexico	100	100	100
Mexichem Guatemala, S.A.	Guatemala	100	100	100
Mexichem Honduras, S.A.	Honduras	100	100	100
Mexichem El Salvador, S.A.	El Salvador	100	100	100
Mexichem Nicaragua, S.A.	Nicaragua	100	100	100
Mexichem Costa Rica, S.A.	Costa Rica	100	100	100
Mexichem Panamá, S.A.	Panama	100	100	100
Mexichem Colombia, S.A.S.	Colombia	100	100	100
Pavco de Venezuela, S.A.	Venezuela	100	100	100

Group	Country	% Ownership 2015	2014	2013
Mexichem del Perú, S.A.	Peru	100	100	100
Mexichem Argentina, S.A.	Argentina	100	100	100
Mexichem Brasil Industria de Transformação Plástica, Ltda.	Brazil	100	100	100
Wavin N.V.	Netherlands	100	100	100
Wavin Nederland B.V.	Netherlands	100	100	100
Wavin Belgium N.V.	Belgium	100	100	100
Wavin (Foshan) Piping Systems Co. Ltd.	China	100	100	100
Wavin Ekoplastik s.r.o.	Czech Republic	100	100	100
Nordisk Wavin A/S	Denmark	100	100	100
Norsk Wavin A/S	Norway	100	100	100
Wavin Estonia OU	Estonia	100	100	100
Wavin-Labko Oy	Finland	100	100	100
Wavin France S.A.S.	France	100	100	100
Wavin GmbH	Germany	100	100	100
Wavin Hungary Kft.	Hungary	100	100	100
Wavin Ireland Ltd.	Ireland	100	100	100
Wavin Italia SpA	Italy	100	100	100
Wavin Latvia SIA	Latvia	100	100	100
UAB Wavin Baltic	Lithuania	100	100	100
Wavin Metalplast-BUK Sp.zo.o.	Poland	100	100	100
Wavin Romania s.r.l.	Romania	100	100	100
OOO Wavin Rus	Russia	100	100	100
Wavin Balkan d o.o.	Serbia	100	100	100
Wavin Slovakia spol s.r.o.	Slovakia	100	100	100
AB Svenska Wavin	Sweden	100	100	100
Pilsa A.S.	Turkey	100	100	100
Wavin Ltd.	UK	100	100	100
Warmafl oor (GB) Ltd.	UK	100	100	100
Wavin Ukrain O.O.O.T.O.V.	Ukraine	100	100	100

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 Mexichem.

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. Recognition of the effects of inflation - The Entity recognizes the effect of inflation for entities that operate in highly-inflationary economies, which is when inflation over the preceding three years is greater than 100%. Mexichem in 2015, 2014 and 2013 recognized the effects of inflation in its Venezuelan operations.

e. Translation of financial statements of foreign subsidiaries - The individual financial statements of each subsidiary of the Entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). To consolidate the financial statements of foreign subsidiaries are translated from the functional currency into U.S. dollars (the reporting currency), considering the following methodology:

Foreign operations whose functional currency is not the same as the currency in which transactions are recorded, translate their financial statements using the following exchange rates: i) the closing exchange rate in effect at the balance sheet date for assets and liabilities and ii) historical exchange rates for stockholders' equity and (iii) month average for revenues, costs and expenses. Translation effects are recorded in other comprehensive profit (loss). Exchange rate differences resulting from financial instruments that are initially recognized in other comprehensive income are reclassified to profit or loss when the net foreign investment is partially or fully sold. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For foreign entities that operate in a hyperinflationary economy, their financial statements are first restated in currency of purchasing power as of the date of the consolidated statement of financial position, using the price index of the country of origin of the functional currency and then they are translated using the official exchange rate of closing for all items. The transaction in Venezuela was converted at the exchange rate of 198.69, 12.00 and 6.30 bolivars per dollar as of December 31st, 2015, 2014 and 2013, respectively; a summary of the principal headings of the financial statements is shown below:

		2015		2014		2013
Total assets	$	17,570	$	125,670	$	135,957
Stockholders' equity	$	6,959	$	66,710	$	95,422
Net sales	$	6,019	$	62,386	$	116,814
Net income	$	(668)	$	7,629	$	19,191

The exchange rate differences are recognized in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction qualifying for capitalization of interest, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate.

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to functional currency at the exchange rate prevailing at the date of the financial statements. Exchange rate fluctuations are recorded in profit and loss.

When there are several exchange rates available, that in which the future cash flows can be settled is used.

The subsidiaries with different functional currency to the U.S. dollar are the following:

Entity	Functional currency	Country	Business Group
VESTO PVC Holding GmbH, Marl	Euro	Germany	Vinyl
Alphagary Limited	Pound sterling	UK	Vinyl
Mexichem UK Limited	Pound sterling	UK	Fluor
Mexichem Fluor Japan Ltd.	Japanese Yen	Japan	Fluor
Mexichem Fluor Taiwan Ltd.	Japanese Yen	Taiwan	Fluor
Mexichem Soluciones Integrales, S.A. de C.V.	Mexican peso	Mexico	Fluent
Mexichem Guatemala, S.A.	Guatemalan Quetzal	Guatemala	Fluent
Mexichem Honduras, S.A.	Honduran lempiras	Honduras	Fluent
Mexichem Nicaragua, S.A.	Nicaraguan Cordoba	Nicaragua	Fluent
Mexichem Costa Rica, S.A.	Costa Rican colon	Costa Rica	Fluent
Mexichem Panamá, S.A.	Panamanian Balboa	Panama	Fluent
Mexichem Colombia, S.A.S.	Colombian peso	Colombia	Fluent
Pavco de Venezuela, S.A.	Venezuelan bolivar	Venezuela	Fluent
Mexichem Argentina, S.A.	Argentine peso	Argentina	Fluent
Mexichem Brasil Industria de Transformação Plástica, Ltda.	Brazilian real	Brazil	Fluent
Wavin N.V. (all Wavin subsidiaries)	Euro	Netherlands	Fluent

f. Cash and cash equivalents - Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash. Cash is stated at nominal value and cash equivalents are measured at fair value.

g. Inventories - Inventories are stated at the lower of cost and net realizable value (estimated selling price less all estimated costs of completion necessary to make the sale). Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, being valued on average costs method. Reductions in the value of inventories are recognized via reserves which represent the impairment of inventory.

h. Assets classified as held for sale - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Entity is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Entity will retain a non-controlling interest in its former subsidiary after the sale.

When the Entity is committed to a sale plan involving disposal of an investment, or a portion of an investment in an associate or joint venture, the investment, or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Entity discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Entity discontinues the use of the equity method at the time of disposal when the disposal results in the Entity losing significant influence over the associate or joint venture (see Note 3m for definition of significant influence).

After the disposal takes place, the Entity accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Entity uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

i. Property, plant and equipment - Property, plant and equipment are initially recorded at acquisition cost.

Property, plant and equipment are subsequently presented at their revalued amounts, representing fair value from calculations made by independent expert appraisers, less accumulated depreciation and accumulated impairment losses. The revaluations are carried out when there are significant changes in the economic conditions in the countries in which the Entity operates.

Revaluations resulting in increases in the value of property, plant and equipment are recognized within the revaluation reserve within other comprehensive income. To the extent, such increase represents the reversal of a decrease from revaluation of the same asset previously recognized in profit or loss, such increase is credited to profit or loss to the extent of the decrease previously expensed.

Revaluations resulting in decreases in the value of property, plant and equipment are recognized within profit or loss of the period, to the extent they exceed the balance, if any, held in the revaluation reserve for property relating to a previous revaluation of that asset. These effects are recognized net of their deferred income tax effects.

The cost of debt incurred during the period of construction and installation of qualifying property, plant and equipment, are capitalized.

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 proceeds received from the sale and the carrying value of the asset, which is recognized in profit or loss.

Properties that are in the process of construction for purposes of production are recorded at cost less any impairment loss recognized. Cost includes professional fees and, in the case of qualifying assets, the costs of borrowing capitalized in accordance with the accounting policy of the Entity. The depreciation of these assets is initiated when assets are ready for their planned use.

Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets, which are reviewed at each year end with residual values; and the effect of any change in estimate accounted is recognized on a prospective basis.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The remaining averages useful lives of property, plant and equipment are:

	Years
Buildings and constructions	19
Machinery and equipment	9
Furniture and fixtures	4
Vehicles	4 to 16

j. Leasing - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, are assets so specific that only the lessee can use it without making substantial changes or lease presents most of the economic life of the asset. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as other accounts payable and accrued liabilities.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Entity's general policy on borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

k. Borrowing cost - 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, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

l. Investment in the shares of associated and other entities - An associated entity is an Entity over which significant influence is held and is initially recognized based on the fair value of its identifiable assets and liabilities at the incorporation or acquisition date. If indications of impairment are detected, investments in associated entities are subjected to impairment tests.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Following its initial recognition, the comprehensive income of associated entities and the distribution of profits or capital reimbursements are presented in the consolidated financial statements by using the equity method unless the investment is classified as held for sale, in which case it is recorded in conformity with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. When the equity held by Mexichem in the losses of the associated entity exceeds the investment value, the recognition of equity in these losses is discontinued. Additional losses are recognized when Mexichem has the legal obligation to settle payments in the name of its associated entity.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of an interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Investment in associate in 2015, 2014 and 2013 corresponds to 40% of GF Wavin AG (Switzerland), and 25% of Salzg. Westfalen GmbH (Germany), equivalent to $31,232, $33,354 and $33,381, in these years, and an equity income of $(3,080), $(2,729) and $(705), respectively.

Interest in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When an entity undertakes its activities under joint operations, the Entity as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Entity accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group Entity transacts with a joint operation in which a group Entity is a joint operator (such as a sale or contribution of assets), the Entity is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Entity's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When an entity transacts with a joint operation in which a group Entity is a joint operator (such as a purchase of assets), the Entity does not recognize its share of the gains and losses until it resells those assets to a third party.

The Entity has a joint operation in which it holds 64% in Fenix Fluor Limited, located in the UK; its activity is the production and sale of refrigerant gases. The Entity has a right to the proportional part of the sales revenues received and a proportional obligation for the expenses of the joint operation incurred.

m. Intangible assets - Corresponds to non-compete agreement, the use of trademarks, intellectual property and customer portfolios. Intangible assets with finite useful lives are amortized over the straight-line method based on their remaining useful lives. Those that have indefinite useful life are not amortized, but are subject to annual impairment testing or more frequently if there is any indication that they may have been impaired. The estimated useful life, the residual value and amortization method are reviewed at the end of each year, with the effect of any changes in estimates being accounted for on a prospective basis.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, which is the fair value at the acquisition date less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

n. Government grants - Government grants are not recognized until there is reasonable assurance that the Entity will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Entity should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

o. Goodwilll - The Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Entity's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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.

The Entity's policy for goodwill arising on the acquisition of an associate and a joint venture is described at Note 4l below.

p. Impairment of tangible and intangible assets other than goodwill - 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. Where 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; 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 having an indefinite useful life are tested for impairment at least annually or sooner if an indication that the asset may have been impaired exists.

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.

Where 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, only to the extent 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. Business combinations - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Entity in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business combinations" are recognized at their fair value at the acquisition date, except that:

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

ii. Liabilities or equity instruments related to the replacement by the Entity of an acquirer's share-based payment awards are measured in accordance with IFRS 2, Share-based Payment; and

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

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

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, 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.

The measurement period is the date of acquisition until the Entity obtains all information on the facts and circumstances that existed at the date of acquisition, which is subject to a maximum of one year.

In the case of a payment made for an acquisition that includes an asset or liability derived from a contingent payment agreement and which is valued at fair value at the acquisition date, subsequent changes to that fair value are adjusted based on the acquisition cost whenever they are classified as adjustments of the valuation period. All other changes to the fair value of the contingent payment, classified as an asset or liability according with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, are directly recognized in results. However, changes to the fair value of a contingent payment classified as capital are not recognized.

When a business combination is achieved in stages, the Entity's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Entity obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

r. Financial instruments - Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance 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.

s. Financial assets - All financial assets are recognized and derecognized on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: “financial assets at fair value through profit or loss”, “held-to-maturity investments”, “available-for-sale financial assets” and “loans and accounts receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value financial asset through profit and loss.

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;
- 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 a fair value through profit and loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- 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 is part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as fair value through profit and loss.

Financial assets at fair value through profit and loss 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” line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 12.

Held-to-maturity investments

Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

Available-for-sale financial assets

Listed shares held by the Entity that are traded in an active market are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 12.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the valuation of investments on available for sale securities for such investments with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the valuation of investments on available for sale securities is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Entity’s right to receive the dividends is established.

The fair value of available-for-sale 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.

Loans and accounts receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and accounts receivables”. Loans and accounts receivables are measured at amortized cost using the effective interest method, less any impairment. The allowance for doubtful accounts is recognized in results when there is objective evidence that the accounts receivable are considered to be impaired. Interest income is recognized by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Entity’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on payments.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

Except for the equity instruments available-for-sale, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Entity retains an option to repurchase part of a transferred asset), the Entity allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities at fair value through profit and loss

Financial liabilities are classified as at fair value through profit and loss when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at fair value through profit and loss.

A financial liability is classified as held for trading if:

– It has been incurred principally for the purpose of repurchasing 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 liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at fair value through profit and loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability 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 is part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined hybrid contract (asset or liability) to be designated as at fair value through profit and loss.

Financial liabilities at fair value through profit and loss 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 on the financial liability and is included in the "other income" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 12.

Other financial liabilities

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

t. Derivative financial instruments - Due to the Entity's national and international operations, it is exposed to the risks of fluctuation of prices in raw materials in the chemical industry, as well as interest rate risks related to the financing of its projects. The Entity's policy is to use certain hedges to mitigate the volatility of the prices of certain raw materials and interest rate and foreign exchange rate risks in its financing activities, all of which are related to its business.

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. The Entity designates certain hedging instruments as fair value, of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecasted transactions or hedges of foreign exchange risk on firm commitments (cash flow hedges).

Embedded derivatives

The Entity reviews all executed contracts to identify embedded derivatives which have to be separated from the host contract for purposes of their accounting valuation and recognition. When an embedded derivative is identified in other financial instruments or in other contracts (host contracts), they are treated as separate derivatives when their risks and characteristics are not strictly related to those of the host contracts, and when such contracts are not recorded at fair value through profit and loss.

u. Hedge accounting - - The Entity designates certain hedging instruments, which include foreign currency derivatives, interest rates and commodities and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 13 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The Entity documents the relationship of the hedge and the objective and strategy of management of risk for the Entity. Such documentation will include the method the Entity will use to measure the effectiveness of the instrument to hedge the risk of changes in the fair value cash flows of the item being hedged.

The Entity recognizes all of the assets or liabilities arising from transactions with derivative financial instruments in the consolidated statements of financial position at fair value, regardless of its intent for holding them. The fair value is determined based on recognized market prices and when not listed on a market, based valuation techniques accepted in the financial markets. The decision to enter into hedges is based on the conditions of the markets and expectations in the national and international economic environments.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The loss or gain relating to the ineffective portion is recognized immediately in profit or loss, and is included in the “other income” line item.

Amounts previously recognized in the other comprehensive income and accumulated in stockholders’ equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the statement of comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from stockholders’ equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in stockholders’ equity at that time remains in stockholders’ equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in stockholders’ equity is recognized immediately in profit or loss.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the consolidated statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading translation effects of foreign operations. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the “other income” line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation effects are reclassified to profit or loss in the same way that the exchange rate differences relating to the foreign operation.

v. 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, it´s 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.

w. Restructuring - The Entity recognizes a provision for restructuring when it has developed a detailed formal plan for the restructuring, and has raised a valid expectation in those affected by it, either by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Entity.

x. Contingent liabilities acquired in a business combination - Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18, Revenue.

y. Statutory employee profit sharing (PTU) - Certain subsidiaries of Mexichem are subject to the payment of PTU arising from legal provision and it is recorded in the results of the year in which it is incurred and presented under operating cost and expenses. As of December 31 2015, 2014 and 2013, the PTU was $7,429, $11,186 and $8,706, respectively.

z. Buy-back shares program reserve - Purchases and sales of shares are recorded directly in the buy-back shares program reserve at their acquisition cost. Any profit or loss generated is recorded in retained earnings.

aa. Income taxes - El gasto por impuestos a la utilidad representa la suma de los impuestos a la utilidad causados y los impuestos a la utilidad diferidos.

i. Current taxes on income - The current tax calculated refers to income tax (ISR) and is recorded in results of the year that it is incurred.

ii. 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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and interest in joint operations, 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 assets and liabilities 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.

Up to 2013 Mexichem was authorized to prepare it´s income tax returns on a consolidated basis, which includes the proportional tax on the taxable profits or tax losses of its Mexican subsidiaries. The provisions for taxes of the foreign subsidiaries were determined based on the taxable profit of each company at the individual level.

Special mining charge

For purposes of recognition in the financial statements of the holders of mining concessions or allotments, this charge should be treated as a tax on income, because it is determined based on a remnant of the Entity's revenues and expenses. Consequently, IAS 12 "Income Taxes" should be used to determine and recognize the liabilities and assets derived from taxes on income with regards to what is consider current and deferred tax. Furthermore, within the statement of comprehensive income or loss, it should be presented as part of the tax on income for the period or, as the case may be, as part of the other comprehensive income with which it is related.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss whether in other comprehensive income or directly in stockholders' equity. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

bb. Cost for direct employee benefits and retirement - 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 annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Entity presents the first two components of defined benefit costs in profit or loss in the line item. Gains and losses for reduction of service are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or when the entity recognizes any related restructuring costs.

Employee or third-party contributions to defined benefit plans

The discretionary contributions made by employees or third parties reduce the service cost by the payment of such contributions to the plan.

When the formal terms of the plan specify that there will be employee or third-party contributions, the respective accounting depends on whether the contributions are related to the service, as follows:

- If the contributions are not related to the service (for example, contributions are required to reduce the deficit which arises from the losses in the plan assets or from the actuarial losses), which are reflected in the new measurement of the net liability (asset) for defined benefits.

- If the contributions are related to the services, they reduce the service costs. Based on the contribution amount which depends on the number of years of service, the Entity reduces the service cost by attributing the contributions to the years of service, using the attribution method required by IAS 19, paragraph 70, for the gross benefits.

cc. Share-based payments - In 2015, Mexichem initiated a compensation plan known as Long-Term Incentive Plan (LTIP), for a group of executives, whose purpose is to align executive compensation with the interests of shareholders, by conditioning the payment of this incentive upon the Entity's financial performance. In accordance with this program, Mexichem annually grants a determined amount of phantom shares aligned with the value of the real shares of the Entity, based on two vehicles: payments based on restricted phantom shares and payments based on phantom shares for performance, which may be exercised for payment provided that the financial objectives of Mexichem are achieved under the conditions established in the plan.

Each year the value of the LTIP is granted to the active executives selected, who have been rendering services for at least six months at the time of the allocation. The amount of the allocation will be based on the value of the share calculated according to the average price of the daily close of the period from July 1 through December 31 of the year immediately prior to the allocation.

Payments based on restricted phantom shares: Of the total value allocated, 40% is paid in three proportional parts (13.33% each) a year only if the annual performance targets of Mexichem established in the plan are achieved, and the eligible personnel are active at the time of the payment. The payment to be made as of March 2016 will be calculated based on the average price of the daily close of the month immediately prior to that in which the restricted phantom shares are paid.

Payment based on phantom shares for performance: 60% of the total value will be paid in the third year of the allocation, only if the financial performance targets of Mexichem accumulated for the three years are achieved, as established in the plan,. The amount payable is calculated based on the average price of the daily close of the month immediately prior to that in which the phantom shares for performance are paid.

Payments are only made to employees active on the payroll at the time the exercise of the phantom shares is approved.

The average price of the shares is in Mexican pesos, and is paid in the local currency of each entity at the exchange rate in effect on the settlement date.

Current options represent liability instruments. The information on the share option plan is as follows:

		LTIP restricted		LTIP for performance		Total
Balance, December 31, 2014	$	-	$	-	$	-
Charge to profit and loss and adjustments		1,327		1,990		3,317
Balance, December 31, 2015	$	1,327	$	1,990	$	3,317

	LTIP 2015
Average price of share allocation (i)	4.06
Average share price of the last month of the period (i)	2.32

(i) The prices per share are presented converted to US dollars at the exchange rate of the yearly close.

Valuation of options at fair value and accounting recognition

The current options qualify as liability instruments and are valued at their fair value estimated at the financial statements date, with the changes in valuation recognized in the statement of income and other comprehensive results. The fair value of the options was determined based on the remaining life of the instruments and assumptions of expected dividend, volatility and interest rate based on reasonable market conditions.

dd. Revenue recognition - Revenues is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar discounts.

Sale of goods

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

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

Income from dividends and interest income

Income from dividends from investments is recognized once established the shareholders' right to receive this payment has been established (provided that it is probable that the economic benefits will flow to the Entity and the amount of revenue can be measured reliably).

The interest income is recognized as they are accrued and there is the likelihood that the economic benefits will flow to the Entity and the amount of revenue can be measured reliably.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

ee. Earnings per share - (i) The basic earnings per common share from continuing operations is calculated by dividing the profit or loss attributable to owners (controlling interest) by the weighted average number of common outstanding shares during the year; (ii) basic earnings (losses) per common share from discontinued operations is calculated by dividing the net income from discontinued operations by the weighted average number of common shares outstanding during the year.

ff. Reclassifications - Certain headings of the financial statements for the year ended December 31, 2013 have been reclassified to conform with the presentation used in 2014, the most important of which is the presentation of the gain or loss generated on the purchase and sale of the Entity's proprietary shares under the heading of retained earnings, which were previously presented under the heading of share issuance premium for $1,252, in the consolidated statements of changes in stockholders' equity.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of accounting policies, the Entity's management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on experience and other factors that are considered as relevant. Actual results could differ from estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the review period and future periods if the revision affects both the current period and subsequent periods.

Critical accounting judgments and key sources of uncertainty when determining estimates included in the consolidated financial statements, and which could have a significant risk adjustment to the carrying value of assets and liabilities during the next financial period are as follows:

a. The Entity reviews the estimated useful life of property, plant and equipment at the end of each annual period. Based on a detailed analysis the Entity's management made certain changes to the useful life of certain components of property, plant and equipment. The level of uncertainty associated with useful life estimates relates to changes in the market behavior and the use of assets in production volumes and technology development.

b. For impairment testing of assets, the Entity is required to estimate the value-in-use of its property, plant and equipment, as well as the determination of its cash-generating units, in the case of certain assets. The value-in-use calculations require the Entity to determine the future cash flows for its cash-generating units and an appropriate discount rate to calculate their present value. The Entity forecasts it´s cash flows based on income projections using market assumptions, determination of prices and volumes of production and sale.

c. The Entity uses estimates to determine allowance for obsolete inventories and allowance for doubtful accounts. Factors that the Entity considers for allowance for obsolete inventory are production and sales volumes and changes in the demand for certain of its products. The factors which the Entity considers in the allowance for doubtful accounts are mainly the risk of the financial situation of the customer, unguaranteed accounts and considerable delays in collection considering established credit limits.

d. The Entity periodically assesses the estimates of its mineral reserves (fluorite and salt), which represent the Entity's estimate of the remaining amount not exploited in its mines, which may be produced and sold for profit. Such estimates are based on engineering estimates derived from samples and assumptions of market prices and production costs in each of the respective mines. The Entity updates the estimate for mineral reserves at the beginning of each year.

e. Discount rate used to determine the book value of the Entity's defined benefits obligations. The Entity's defined benefits obligations are discounted at the rate established in the market rates for high-quality corporate bonds at the end of the reporting period. Professional judgment must be used to establish the criteria for the bonds that should be included for the population from which the yield curve is derived. The most important criteria considered for the selection of the bonds include the size of the issue of the corporate bonds, their rating and the identification of the atypical bonds which are excluded.

f. The Entity is subject to transactions or contingent events for which it uses professional judgment in the development of estimates of probability of occurrence. Factors that are considered in these estimates are the current legal situation at the date of the estimate and, the opinion of the legal advisors.

g. Control over PMV - Note 4c states that PMV is a subsidiary of Mexichem, which holds 55.91% of the stock of PMV. Based on the contractual agreements between Mexichem and the other investor, Mexichem has the power to direct the relevant activities of PMV through the approval of the annual business plan, on which basis it has control over PMV.

h. Control over Ingleside Ethylene LLC - Note 4c states that Ingleside Ethylene LLC is a subsidiary of Mexichem, which holds 50% of the stock of Ingleside Ethylene LLC. Based on the contractual agreements between Mexichem and the other investor, as a result of its participation in the Entity's Board of Directors, Mexichem takes the decisions regarding the control over the company's operation and management.

i. Classification of Fenix Fluor Limited as a joint operation - Fenix Fluor Limited is a limited liability entity whose legal status ensures separation between the parties in the joint operation and the Entity itself. There is also a contractual agreement which stipulates that the parties in the joint operation have rights to the assets and obligations for the liabilities derived from the joint operation on a separate basis. Consequently, Fenix Fluor Limited is classified as a joint operation of the Entity.

6. Business combination

a. Business acquisitions - During 2014 and 2013, Mexichem acquired several businesses, which were recorded using the acquisition method. The results of these businesses have been included in the accompanying consolidated financial statements from the date of the acquisition. The most significant acquisitions and that are mentioned in detail in Note 2 are follows:

- Mexichem acquired 100% of the shares of Vestolit at a value of $219 million.
- Mexichem acquired 100% of the shares of Dura-Line at a value of $630 million.
- Mexichem formalized co-investment (Petroquímica Mexicana de Vinilo (PMV)) with Pemex Petroquimica; increasing the value of assets by $256 million.
- Mexichem acquired 100% PolyOne's PVC Special Resins assets at $250 million.

With the aforementioned acquisitions, Mexichem continues its strategy to provide greater value with respect to its basic raw materials, thereby strengthening its position in the American continent and becoming a global Entity with operations in America, Europe and Asia.

b. Consideration transferred

2014		Cash		Net liabilities assumed		Total
Dura-Line	$	630,000	$	-	$	630,000
Vestolit		258,231		14,950		273,181
	$	888,231	$	14,950	$	903,181

2013		Cash		In shares of subsidiaries		Total
PMV	$	-	$	256,219	$	256,219
PolyOne		250,154		-		250,154
	$	250,154	$	256,219	$	506,373

The costs associated with the acquisition have been excluded from the consideration transferred and have been recognized as an expense in the period within "other income" in the consolidated statements of profit or loss and other comprehensive income.

c. Assets acquired and liabilities assumed at the date of acquisition

During 2015, the Entity finished the identification and assignment of the purchase price of the assets acquired and liabilities assumed of their performed acquisitions end of 2014, based on their fair values at the acquisition date. As a result of this process, the beginning balance of Vestolit, was modified, adjusting the goodwill of this acquisition.

2014		Dura-Line		Vestolit		Total
Assets:						
Cash and cash equivalents	$	18,861	$	38,325	$	57,186
Accounts receivable and other		109,898		40,617		150,515
Inventories		62,918		36,589		99,507
Property, plant and equipment		103,454		288,376		391,830
Identified intangible assets		281,885		45,655		327,540
Other long-term assets		-		9,377		9,377
Liabilities:						
Suppliers and other accounts payable		(107,808)		(186,571)		(294,379)
Deferred income taxes		(5,564)		(33,513)		(39,077)
Total net assets	$	463,644	$	238,855	$	702,499

2013		PMV		PolyOne		Total
Assets:						
Accounts receivable	$	-	$	15,295	$	15,295
Inventories		-		8,185		8,185
Property, plant and equipment		256,219		77,739		333,958
Identified intangible assets		-		105,500		105,500
Liabilities:						
Suppliers and other accounts payable		-		(21,252)		(21,252)
Total net assets	$	256,219	$	185,467	$	441,686

d. Goodwill on acquisitions

2014		Consideration transferred		Net liabilities assumed		Value of the acquired net assets		Goodwill
Dura-Line	$	630,000	$	-	$	463,644	$	166,356
Vestolit		258,231		14,950		238,855		34,326
	$	888,231	$	14,950	$	702,499	$	200,682

2013		Consideration transferred		Shares of subsidiaries delivered		Value of the acquired net assets		Goodwill
PMV	$	-	$	256,219	$	256,219	$	-
PolyOne		250,154		-		185,467		64,687
	$	250,154	$	256,219	$	441,686	$	64,687

Goodwill generated from the acquisitions results from the fact that the consideration paid for the business combination effectively included amounts in relation to the benefits of the expected synergies, revenue growth and further development of the market. These benefits are not recognized separately from goodwill, because they do not meet the criteria for recognition of identifiable intangible assets.

e. Net cash flow from acquisition of subsidiaries

		2014
Consideration paid in cash	$	888,231
Less: balances of cash and cash equivalents acquired		(57,186)
Net	$	831,045
		2013
Consideration paid in cash	$	250,154

f. Supplementary financial information from the acquisition date

The following table presents the net sales and comprehensive income of Dura-Line and Vestolit from the acquisition date included in the condensed consolidated statement of comprehensive income for the year ended December 31, 2014 and 2013 respectively.

	2014			
		Net sales		Net income (loss)
Dura-Line	$	182,644	$	1,684
Vestolit		30,867		(5,724)
Total	$	213,511	$	(4,040)

	2013			
		Net sales		Net income
PMV	$	41,903	$	25,286
PolyOne		72,135		136
Total	$	114,038	$	25,422

g. Effect of acquisitions in the Mexichem results (unaudited)

The following table presents the consolidated net sales and comprehensive income of Mexichem for the years ended December 31, 2014 and 2013 as if the acquisitions of Dura-Line and Vestolit had occurred as of January 1, 2014 and 2013 respectively.

	2014			
		Net sales		Net loss
Dura-Line	$	658,453	$	(42,306)
Vestolit		554,112		(18,679)
Total	$	1,212,565	$	(60,985)

	2013			
		Net sales		Net income
PMV	$	115,555	$	21,696
PolyOne		132,989		10,627
Total	$	248,544	$	32,323

7. Transactions which did not result in cash flows

During the year 2015 and 2014, the Entity performed the following nonmonetary financing and investing activities which are not reflected in the consolidated statements of cash flows:

During 2015:

- The Entity acquired $2,000 of machinery and equipment under a capital lease.

During 2014:

- During the four quarter of 2014 the Entity acquired 100% of the shares of Vestolit. From the payment of such acquisition, 12 million euros ($15 million) did not result in a cash outflow because of the corresponding to liabilities of Vestolit assumed by Mexichem. The acquisition was made for a price of $219 million ($273 million), of which it paid in cash $207 million ($258 million) and assumed net liabilities for $12 million ($15 million), as indicated in Note 6.

- The Entity acquired $44 million of machinery and equipment under a capital lease.

8. Cash and cash equivalents

		2015		2014		2013
Cash	$	371,502	$	394,627	$	493,796
Cash equivalents:						
Government paper in Mexican pesos		3,000		-		100,238
Bank paper in Mexican pesos		50,264		202,909		447,867
Time deposits		148,480		-		7,937
Swap investments		-		-		180,000
Bank deposit certificates in Mexican pesos		80,028		21,989		976
Investments		-		-		1,747
	$	653,274	$	619,525	$	1,232,561

The Swap investment denominated in U.S. dollars at December 2013 is for $180 million, for a period of seven days with annual interest of 1.05% to 1.41%. At the close of 2015 and 2014, there are no swap investments in dollars.

9. Accounts receivable

		2015		2014		2013
Customers	$	828,042	$	948,489	$	932,510
Less - Allowance for doubtful accounts		29,263		28,367		35,733
		798,779		920,122		896,777
Other and receivable taxes		85,565		204,045		135,949
	$	884,344	$	1,124,167	$	1,032,726

Trade receivables –

The average credit period on sales of goods is 46 days as of December 31, 2015. In general, no interest is charged on trade receivables unless some agreement is reached for restructuring payments. The Entity has recognized an allowance for doubtful debts of 3% against all receivables determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customer, the Entity uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year or whenever evidence of possible losses exists.

Customer's receivables which are not past due or impaired, have the best credit rating attributable based on the credit rating systems used by the Entity. Due to the number of customers; no single customer represents more than 2.1% of the receivables balance.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Entity has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is more than 60 days outstanding) are still considered recoverable. In certain cases the Entity has secured certain accounts receivable and does not maintain any collateral or credit improvements on these balances, or the legal right to offset them against any amount which the Entity might owe to the counterparty.

		2015		2014		2013
60-90 days	$	12,789	$	13,431	$	13,858
More than 90-120 days		22,335		27,969		36,715
Total	$	35,124	$	41,400	$	50,573
Average age (days)		46		53		63

Movement in the allowance for doubtful debts:

		2015		2014		2013
Balance at the beginning of the year	$	28,367	$	35,733	$	25,874
Charge to results		8,355		7,374		15,728
Applications		(5,085)		(12,559)		(4,569))
Translation effects		(2,374)		(2,181)		(1,300)
Balance at the end of the year	$	29,263	$	28,367	$	35,733

In determining the recoverability of a trade receivable, the Entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

10. Inventories

		2015		2014		2013
Finished products	$	408,700	$	483,212	$	498,110
Raw materials		197,157		224,876		183,988
Goods in-transit		33,085		54,288		43,804
Spare parts		41,834		45,936		36,623
		680,776		808,312		762,525
Less - Allowance for obsolete and slow-moving inventory		32,792		33,093		33,720
	$	647,984	$	775,219	$	728,805

At December 31 of 2015, 2014 and 2013 the inventories recognized in the cost of goods sold for consumption of inventories during the period regarding continuous operations was $3,869, $3,857 and $3,383 million respectively. During 2015, 2014 and 2013, there were not write-downs of inventory to net realizable value.

The movement in the allowance for obsolete and slow-moving inventory is:

		2015		2014		2013
Balance at beginning of the year	$	33,093	$	33,720	$	43,361
Charge (credit) to results		10,125		6,739		(2,942)
Applications		(7,076)		(5,128)		(5,991)
Business combination		-		1,832		-
Translation effects		(3,350)		(4,070)		(708)
Balance at end of the year	$	32,792	$	33,093	$	33,720

11. Derivative financial instruments

The Entity has exposure to market risks, operating risks and financial risks arising from the use of financial instruments that involves interest rates, credit risks, liquidity risks and exchange rate risks, which are managed centrally. The Board of Directors establishes and monitors policies and procedures to measure and manage those risks, which are described below.

a. Capital management - The Entity manages its capital to ensure that it will continue as an "ongoing business", while it maximizes returns to its shareholders through the optimization of the balances of debt and equity. The Entity is not exposed to any externally imposed capital requirements.

   The Entity's management reviews, on monthly basis, it´s net debt position and it´s cost of debts and their relationship with EBITDA (earnings before interest, taxes, exchange rate fluctuations, depreciation, amortization, equity in income of associated companies and monetary position). EBITDA is presented as part of the Entity's financial projections that is part of its business plan presented to the Board of Directors and shareholders of the Entity. The Entity has a policy to maintain a ratio of debt, net of cash and cash equivalents, of not more than two times EBITDA. (Pro Forma EBITDA considering the last 12 months of the businesses acquired in the year).

The net indebtedness ratio of the reporting period is as follows:

	2015	2014	2013
Net debt with cost	1,703,211	1,808,668	932,646
EBITDA Pro Forma (12 months)	905,313	887,717	919,666
Indebtedness ratio	1.88	2.04	1.01
EBITDA Pro Forma (12 months)	905,313	887,717	919,666
Total interest expenses	212,075	195,013	174,892
Interest coverage ratio	4.27	4.55	5.26

The net debt with cost includes $21,410 in 2015, related to letters of credit and suppliers with maturities longer than 180 days, which for purposes of the covenants is consider a financial debt, although they are not recorded in books as debt.

The ratio of net debt to EBITDA is as follows:

	2015	2014	2013
Net debt with financial institutions	1,703,211	1,808,668	932,646
EBITDA**	905,313	820,637	907,597
Ratio of net debt to EBITDA	1.88	2.20	1.03
EBITDA**	905,313	820,637	907,597
Interest on debt	190,290	160,334	108,325
Interest coverage rate	4.76	5.12	8.38

** For purposes of this calculation is considered the actual EBITDA, EBITDA only includes businesses acquired from its date of incorporation.

Interest rate risk management - The Entity is mainly exposed to interest rate risks because it has entered into debt at variable rates. The risk is managed by the Entity through the use of interest rate swap contracts when the variations of projected rates exceed a range of 100 to 200 basis points per quarter. The Entity's hedging activities are regularly monitored so that they align with interest rates and their related risk, ensuring the implementation of the most profitable hedging strategies.

The Entity's exposures to interest-rate risk are mainly related to changes in the Mexican Interbank TIIE and Libor with respect to the Entity's financial liabilities. The Entity prepares sensitivity analyses based on its exposure to interest rates on its variable-rate debt with financial institutions that is not hedged. The analyses are prepared assuming that the ending period balance as at year end was an outstanding balance during the whole year. The Entity internally reports to the Board of Directors about its interest rate risks.

If the TIIE and Libor interest rates have had an increase of 100 basis points in each reporting period and all the other variables had remained constant, income before taxes for the year in 2015, 2014 and 2013 would have decreased by $2 million, $4 million and $20 million, respectively. This is mainly attributable to the exposure of the Entity to LIBOR and TIIE interest rates on their long-term loans.

b. Credit risk management - Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss for the Entity, and stems mainly from trade accounts receivable and liquid funds. Credit risk with respect to cash and cash equivalents and derivative financial instruments is limited because counterparties are banks with high credit ratings assigned by credit rating agencies. The maximum exposure to credit risk is primarily represented by the balance of financial assets in the trade accounts receivable. The Entity sells products to customers in different economic environments primarily in Mexico, South America, Europe and United States of America, that demonstrates their economic solvency. The total accounts receivable from all segments of business are comprised of more than 30,000 customers, which such customers do not represent a concentration of credit risk individually. However, the accounts receivable balance represents the maximum credit risk exposure to the Entity. The Entity periodically evaluates the financial condition of its customers and purchases collection insurance for export sales, while domestic sales generally require a guarantee. The Entity does not believe that there is a significant risk of loss from a concentration of credit with respect to its customer base and believes that any potential credit risk is adequately covered by its allowance for doubtful accounts, which represents it´s best estimate of impairment losses on receivables.

c. Liquidity risk management - Ultimate responsibility for liquidity risk management rests with management of the Entity, which has established appropriate policies for the control of such risk through the monitoring of working capital, allowing management of the Entity's short-, medium-, and long-term funding requirements. The Entity maintains cash reserves and available credit lines, continuously monitoring projected and actual cash flows, reconciling the profiles of maturity of financial assets and financial liabilities.

The following table details the remaining contractual maturities of the Entity's non-derivative financial assets and financial liabilities, based on contractual repayment periods. The table has been designed based on un-discounted projected cash flows of financial assets and liabilities based on the date on which the Entity must make payments and expects to receive collections. The table includes both projected cash flows related to interest and capital on financial debt in the consolidated statements of financial position and the interest that will be earned on financial assets. Where the contractual interest payments are based on variable rates, the amounts are derived from interest rate curves at the end of the period. The contractual maturity is based on earliest date in which the Entity is required to make payment.

As of December 31, 2015	Weighted average effective interest rate		3 months		6 months		1 year		Between 1 and 3 years		More than 3 years		Total
Bank loans	5.64%	$	47,509	$	12,846	$	84,111	$	304,535	$	4,140,073	$	4,589,074
Suppliers and credit letters	1.00%		783,692		395,919		21,410		-		-		1,201,021
Other accounts payable and others			319,727		88,125		93,113		29,259		21,077		551,301
Finance lease	5.27%		11,368		11,664		28,231		116,079		12,115		179,457
Derivative financial instruments (Net cash flow)			-		-		-		-		68,482		68,482
Total			1,162,296		508,554		226,865		449,873		4,241,747		6,589,335
Cash and cash equivalents			653,274		-		-		-		-		653,274
Trade accounts receivable and others			796,570		58,898		30,453		-		-		885,921
Total			1,449,844		58,898		30,453		-		-		1,539,195
Net		$	287,548	$	(449,656)	$	(196,412)	$	(449,873)	$	(4,241,747)	$	(5,050,140)

As of December 31, 2014	Weighted average effective interest rate		3 months		6 months		1 year		Between 1 and 3 years		More than 3 years		Total
Bank loans	5.81%	$	98,733	$	11,096	$	80,308	$	312,002	$	3,360,294	$	3,862,433
Suppliers and credit letters	1.00%		807,490		285,571		36,558		331		330		1,130,280
Other accounts payable and others			413,133		109,928		38,260		34,341		34,262		629,924
Finance lease	5.48%		22,318		15,329		30,743		121,339		79,867		269,596
Derivative financial instruments (Net cash flow)			295		-		10,104		-		61,765		72,164
Total			1,341,969		421,924		195,973		468,013		3,536,518		5,964,397
Cash and cash equivalents			619,525		-		-		-		-		619,525
Trade accounts receivable and others			951,653		170,556		5,886		119		11		1,128,225
Total			1,571,178		170,556		5,886		119		11		1,747,750
Net		$	229,209	$	(251,368)	$	(190,087)	$	(467,894)	$	(3,536,507)	$	(4,216,647)

As of December 31, 2013	Weighted average effective interest rate		3 months		6 months		1 year		Between 1 and 3 years		More than 3 years		Total
Bank loans	5.58%	$	49,435	$	49,039	$	82,479	$	684,245	$	2,710,364	$	3,575,562
Suppliers and credit letters	1.00%		860,261		92,886		-		-		-		953,147
Other accounts payable and others			234,290		143,328		72,457		74,558		-		524,633
Finance lease	5.65%		21,539		13,921		16,003		138,068		66,207		255,738
Derivative financial instruments (Net cash flow)			-		-		-		7,644		67,045		74,689
Total			1,165,525		299,174		170,939		904,515		2,843,616		5,383,769
Cash and cash equivalents			1,232,561		-		-		-		-		1,232,561
Trade accounts receivable and others			961,095		82,799		-		-		-		1,043,894
Total			2,193,656		82,799		-		-		-		2,296,636
Net		$	1,028,131	$	(216,375)	$	(170,939)	$	(904,515)	$	(2,843,616)	$	(3,107,314)

The amounts included for debt with financial institutions includes both fixed and variable interest rate instruments. The financial liabilities at variable rates are subject to change if the changes in variable rates differ from the estimates of rates determined at the end of the reporting period is presented at fair value.

The Entity expects to meet its obligations with the cash flows from operations and resources received from the maturity of financial assets. In addition, the Entity has access to a line of revolving credit with a balance not executed of $1,500 million and of 23.2 million euros.

d. Foreign exchange risk management - The Entity carries out transactions denominated in foreign currency; consequently, it is exposed to fluctuations in exchange rates, which are managed within the parameters of the approved policies, using, where appropriate, forward exchange rate contracts, when considered effective.

The carrying values of monetary assets and monetary liabilities denominated in foreign currency at the end of the period are as follows (foreign currencies in thousands):

	Liabilities			Assets		
	2015	2014	2013	2015	2014	2013
Euros	1,271,234	1,242,382	848,818	675,750	358,379	311,764
Brazilian real	239,141	91,030	159,146	427,402	422,383	328,494
Mexican pesos	8,370,724	3,939,579	4,528,389	2,220,211	5,461,428	7,742,001
Colombian pesos	279,169,550	248,126,129	231,514,405	155,713,132	145,422,806	122,685,120

- Foreign currency sensitivity analysis

The following table details the sensitivity of Mexichem to increases and decreases of 10% in the Mexican pesos against the relevant foreign currencies. The 10% represents the rate of sensitivity used when the exchange rate risk is reported internally to key management personnel, and represents the evaluation of the management on possible change in the exchange rates. The sensitivity analysis includes only the monetary items denominated in foreign currency and adjusts their conversion with a 10% fluctuation at the end of the period. The sensitivity analysis includes external loans as well as loans from foreign operations inside the Entity where the loan is denominated in a currency other than the U.S. dollar. A negative or positive figure, respectively, (as shown in the following table) indicates a (decrease) or increase in the results derived from a 10% weakening of the foreign currency against the foreign currency in question:

	2015	2014	2013
Euros	65,122	107,548	67,810
Brazilian real	(1,746)	(12,475)	(6,579)
Mexican pesos	35,563	(10,340)	(22,352)
Colombian pesos	3,889	4,293	5,135

Sensitivity analyses is not representative of the inherent foreign exchange risk, given that they are performed based on year end amounts and exchange rates, which may not necessarily reflect the exposure during the year.

At December 31, the exchange rate of U.S. dollar in the main countries in which the Entity operates, existing at the date of the financial statements were as follows:

	2015	2014	2013
Argentina	12.98	8.55	6.52
Brazil	3.90	2.65	2.34
Colombia	3,149.47	2,392.46	1,926.83
Mexico	17.20	14.71	13.07
United Kingdom	0.67	0.64	0.60
European Union (Euro)	0.91	0.82	0.72
Venezuela	198.69	12.00	6.30

e. Financial risk management objectives - The Mexichem's Corporate 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 analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk, liquidity risk and interest rate risk of cash flow.

The Entity seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Entity's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continuous basis. The Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

f. Market risk - The Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see subsection e. of this Note) and interest rates (see subsection b. of this Note). The Entity enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- Forward foreign exchange contracts to hedge the exchange rate risk arising on the debt in Mexican pesos;
- Interest rate swaps to mitigate the risk of rising interest rates; and
- Cross currency Swaps foreign exchange contracts to hedge the exchange rate risk arising on translation of the Entity's investment in a Wavin foreign operation, which it´s functional currency is Euro.

Market risk exposures are measured using a sensitivity analysis.

There has been no change to the Entity's exposure to market risks or the manner in which these risks are managed and measured.

g. Cross Currency Swap - According to the cross currency swap contracts, the Entity agrees to exchange Peso-Dollar flows calculated on the amounts of the notional values and interest rates established in such contracts.

Principal Only Swaps - According to the cross country swap contracts, the Entity agrees to exchange Dollar-Euro cash flows on the principal and a fixed rate in dollars, as established in such contracts.

These contracts enable the Entity to mitigate the risk of fluctuations in the exchange rates due to the exposure generated by its Mexican peso debt and the investment in Euros for the acquisition of its subsidiaries in Europe, Wavin and Vestolit. The fair value of the cross currency swaps at the end of the reporting period is determined by discounting the future cash flows using the curves and exchange rates in effect at the date of the determination.

The aforementioned cross currency swaps have been formally designated as hedge transactions for accounting purposes, as follows:

Mexichem is an entity whose functional currency is the US dollar. Mexichem issued: i) debt for 3,000 million Mexican pesos at 10 years, with a fixed rate of 8.12%, ii) debt for 3,000 million of Mexican pesos at eight years, at 0.825 percentage points above the variable Interbank Interest Rate (TIIE), and iii) debt for 750 million of Mexican pesos at 30 years, at a fixed rate of 5.875%. Furthermore, Mexichem acquired two foreign companies: Wavin and Vestolit for the amount of €612 million and €125 million, respectively.

Mexichem designated 6 Peso-Dollar Cross Currency Swaps as cash flow hedge relationships, covering the exchange rate fluctuations to which it is exposed for the revaluation of the debt into Mexican pesos. In June 2015 the Entity renegotiated 4 of the aforementioned swaps, converting them into two Principal Only-Swaps, changing the currency to Dollar-Euro. Consequently, the relationship was converted into a net foreign investment hedge in Euros.

Furthermore, in September 2015 a novation was negotiated for the 2 remaining Peso-Dollar Cross Currency Swaps, leaving 3 Peso-Dollar Cross Currency Swaps.

Additionally, the Entity negotiated 5 Dollar-Euro Principal Only-Swaps, which were also designated as net investment hedge relationships of their subsidiaries abroad in euros.

Mexichem designated these instruments as hedge instruments because the effects generated from the revaluation of their debt into Mexican pesos and the conversion of its foreign investment in Euros to US dollars would be eliminated. Mexichem has evaluated and measured the effectiveness, and concluded that the hedge strategy is highly effective as of December 31, 2015, 2014 and 2013. The Entity uses the ratio analysis method, based on the hypothetical derivative model to simulate the behavior of the element hedged. Such method consists of comparing the changes in the fair value of the hedge instruments with the changes in the fair value of the hypothetical derivative that would result in a perfect coverage of the element hedged.

As of December 31, 2015, 2014 and 2013, the fair value of the currency swaps represents a liability of $68 million, $62 million and $75 million, respectively. The effect recognized in equity for the hedge of the investment in the foreign subsidiaries is $98 million, $47 million and $49 million, with a deferred income tax effect of $29 million, $13 million and $15 million, respectively. With regard to the portion covering the debt in Mexican pesos, the effect of the change in fair value is $27 million, $43 million and $18 million, respectively, and is recognized in results of the period to cover the revaluation of the hedged item. The amount to be carried to results of the period during the next 12 months will depend on the behavior in the exchange rates.

12. Fair value of financial instruments

The fair value of financial instruments presented below has been determined by the Entity using information available in the markets or other valuation techniques that use assumptions that are based on market conditions existing at each consolidated statement of financial position date, but require judgment with respect to their development and interpretation. As a result, the estimated amounts presented below are not necessarily indicative of the amounts that the Entity could obtain in a current market exchange. The use of different assumptions and/or estimation methods could have a material effect on the estimated amounts of fair value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
-
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
-
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Entity considers that the carrying amount of cash, cash equivalents, accounts receivable and accounts payable from third parties and related parties, the current portion of bank loans approximate their fair values because they have short-term maturities. The Entity's long-term debt is recorded at amortized cost and incurs interest at fixed and variable rates that are related to market indicators.

To obtain and disclose the fair value of long-term debt, the Entity uses quoted market prices or inputs or quoted prices on similar instruments. Other techniques are used to determine the fair value of other financial instruments such as cash flow projections, considering the dates of the cash flows in market curves, discounting such cash flows using discount rates that reflect the credit risk of the counterparty as well as the Entity's own credit risk over the referenced period. The fair value of interest rate swaps is calculated as the present value of estimated future net cash flows. The fair value of currency futures is determined using the exchange rate futures quotes listed at the date of the consolidated statement of financial position.

a. Fair value of the Entity's financial assets and liabilities which are measured at fair value on a recurring basis.

Some of the Entity's financial assets and liabilities are valued at fair value at the close of each year. The following table provides information on how the fair values of the financial assets and liabilities are determined (specifically, the valuation techniques and the entry data used).

Financial Assets/ liabilities	31/12/15	Fair value 31/12/14	31/12/15	Fair value hierarchy	Principal valuation techniques and entry data
1) Fixed interest rate swap (see Note 13)	- $	Liabilities (3,354) $	Assets (7,762)	Level 2	Discounted cash flow. The future cash flows are estimated on the basis of forward interest rates (based on observable yield curves at the end of the reporting period) and contractual interest rates, discounted at a rate which reflects the credit risk of various counterparties.
2) Exchange rate and interest rate Swap (see Note 13)	Liabilities $ (60,341) $	Liabilities (75,803) $	Liabilities (66,927)	Level 2	The Entity uses the ratio analysis method under the hypothetical derivative market model to simulate the behavior of the hedged element, which consists of comparing changes in the fair value of the hedge instruments with the changes in the fair value of the hypothetical derivative which would result in a perfect coverage of the hedged item.
3) Principal-only swap EUR/USD (see Note 13)	Liabilities $ (8,141) $	Assets $17,392	-	Level 2	The Entity uses the ratio analysis method under the hypothetical derivative model to simulate the behavior of the hedged element, which consists of comparing the changes in the fair value of the hedge instruments with the changes in the fair value of the hypothetical derivative which would result in a perfect coverage of the hedged item.
4) Contracts forward USD to MXN (see Note 13)	- $	Liabilities (10,399)	-	Level 2	Discounted cash flow. Future cash flows are estimated on the basis of the forward exchange rates (based on observable exchange rates of the forward at the end of the reporting period) and the rates of the forward contract, discounted at a rate which reflects the credit risk of several counterparties.
	(68,482)	(72,164)	(74,689)		
Less- current portion	-	(10,399)	-		
Total	$ (68,482) $	(61,765) $	(74,689)		

b. The carrying amounts of financial instruments by category and their related fair values at December 31 are as follows:

	2015		2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Cash and cash equivalents	$ 653,274	$ 653,274	$ 619,525	$ 619,525	$ $1,232,561	$ 1,232,561
Loans and accounts receivable:						
Customers and other current assets	885,921	885,921	1,128,225	1,128,225	1,043,894	1,043,894
Accounts payable	(1,913,132)	(1,913,132)	(1,966,369)	(1,966,369)	(1,682,264)	(1,682,264)
Bank loans and current portion of long-term debt	(2,335,075)	(1,971,958)	(2,428,193)	(1,993,152)	(2,165,207)	(1,883,508)
Total	$ (2,709,012)	$(2,345,895)	$(2,646,812)	$(2,211,771)	$(1,571,016)	$(1,289,317)

As of December 31, 2015, 2014 and 2013, the hierarchy of the fair value of cash and cash equivalents for $653,274, $619,525 and $1,232,561, respectively, is Level 1.

The fair values shown at December 31, 2015, 2014 and 2013 do not differ from carrying values, except bank loans including current portion of the long-term debt, as the values observed in the market are very similar to those recorded as of such date.

During the period, there were no transfers between Level 1 and 2.

13. Derivative financial instruments

a. Exchange rate Swap

During 2015, most of the forwards contracted (Dollar to Mexican pesos) matured, and in September 2015, those which remained in effect as of that date were canceled in advanced. Variances in the fair value were recognized in results of the period to match the revaluation of the item hedged, in the amount of $20,968.

During 2014 forwards were contracted (US dollar to Mexican peso) with Morgan Stanley, BNP Paribas, JPMorgan, HSBC, Bank of America and Deutsche Bank, in effect from February 2014 to October 2015, for a notional amount of $238 million, with approximate monthly maturities of $17 million. The exchange rates agreed ranges from 13.52 to 14.33 Mexican pesos per one U.S. dollar.

In November 2013, forwards (U.S. dollar to Mexican peso) were contracted with Morgan Stanley for an effective term between December 2013 and December 2014 for a notional amount of $65 million, with monthly maturities of $5 million. The exchange rate agreed is $13.4750 Mexican peso for each U.S. dollar. Furthermore, on the same date forwards (US dollar to Mexican peso) were contracted with BNP Paribas from December 2013 to November 2014 for a notional amount of $60 million, with monthly maturities of $5 million. The exchange rate agreed is $13.48 Mexican peso for each U.S. dollar.

Also in November 2013, forwards (U.S. dollar to Mexican peso) were contracted with Morgan Stanley for an effective term between November 2013 and November 2014 for a notional amount of $26 million, with monthly maturities of $500 thousands. The exchange rate agreed is $13.50 Mexican peso for each U.S. dollar; these forwards establish a Knock-out of $12.50 Mexican peso.

The fair value as of December 31, 2014 of the forwards described in this subsection is $10,399. As of December 31, 2013, the fair value was equal to that contracted.

b. Interest rate and exchange rate Swap

Swap contract transactions performed in 2015, 2014 and 2013 represent a hedge from an economic standpoint; for accounting purposes they were classified as for hedging and trading purposes. The fair value as of December 31, 2015, 2014 and 2013 was $68,482, $61,764 and $74,689, respectively. The variations in fair value were recognized in comprehensive income under the headings of interest, exchange gain and loss in the respective period.

The following exchange and interest rates swaps were contracted with different financial institutions, as follows:

				2015						
Derivatives	Financial institution	Starting date	Ending date		Notional amount		Amount Swap /Forward	Interest rate paid/ Exchange rate agreed	Interest rate / Exchange rate at the close	Fair value at December 2015
Fixed interest rate swap	Morgan Stanley	09/october/2013	05/March/2021	MXN$	750,000,000	EUR$	56,775,170	3.88% / 13.2100	4.142% / 17.2065	$ (15,576)
Fixed interest rate swap	Bancomer	10/September/2015	05/March/2021	MXN$	750,000,000	USD$	56,775,170	4.18% / 13.2100	4.142% / 17.2065	(16,119)
Fixed interest rate swap	HSBC	23/January/2014	05/March/2021	MXN$	1,500,000,000	USD$	112,612,613	3.57% / 13.3200	4.142% / 17.2065	(28,833)
Exchange rate and interest rate Swap	Morgan Stanley	10/June/2015	17/March/2022	USD$	96,993,210	EUR$	100,279,164	1.6006% / 0.9672	17.2065	(13,102)
Exchange rate and interest rate Swap	Santander	11/June/2015	17/March/2022	USD$	97,402,597	EUR$	101,050,000	1.7200% / 0.9639	17.2065	(11,420)
Exchange rate and interest rate Swap	HSBC	17/September/2014	17/September/2024	USD$	132,000,000	EUR$	104,761,905	1.4350% / 1.2600	17.2065	15,310
Exchange rate and interest rate Swap	Bancomer	05/May/2015	18/March/2025	USD$	228,316,800	EUR$	204,000,000	1.7087% / 1.1192	17.2065	8,873
Exchange rate and interest rate Swap	Banamex	03/December/2015	17/March/2025	USD$	121,011,000	EUR$	114,000,000	1.7500% / 1.0615	17.2065	(3,790)
Exchange rate and interest rate Swap	Barclays	03/December/2015	17/March/2025	USD$	121,011,000	EUR$	114,000,000	1.5500% / 1.0615	17.2065	(4,012)
Swap de tipo de cambio y tasa de interés	Bank of Tokyo	30/October/2015	30/April/2018	USD$	126,159,280	EUR$	115,700,000	4.1775% / 1.0904	0.67%/17.2065	187
										$ (68,482)

				2014						
Derivatives	Financial institution	Starting date	Ending date		Notional amount		Amount Swap /Forward	Interest rate paid/ Exchange rate agreed	Interest rate / Exchange rate at the close	Fair value at December 2014
Fixed interest rate swap	Rabo Bank, ABN Amro y BNP	July 10, 2008	October 19, 2015	EUR$	50,000,000		-	4.55%	0.24%	$ (542)
Fixed interest rate swap	Danske Bank	September 14, 2010	October 16, 2015	EUR$	25,000,000		-	2.29%	0.33%	(607)
Fixed interest rate swap	ABN Amro	November 18, 2010	October 16, 2015	GBP$	20,000,000		-	3.08%	0.67%	(2,205)
Exchange rate and interest rate Swap	Santander	April 1, 2013	March 9, 2022	MXN$	1,500,000,000	EUR$	90’525,045	5.10% / 16.5700	8.12% / 17.9059	(23,817)
Exchange rate and interest rate Swap	Morgan Stanley	April 8, 2013	March 9, 2022	MXN$	500,000,000	EUR$	29’976,019	4.98% / 16.6800	8.12% / 17.9059	(7,580)
Exchange rate and interest rate Swap	Morgan Stanley	April 24, 2013	March 9, 2022	MXN$	500,000,000	EUR$	31,446,541	4.38% / 15.9000	8.12% / 17.9059	(8,290)
Exchange rate and interest rate Swap	Morgan Stanley	May 24 2013	March 9, 2022	MXN$	500,000,000	EUR$	30,879,447	4.55% / 16.1920	8.12% / 17.9059	(7,861)
Exchange rate and interest rate Swap	Morgan Stanley	October 9, 2013	March 5, 2021	MXN$	1,500,000,000	USD$	113,550,340	3.88% / 13.2100	4.123% / 14.7180	(15,331)
Exchange rate and interest rate Swap	HSBC	January 23, 2014	March 5, 2021	MXN$	1,500,000,000	USD$	112,612,613	3.57% / 13.3200	4.123% / 14.7180	(12,924)
Principal-only swap EUR/USD	Banamex	September 17, 2014	September 17, 2024	USD$	210,000,000	EUR$	166.666,667	1.5300% / 1.2600	14.718	5,390
Principal-only swap EUR/USD	Bancomer	September 17, 2014	September 17, 2024	USD$	200,000,000	EUR$	158,730,159	1.5480% / 1.2600	14.718	6,050
Principal-only swap EUR/USD	Deutsche Bank	September 17, 2014	September 17, 2024	USD$	110,000,000	EUR$	87,301,587	1.4880% / 1.2600	14.718	1,223
Principal-only swap EUR/USD	Deutsche Bank	September 17, 2014	September 17, 2024	USD$	66,000,000	EUR$	52,380,952	1.4880% / 1.2600	14.718	2,038
Principal-only swap EUR/USD	HSBC	September 17, 2014	September 17, 2024	USD$	132,000,000	EUR$	104,761,905	1.4350% / 1.2600	14.718	2,691
Forward USD to MXN	BNP PARIBAS	February 14, 2014	January 15, 2015	USD$	24,000,000	MXN$	324,012,000	13.5005	14.718	(168)
Forward USD to MXN	JP Morgan	February 21, 2014	January 21, 2015	USD$	18,000,000	MXN$	243,045,000	13.5025	14.718	(127)
Forward USD to MXN	Morgan Stanley	June 11, 2014	July 31, 2015	USD$	51,000,000	MXN$	689,520,000	13.5200	14.718	(14)
Forward USD to MXN	JP Morgan	August 26, 2014	December 30, 2014	USD$	10,000,000	MXN$	134,000,000	13.4000	14.718	-
Forward USD to MXN	JP Morgan	December 30, 2014	November 30, /2015	USD$	26,730,000	MXN$	369,542,250	13.8250	14.718	(1,925)
Forward USD to MXN	Morgan Stanley	August 26, 2014	December 29, 2014	USD$	15,000,000	MXN$	201,000,000	13.4000	14.718	-
Forward USD to MXN	Morgan Stanley	December 29, 2014	December 29, 2015	USD$	33,999,996	MXN$	467,839,945	13.7600	14.718	(2,691)
Forward USD to MXN	HSBC	August 26, 2014	July 30, 2015	USD$	14,400,000	MXN$	193,680,000	13.4500	14.718	(792)
Forward USD to MXN	JP Morgan	November 21, 2014	October 22, 2015	USD$	14,400,000	MXN$	197,589,600	13.7215	14.718	(931)
Forward USD to MXN	Bank of America	November 21, 2014	October 22, 2015	USD$	31,200,000	MXN$	428,376,000	13.7300	14.718	(2,047)
Forward USD to MXN	BNP Paribas	November 21, 2014	October 22, 2015	USD$	14,400,000	MXN$	197,727,840	13.7311	14.718	(921)
Forward USD to MXN	Deutsche Bank	November 28,2014	October 30, 2015	USD$	12,000,000	MXN$	164,760,000	13.7300	14.718	(783)
										$ (72,164)

				2013						
Derivatives	Financial institution	Starting date	Ending date		Notional amount		Amount Swap /Forward	Interest rate paid/ Exchange rate agreed|	Interest rate / Exchange rate at the close	Fair value at December 2013
Fixed interest rate swap	Rabo Bank, ABN Amro y BNP	July, 2008	October 19, 2015	EUR$	50,000,000		-	4.55%	0.24%	$ (5,270)
Fixed interest rate swap	Danske Bank	September, 2010	October 16, 2015	EUR$	25,000,000		-	2.29%	0.33%	(1,192)
Fixed interest rate swap	ABN Amro	November, 2010	October 16, 2015	GBP$	20,000,000		-	3.08%	0.67%	(1,300)
Exchange rate and interest rate Swap	Santander	April 1, 2013	March 9, 2022	MXN$	1,500,000,000	EUR	90,525,045	5.10% / 16.5700	8.12% /17.5724	(22,572)
Exchange rate and interest rate Swap	Morgan Stanley	April 8, 2013	March 9, 2022	MXN$	500,000,000	EUR	29,976,019	4.98% / 16.6800	8.12% /17.5724	(7,323)
Exchange rate and interest rate Swap	Morgan Stanley	April 24, 2013	March 9, 2022	MXN$	500,000,000	EUR	31,446,541	4.38% / 15.9000	8.12% /17.5724	(7,812)
Exchange rate and interest rate Swap	Morgan Stanley	May 24, 2013	March 9, 2022	MXN$	500,000,000	EUR	30,879,447	4.55% / 16.1920	8.12% /17.5724	(7,430)
Exchange rate and interest rate Swap	Santander	May 29, 2013	September 2, 2016	MXN$	500,000,000	EUR	30,562,347	1.95% / 16.3600	4.39% /17.5724	(3,994)
Exchange rate and interest rate Swap	Banamex	May 29, 2013	September 2, 2016	MXN$	500,000,000	EUR	30,525,030	1.95% / 16.3800	4.39% /17.5724	(3,973)
Exchange rate and interest rate Swap	BBVA Bancomer	May 30, 2013	September 2, 2016	MXN$	500,000,000	EUR	30,068,858	1.95% / 16.6285	4.39% /17.5724	(3,416)
Exchange rate and interest rate Swap	BBVA Bancomer	May 30, 2013	September 2, 2016	MXN$	500,000,000	EUR	29,988,604	1.95% / 16.6730	4.39% /17.5724	(3,301)
Exchange rate and interest rate Swap	Santander	May 30, 2013	September 2, 2016	MXN$	500,000,000	EUR	30,024,260	1.93% / 16.6532	4.39% /17.5724	(3,218)
Exchange rate and interest rate Swap	BBVA Bancomer	September 27, 2013	September 2, 2016	MXN$	500,000,000	EUR	28,088,310	2.25% / 17.8010	4.39% / 17.5724	(887)
Exchange rate and interest rate Swap	BBVA Bancomer	September 27, 2013	September 2, 2016	MXN$	250,000,000	EUR	14,044,944	2.24% / 17.8000	4.39% /17.5724	(439)
Exchange rate and interest rate Swap	Credit Suisse	September 27, 2013	September 2, 2016	MXN$	750,000,000	EUR	42,134,831	2.20% / 17.8000	4.39% /17.5724	(1,254)
Exchange rate and interest rate Swap	HSBC	September 27, 2013	September 2, 2016	MXN$	500,000,000	EUR	28,089,888	2.20% / 17.8000	4.39% /17.5724	(601)
Exchange rate and interest rate Swap	Morgan Stanley	October 9, 2013	March 5, 2021	MXN$	1,500,000,000	USD	113,550,340	3.88% / 13.2100	4.89% /13.3671	(826)
Exchange rate and interest rate Swap	Various	Various	Various		Various		Various	Various	Various	119
										$ (74,689)

14. Property, plant and equipment

	Balances as of December 31, 2014	Additions	Acquisitions through business combinations	Fixed asset sales	Transferred from property, plant and equipment	Impairment effect	Valuation effect	Translation effect	Balances as of December 31, 2015
Investment:									
Land at fair value	$ 383,500	$ 917	$ -	$ (6,386)	$ 24	$ -	$ 54,570	$ (76,884)	$ 355,741
Buildings at fair value	1,051,787	4,410	-	(14,488)	20,129	-	31,659	(81,326)	1,012,171
Machinery and equipment at fair value	4,557,898	53,597	-	(83,721)	226,574	-	256,632	(304,089)	4,706,891
Furniture and fixtures	140,549	3,269	-	(12,595)	4,424	-	3,440	(19,090)	119,997
Vehicles at fair value	46,496	351	-	(4,144)	931	-	59	(598)	43,095
Construction in-progress	614,779	926,453	-	(2,757)	(252,082)	-	-	(13,638)	1,272,755
Total investment	6,795,009	988,997	-	(124,091)	-	-	346,360	(495,625)	7,510,650
Depreciation:									
Buildings	510,234	32,668	-	(7,115)	-	-	15,734	(49,654)	501,867
Machinery and equipment	2,430,162	257,407	-	(46,327)	-	-	227,918	(177,639)	2,691,521
Furniture and fixtures	113,436	7,128	-	(12,223)	-	-	3,539	(15,948)	95,932
Vehicles	14,298	8,065	-	(3,947)	-	-	75	(88)	18,403
Total accumulated depreciation	3,068,130	305,268	-	(69,612)	-	-	247,266	(243,329)	3,307,723
Assets classified as held for sale	3,089	5,413	-	(8,502)	-	-	-	-	-
Net investment	$ 3,729,968	$ 689,142	$ -	$ (62,981)	$ -	$ -	$ 99,094	$ (252,296)	$ 4,202,927

	Balances as of December 31, 2013	Additions	Acquisitions through business combinations	Fixed asset sales	Transferred from property, plant and equipment	Impairment effect	Valuation effect	Translation effect	Balances as of December 31, 2014
Investment:									
Land at fair value	$ 397,070	$ -	$ 8,987	$ (4,687)	$ 2,898	$ (4)	$ 3,601	$ (24,365)	$ 383,500
Buildings at fair value	1,071,567	3,212	42,747	(24,164)	45,170	(1,063)	7,748	(93,430)	1,051,787
Machinery and equipment at fair value	4,223,340	52,548	343,214	(59,115))	251,206	(21)	5,571	(258,845)	4,557,898
Furniture and fixtures	150,568	2,848	1,301	(7,494)	8,044	-	15	(14,733)	140,549
Vehicles at fair value	44,328	74	36	(1,127)	3,863	-	90	(768)	46,496
Construction in-progress	302,595	619,566	17,909	(3,045)	(311,181)	-	-	(11,065)	614.779
Total investment	6,189,468	678,248	414,194	(99,632)	-	(1,088)	17,025	(403,206)	6,795,009
Depreciation:									
Buildings	494,266	37,556	1,080	(20,740)	-	-	4,252	(6,180)	510,234
Machinery and equipment	2,408,801	267,758	21,284	(54,695)	-	-	2,581	(215,567)	2,430,162
Furniture and fixtures	124,678	5,745	-	(7,219)	-	-	8	(9,776)	113,436
Vehicles	12,046	3,068	-	(542)	-	-	66	(340)	14,298
Total accumulated depreciation	3,039,791	314,127	22,364	(83,196)	-	-	6,907	(231,863)	3,068,130
Assets classified as held for sale	3,071	67	-	-	-	-	-	(49)	3,089
Net investment	$ 3,152,748	$ 364,188	$ 391,830	$ (16,436)	$ -	$ (1,088)	$ 10,118	$ (171,392)	$ 3,729,968

		Balances as of December 31, 2012		Additions		Acquisitions through business combinations		Fixed asset sales		Transferred from property, plant and equipment		Impairment effect		Valuation effect		Translation effect		Balances as of December 31, 2013
Investment:																		
Land at fair value	$	320,247	$	2,370	$	12,500	$	(827)	$	5,823	$	-	$	60,187	$	(3,230)	$	397,070
Buildings at fair value		888,324		18,552		46,251		(19,113)		57,666		-		76,223		3,664		1,071,567
Machinery and equipment at fair value		3,572,230		71,615		274,619		(119,501)		309,326		-		120,681		(5,630)		4,223,340
Furniture and fixtures		148,199		2,824		159		(10,014)		19,429		-		62		(10,091)		150,568
Vehicles at fair value		34,738		1,799		94		(1,034)		2,216		-		8,318		(1,803)		44,328
Construction in-progress		306,684		408,256		335		(235)		(394,460)		-		(1,811)		(16,174)		302,595
Total investment		5,270,422		505,416		333,958		(150,724)		-		-		263,660		(33,264)		6,189,468
Depreciation:																		
Buildings		447,902		31,139		-		(9,686)		-		-		26,907		(1,996)		494,266
Machinery and equipment		2,345,089		202,942		-		(89,279)		-		-		(48,579)		(1,372)		2,408,801
Furniture and fixtures		129,613		6,547		-		(9,066)		-		-		230		(2,646)		124,678
Vehicles		12,666		1,980		-		(917)		-		-		(1,246)		(437)		12,046
Total accumulated depreciation		2,935,270		242,608		-		(108,948)		-		-		(22,688)		(6,451)		3,039,791
Assets classified as held for sale		127,226		-		-		(124,155)		-		-		-		-		3,071
Net investment	$	2,462,378	$	262,808	$	333,958	$	(165,931)	$	-	$	-	$	286,348	$	(26,813)	$	3,152,748

a. Fair value of property, plant and equipment

The fair value of the land was determined at fair market value for continued use: This is the monetary amount which can most probably be obtained from selling a good in a competitive, open market, under all the conditions for a fair sale, between a buyer and seller each of whom are acting prudently and duly informed, and assuming that such amount is not affected by an improper incentive; in this definition there is an implicit completion of the sale on a determined date, the goods are considered installed and for their continued use and will continue operating where they are currently located.

The fair value of property, plant and equipment was determined by using the cost method which reflects the cost of a market participant for the construction of usable goods and of comparable age, adjusted for obsolescence.

There were no changes in the valuation technique during the year.

The hierarchy of the fair value of property, plant and equipment as of December 31, 2015, 2014 and 2013 is Level 2.

15. Intangible assets and goodwill

a. Intangible assets -

	Useful life		2015		2014		2013
Non - compete agreements	5	$	2,921	$	16,269	$	36,100
Customer portfolio	25		681,760		780,121		661,686
Use of trademark	Indefinite/definitive		411,889		432,688		329,899
Intellectual property	10		119,574		137,691		129,408
Other intangibles	5		32,996		41,195		51,093
		$	1,249,140	$	1,407,964	$	1,208,186

Cost		Non – compete agreement		Customer portfolio		Use of trademarks		Intellectual property		Other intangibles		Total
Balances as of December 31, 2012	$	182,000	$	644,092	$	$ 341,490	$	133,800	$	90,307	$	1,391,689
Acquisitions through business combinations		-		75,200		3,200		27,100		-		105,500
New developments and investments		-		-		-		-		11,323		11,323
Effect of foreign currency exchange differences		-		25,593		368		-		1,037		26,998
Balances as of December 31, 2013		182,000		744,885		345,058		160,900		102,667		1,535,510
Acquisitions through business combinations		770		185,255		123,138		16,902		1,475		327,540
New developments and investments		-		-		-		-		7,358		7,358
Effect of foreign currency exchange differences		-		(27,025)		(19,282)		-		(5,928)		(52,235)
Balances as of December 31, 2014		182,770		903,115		448,914		177,802		105,572		1,818,173
Acquisitions through business combinations		-		-		-		-		-		-
New developments and investments		-		-		-		1,586		7,352		8,938
Effect of foreign currency exchange differences		-		(69,344)		(19,732)		(7,311)		(10,324)		(106,711)
Balances as of December 31, 2015 (cost)	$	182,770	$	833,771	$	429,182	$	172,077	$	102,600	$	1,720,400

Amortization		Non – compete agreement		Customer portfolio		Use of trademarks		Intellectual property		Other intangibles		Total
Balances as of December 31, 2012	$	125,501	$	48,144	$	14,537	$	23,644	$	34,564	$	246,390
Amortization		20,399		35,055		622		7,848		17,010		80,934
Balances as of December 31, 2013		145,900		83,199		15,159		31,492		51,574		327,324
Amortization		20,601		39,795		1,067		8,619		12,803		82,885
Balances as of December 31, 2014		166,501		122,994		16,226		40,111		64,377		410,209
Amortization		13,348		29,017		1,067		12,392		5,227		61,051
Balances as of December 31, 2015 (amortization)	$	179,849	$	152,011	$	17,293	$	52,503	$	69,604	$	471,260
Net assets at December 31, 2015	$	2,921	$	681,760	$	411,889	$	119,574	$	32,996	$	1,249,140

b. Goodwill –

		2015		2014		2013
Dura-Line Holdings, Inc.	$	166,356	$	166,356	$	-
Mexichem Resinas Vinílicas, S.A. de C.V.		101,176		101,176		101,176
Mexichem Amanco Holding, S.A. de C.V.		93,334		112,506		131,780
Mexichem Speciality Resins, Inc.		65,546		65,546		64,687
Mexichem Resinas Colombia, S.A.S.		54,593		54,593		54,593
Alphagary Corporation		52,805		52,805		52,805
Fluorita de México, S.A. de C.V.		45,682		45,682		45,682
Wavin N.V.		26,867		32,417		33,852
VESTO PVC Holding GmbH		28,216		34,326		-
Others		43,582		57,813		51,938
Total	$	678,157	$	723,220	$	536,513
Balance at the beginning of the year	$	723,220	$	536,513	$	479,541
Additional recognized amounts of business combinations which occurred during the year (Note 6d)		-		200,682		64,687
Effect of differences in foreign currency exchange rates		(45,063)		(13,975)		(7,715)
Balance at the end of the year	$	678,157	$	723,220	$	536,513

16. Bank loans and long-term debt

At the end are integrated as follows:

	2015	2014	2013
Summary of agreements of loans in U.S. dollars, euros, yen and rupees:			
Issuance of an International Bond for the amount of $750 million, which accrues semiannual interest at the fixed 5.875% rate. Principal will be settled through a single payment at maturity on September 17, 2044.	$ 750,000	$ 750,000	$ -
Issuance of an International Bond for the amount of $750 million, which accrues semiannual interest at the fixed 4.875% rate. Principal will be settled through a single payment at maturity on September 19, 2022.	750,000	750,000	750,000
Issuance of an International Bond for the amount of $400 million, which accrues semiannual interest at the fixed 6.75% rate. Principal will be settled through a single payment at maturity on September 19, 2042.	400,000	400,000	400,000
Syndicated Loan for the amount of 200 million euros, which accrues quarterly interest at the Euribor/Libor/Wibor /Pribor rate plus a maximum of 4.0% and a minimum of 1.65%. Principal was repaid early in December 2014.	-	-	38,908
Issuance of $350 million bond that bears semi-annual interest at a fixed 8.75% rate. Principal is repaid in one installment at maturity on November 6, 2019; in September 2012, the amount of $267.1 million was prepaid.	82,882	82,882	82,882
BBVA Houston Unsecured loans documented with promissory notes of $78 million, which bear monthly interest at a rate of Libor plus 2.60 %. Principal is repaid quarterly with maturity in December 2014.	-	-	19,500
Mizuho Corporate Bank Unsecured loan documented with a promissory note of 2,700 billion yen that bear quarterly interest at a fixed rate of 2.17%. It was restructured on March 31, 2015 with three semiannual payments of the balance at that date by 1,620 million yen from June 31, 2016. Maturity is on June 30, 2017.	13,440	13,556	25,668

	2015	2014	2013
Overdraft line for 30.2 million euros, which accrues interest at the 11.57% rate.	7,485	15,907	1,626
Citibank Revolving credit for 767.7 million Rupees, earning interest at a rate of 10.25% to 10.75%. Maturity was October 15, 2015	-	12,052	-
Others	8,077	11,087	6,740
Loans in Mexican pesos:			
Securitization certificates of 4,500 million of Mexican pesos that bear monthly interest at the TIIE rate plus 0.60% basis points. Principal was repaid early in a single payment on September 23, 2014.	-	-	344,129
Securitization certificate for 3,000 million of Mexican pesos bearing interest each semester at a fixed rate of 8.12%. Principal on these loans is settled on March 9, 2022 in a single payment.	174,353	203,832	229,419
HSBC Unsecured loans of 2,500 million of Mexican pesos documented with promissory notes, which bear quarterly interest at the TIIE rate plus 1.50 %. On May 29, 2015, it was restructured per an amount of 243.1 million Mexican pesos documented with promissory note bearing quarterly interest at the TIIE rate plus 1.25%. Principal is amortized quarterly from July 29, 2015, maturing on April 29, 2017.	10,594	22,530	52,443
Bancomext Loan for 3,069 million of Mexican pesos which bear interest at the TIIE rate plus 0.825%. Principal is amortized each semester from March 5, 2016, due in February 2021.	174,353	203.832	234,730
Bancomext Unsecured loan for 69.4 million of Mexican pesos, earning monthly interest at 0.71% above the TIIE rate, Principal is repaid semiannually as of March 5, 2016, maturing in August 2021.	4,036	4,718	-
	2,375,220	2,470,396	2,186,045
Less: Current portion of bank loans and current portion of long-term debt	(43,653)	(61,736)	(62,121)
Less: Debt issuance costs	(40,145)	(42,203)	(20,838)
	$ 2,291,422	$ 2,366,457	$ 2,103,086

Long-term debt matures as follows as of December 31, 2015:

Payable during-		
2017	$	46,723
2018		37,783
2019		119,191
2020		35,678
2021		17,839
2022 and thereafter		2,034,208
	$	2,291,422

As of December 31, 2015 some of the credits establish specific covenants, which have been fulfilled and are calculated on consolidated figures of Mexichem and on consolidated figures of Wavin, the most important of which are as follows:

a. Certain restrictions regarding the application of new liens.
b. Maintain a consolidated interest hedge ratio of at least between 3.0 and 1.0.
c. Maintain an index of leverage on the profit before interest, taxes, depreciation and amortization not greater than 3.0 to 1.0.
d. Insure and maintain property, plant and equipment in good working condition.
e. Comply with all applicable laws, rules, regulations and provisions.

17. Obligations from capital leases

a. Lease agreements

The Entity leased some of its manufacturing equipment under the capital lease regime. The term of the lease is an average of five years in 2015, 2014 and 2013. The Entity has options to purchase the equipment for a nominal amount at the end of the lease term. The Entity's obligations derived from capital leases are secured by the title of the lessors to the assets leased.

The interest rates underlying all the obligations as a result of capital lease agreements are fixed in the respective contract, which are on average 5.0% a year in 2015, 2014 and 2013.

b. Financial liabilities from leases

	Minimum lease payments			Present value of minimum lease payments		
	2015	2014	2013	2015	2014	2013
Up to one year	$ 51,263	$ 68,391	$ 51,463	$ 44,053	$ 52,695	$ 41,668
Between 1 and 3 years	116,079	121,339	138,068	105,437	99,839	124,768
Three years or more	12,115	79,867	66,207	11,320	70,246	60,796
	179,457	269,597	255,738	160,810	222,780	227,232
Less future financing charges	18,647	46,817	28,506	-	-	-
Present value of minimum lease payments	$ 160,810	$ 222,780	$ 227,232	$ 160,810	$ 222,780	$ 227,232

	2015	2014	2013
Included in the financial statements as:			
Short-term capital leases	$ 44,053	$ 52,695	$ 41,668
Long-term capital leases	116,757	170,085	185,564
	$ 160,810	$ 222,780	$ 227,232

		Present value of minimum lease payments by item
		2015
Building	$	17,054
Machinery and equipment		140,159
Furniture and fixtures		1,573
Vehicles		2,024
	$	160,810

18. Employee benefits

a. Defined contribution plan

In the Mexican subsidiaries are carried out payments on integrated salary of its employees to the contribution plan defined by concept of statutory retirement savings system.

In some subsidiaries the Entity operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the Entity in funds under the control of trustees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Entity are reduced by the amount of forfeited contributions.

The employees of certain subsidiaries of the Entity are members of a state-managed retirement benefit plan operated by the government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Entity with respect to the retirement benefit plan is to make the specified contributions.

Benefits of defined contribution plans are paid monthly.

b. Defined benefit plans

In certain subsidiaries the Entity sponsors funded defined benefit plans for qualifying employees of its subsidiaries. The defined benefit plans are administered by a separate Fund that is legally separated from the Entity. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

The Entity's Mexican subsidiaries manage a plan that also covers seniority premium, which consists of a one-time payment of 12 days for each year worked based on the last wage, limited to twice the minimum wage established by law. The related liability and the annual cost of benefits are calculated by an independent actuary in accordance with the bases defined in the plans, using the projected unit credit method.

The Entity manages defined contributions plans for employees that qualify in it´s Mexican subsidiaries. According to these plans, the employees are entitled to withdrawal final benefits on reaching the age of retirement that is 65 years old; with 10 or more years of service. There is also the option of early retirement when the sum of years working plus sum employee age 55 years; with 10 or more years of service. No other post-retirement benefits are awarded.

The plans typically expose the Entity to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2015 by independent actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2015	2014	2013
Discount rate(s)	7.50%	7.75%	5.83%
Expected rate(s) of salary increase	4.50%	4.50%	3.10%
Return on plan assets	7.50%	7.50%	7.75%
Average longevity at retirement age for current pensioners (years)			
-Males	21.4	21.1	21.6
-Females	23.6	23.5	24.3
Expected return on plan assets			
Average longevity at retirement age for current employees			
-Males	22.7	22.9	23.1
-Females	25.1	25.3	25.4

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

		2015		2014		2013
Service cost:						
Current service cost	$	6,782	$	13,244	$	17,154
Past service cost and (gain)/loss from settlements		(5,473)		(4,718)		(26,028)
Net interest expense		4,724		3,463		3,845
Components of defined benefit costs recognized in profit or loss	$	6,033	$	11,989	$	(5,029)
Remeasurement on the net defined benefit liability:						
Return on plan assets (excluding amounts included in net interest expense)	$	3,309	$	(65,676)	$	7,988
Actuarial (gains) and losses arising from changes in demographic assumptions		(38,844)		119,784		(4,655)
Actuarial (gains) and losses arising from changes in financial assumptions		(4,732))		4,059		(467)
Actuarial (gains) and losses arising from experience adjustments		(230)		(223)		-
Components of defined benefit costs recognized in other comprehensive income		(40,497)		57,944		2,866
Total	$	(34,464)	$	69,933	$	(2,163)

In 2015, Wavin Netherlands adjusted the values of its provision as a result of the change from a defined benefits plan to a defined contribution collective plan, generating a net reduction in the labor liability of $38.7 million, which mainly affected other comprehensive results. During 2015, 2014 and 2013 the costs of past services and (gains)/losses for settlements include the early reduction of obligations due to restructuring and amendments to the pension plans for $(5,473), $(4,718) and $(24,753), respectively, in the operations of Vestolit and Wavin UK in 2015, Wavin Netherlands in 2014 and in Wavin UK, Ireland and Netherlands in 2013.

The current service and financial cost net of the year are included in benefits spending to employees in the consolidated statement of profit or loss and other comprehensive income, both in selling and development expenses as in administrative expenses.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Entity's obligation in respect of its defined benefit plans is as follows:

		2015		2014		2013
Present value of funded defined benefit obligation	$	(448,784)	$	(931,822)	$	(777,808)
Fair value of plan assets		293,812		710,289		697,612
Net liability arising from defined benefit obligation	$	(154,972))	$	(221,533)	$	(80,196)

Movements in the present value of the defined benefit obligation in the current year were as follows:

		2015		2014		2013
Opening defined benefit obligation	$	931,822	$	777,808	$	775,856
Current service cost		6,782		13,244		17,154
Interest cost		19,843		29,636		29,782
Remeasurement (gains)/losses:						
Actuarial (gains) and losses arising from changes in financial assumptions		(8,014)		120,047		(18,995)
Actuarial (gains) and losses arising from changes in financial assumptions		(521)		1,545		-
(Gains) / losses actuarial arising from past adjustments		(4,384)		2,311		(467)
Past service cost, including losses/(gains) on curtailments		(5,473)		(4,718)		(26,028)
Liabilities assumed in a business combination		-		91,256		274
Exchange differences on foreign plans		(79,185)		(74,091)		23,864
Benefits paid		(18,469)		(27,531)		(28,314)
Contributions from plan participants		50		2,315		4,682
Movements to a defined contribution plan		(393,667)		-		-
Closing defined benefit obligation	$	448,784	$	931,822	$	777,808

Movements in the fair value of the plan assets in the current year were as follows:

		2015		2014		2013
Opening fair value of plan assets	$	710,289	$	697,612	$	663,938
Interest income		15,117		26,173		25,937
Remeasurement (gains)/losses:						
Return on plan assets (excluding amounts included in net interest expense)		(3,308)		65,676		(7,988)
Contributions from the employer		8,450		13,136		18,392
Contributions from plan participants		50		2,313		4,136
Exchange differences on foreign plans		(59,694)		(66,260)		19,678
Assets acquired in a business combination		-		(22,064)		(24,863)
Benefits paid		(14,730)		(2,981)		(609)
Administrative cost		(1,354)		(3,316)		(1,009)
Movements to a defined contribution plan		(361,010)		-		-
Closing fair value of plan assets	$	293,812	$	710,289	$	697,612

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

		2015		2014		2013
Equity investments	$	127,159	$	299,229	$	292,929
Debt investments		149,947		382,082		374,534
Others		16,706		28,978		30,149
Total	$	293,812	$	710,289	$	697,612

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties and derivatives are not based on quoted market prices in active markets.

As of December 31, 2015, 2014 and 2013, the plan assets include ordinary shares of the Entity with an accumulated fair value of $654, $932 and $1,094 respectively.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 1% higher, the defined benefit obligation would decrease by $1,222 in 2015.

If the expected salary growth increases by 10%, the defined benefit obligation would increase by $1,217 in 2015.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Each year an Asset-Liability-Matching study is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study. Main strategic choices that are formulated in the actuarial and technical policy document of the Fund are:

Asset mix based on 69% equity instruments, 16% debt instruments and 15% cash.

There has been no change in the process used by the Entity to manage its risks from prior periods.

The main categories of plan assets, and the expected return rate in each category at the end of the reporting period, are:

	Expected return			Fair Value of plan assets		
	2015	2014	2013	2015	2014	2013
Equity instruments	4.48%	2.39%	3.10%	$ 127,159	$ 299,229	$ 292,929
Debt instruments	3.52%	5.11%	4.65%	166,653	411,060	404,683
Weighted average expected return	8.00%	7.50%	7.75%	$ 293,812	$ 710,289	$ 697,612

The overall expected rate of return is a weighted average of the expected returns on various categories of plan assets. The evaluation of management on expected returns is based on historical performance trends and analysts' predictions on the market for assets over the life of the related obligation.

The history of experience adjustments made, is as follows:

		2015		2014		2015
Present value of defined benefit obligation	$	448,784	$	931,822	$	777,808
Fair value of plan assets		(293,812)		(710,289)		(697,612)
Deficit	$	154,972	$	221,533	$	80,196
Adjustments based on experience on plan liabilities	$	(4,270)	$	63,275	$	7,520
Adjustments based on experience on plan assets	$	(3,301)	$	(120,509)	$	(16,657)

19. Provisions

		Legal		Restructuring		Guarantees		Other		Total
Balance at December 31, 2012	$	22,403	$	32,925	$	12,850	$	38,164	$	106,342
Debit to results		1,066		18,997		65		11,966		32,094
Applications		(9,221)		(35,003)		(4,031)		(20,354)		(68,609)
Translation effects		(47)		7,102		340		(1,638)		5,757
Balance at December 31, 2013		14,201		24,021		9,224		28,138		75,584
(Credit) debit to results		(179)		(11,823)		-		6,273		(5,729)
Applications		(223)		(358)		-		(4,542)		(5,123)
Translation effects		(1,585)		(2,679)		(1,029)		(2,994)		(8,287)
Balance at December 31, 2014		12,214		9,161		8,195		26,875		56,445
(Credit) debit to results		4,291		12,439		336		(5,707)		11,359
Applications		(3,390)		(9,446)		(2,582)		(1,340)		(16,758)
Translation effects		(3,159)		(721)		(735)		(2,278)		(6,893)
Balance at December 31, 2015	$	9,956	$	11,433	$	5,214	$	17,550	$	44,153
Current	$	260	$	11,318	$	2,442	$	2,976	$	16,996
Non-current		9,696		115		2,772		14,574		27,157
Balance at December 31, 2015	$	9,956	$	11,433	$	5,214	$	17,550	$	44,153

Contingent provisions are generated during the normal course of business and are common in the industry in which these business activities take place. Commercial, tax and labor lawsuits are recorded based on the opinion of the Entity's internal and external attorneys, these contingencies have a risk level of less than probable and higher than remote of resulting in unfavorable verdicts for the Entity. In any case, the Entity considers that these legal proceedings will not have an adverse material effect on its financial position.

Restructuring - Provisions are created based on the plans announced in the Entity to those that will be affected by it. It is expected that they will be created within a term of one to two years as of the date of their dissemination.

Guarantees - A provision is recognized for the products sold on the basis of the claims received and the historical data related to the costs of the warranty. The value of the provision covers a five year period and occurs mainly in the operations of Wavin.

Legal - Legal provisions referred to risks identified in the Entity. The majority of the cash outlays related to legal provisions are expected to occur within one to five years.

Other provisions - The other provisions are generated in the normal course of the business, and are expected to be disbursed within a term of one to five years.

20. Stockholders' equity

a. Paid-in capital

At December 31, 2015, 2014 and 2013, common stock is represented by 2,100,000,000 common, nominative shares with voting rights and at no par value, which have been fully paid-in. Fixed capital is represented by nominative Class I shares without withdrawal rights. Variable capital is represented by nominative Class II shares at no par value which must not exceed 10 times the Entity's minimum fixed capital. At December 31, 2015, 2014 and 2013 the number of shares and amount of common stock are composed as follows:

	Number of shares		Amount
Capital suscribed-			
Class I	308,178,735	$	37,598
Class II	1,791,821,265		218,884
	2,100,000,000	$	256,482

Basic earnings per share are equal to the diluted earnings per share because the Entity does not have potential shares that may result in the dilution of earnings per share.

b. Buy-back shares program reserve

At the Stockholders' Ordinary General Meeting held on April 30, 2015 it was approved the partial cancellation of the balance of the buyback fund that was not used during the period from April 30, 2014 to April 29, 2015, for $110,725. It was also agreed to increase the reserve for acquisition of the Entity's proprietary shares by the amount of $146,405, to leave a total of $325,000 as the maximum amount of resources that the Entity can use to purchase its proprietary shares or credit instruments representing such shares. Any gain or loss generated is recorded in retained earnings. As of December 31, 2015, 2014 and 2013 the balance of the reserve is $156,219, $126,663 and $56,312, respectively, because as of such dates there are 48,585,778, 37,397,647 and 21,531,908 proprietary shares, respectively.

At the Stockholders' Ordinary General Meeting held on April 29, 2014 it was agreed to increase the reserve for acquisition of the Entity's proprietary shares, by the amount of $141,838, leaving a total of $305,320 as the maximum amount of resources which the Entity can apply for the purchase of proprietary shares or credit instruments represented by such shares. Any gain or loss generated is recorded in retained earnings.

Additionally, at the Stockholders' Ordinary General Meeting held on November 28, 2014 it was approved the partial cancellation of the amount of the reserve for acquisition of the Entity's proprietary shares, in the amount of $16,000, so that at thus date the amount of such reserve was $289,320.

c. Earned capital

At the Stockholders 'Ordinary General and Special Meeting held on November 30, 2015, it was approved the declaration and payment of dividends for the amount of $63.4 million ($1,050 million of Mexican pesos), applied to the retained earnings account and net tax income account (CUFIN) generated prior to December 31, 2013, equivalent to $0.50 Mexican pesos per share; such dividend will be paid in four settlements during 2016.

At the Stockholders' Ordinary General Meeting held on April 29, 2014 it was agreed to make a transfer of accumulated income for the amount of $233,549 to the share issuance premium.

At the Stockholders' Ordinary and Special Meeting held on November 28, 2014 it was approved the declaration and payment of dividends for the amount of US$76.5 million ($1,050 million of Mexican pesos), applied to the retained earnings account and net tax income account (CUFIN) generated prior to December 31, 2013, equivalent to $0.50 Mexican pesos per share. Such dividend was paid in four payments during 2015.

At the Stockholders' Common General Meeting of November 11, 2013 it was resolved to declare and pay a dividend of $79.6 million (1,050 million of Mexican pesos) applied to the retained earnings account and net tax income account (CUFIN), equivalent to $0.50 Mexican pesos per share. Such dividend was paid in the same year.

Stockholders' equity, except for restated paid-in capital and tax retained earnings will be subject to income tax payable by the Entity at the rate in effect upon distribution.

Any tax paid on such distribution may be credited against annual and estimated income tax of the year in which the tax on dividends is paid and the following two fiscal years.

Retained earnings include the statutory legal reserve. In Mexico, the 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. At December 31, 2015, 2014 and 2013, the legal reserve was $51,928, $51,928 and $38,945, respectively.

The balances of the stockholders' equity tax accounts as of December 31, are:

		2015		2014		2013
Contributed capital account	$	1,502,129	$	1,719,503	$	1,751,496
Net Tax Income Account (CUFIN)		413,249		488,405		1,199,192

The decrease in the CUFIN, is mainly due to the elimination of the tax consolidation regime which was approved by the National Congress on October 31, 2013, and went into effect on January 1, 2014, because the consolidated CUFIN was eliminated, and replaced with the individual CUFIN of Mexichem, S.A.B. de C.V.

21. Balances and transactions with related parties

a. Balances due from and payable to related parties are as follows:

		2015		2014		2013
Due from related parties:						
Elementia, S.A. de C.V.	$	212	$	1,568	$	3,082
Pochteca Materias Primas, S.A. de C.V.		964		1,381		2,476
Fenix Fluor Limited		221		548		4,756
Eternit Colombiana, S.A.		178		424		526
Pochteca Brasil, Ltda.		-		-		190
Controladora GEK, S.A. de C.V.		-		109		32
Others		2		28		106
	$	1,577	$	4,058	$	11,168
Due to related parties:						
Kaluz, S.A. de C.V.	$	26,355	$	32,089	$	1,361
Fundación Kaluz, A.C.		-		-		152
Others		395		457		97
	$	26,750	$	32,546	$	1,610

b. The Entity carried out the following transactions with related parties:

		2015		2014		2013
Revenues from -						
Sales	$	7,640	$	8,364	$	8,706
Administrative services		1,610		1,667		2,681
Interest		-		1,760		1,421
	$	9,250	$	11,791	$	12,808
Expenses from -						
Administrative services	$	14,724	$	16,237	$	16,230
Donations		1,364		1,810		1,793
Purchases		1,270		813		1,297
Others		582		1,019		727
	$	17,940	$	19,879	$	20,047

c. The compensation paid to management and other key members of management during the year was as follows:

		2015		2014		2013
Short-term benefits	$	6,080	$	5,654	$	4,869
Postretirement benefits		583		463		529
Terminated benefits		337		1,100		112
	$	7,000	$	7,217	$	5,510

22. Cost of sales and operating expenses

a. Cost of sales

		2015		2014		2013
Changes in inventories of finished goods and work in progress and raw materials and consumables used	$	3,869,176	$	3,856,772	$	3,382,899
Depreciation		287,106		296,805		224,744
	$	4,156,282	$	4,153,577	$	3,607,643

b. Selling and development expenses:

		2015		2014		2013
Salaries, wages and other benefits	$	183,849	$	191,894	$	190,076
Freight paid		314,334		281,626		276,382
Repair and maintenance		3,919		4,759		4,049
External services		31,706		23,614		22,390
Lease		17,379		21,098		20,806
Advertising and marketing		25,263		28,813		29,961
Commissions on sales		21,619		19,946		20,632
Taxes and duties		1,229		1,391		2,152
Insurance		3,174		2,748		2,958
Telephony		244		172		-
Packaging materials		3,236		2,226		2,094
Allowance for doubtful accounts		8,355		7,374		15,728
Others		59,424		56,568		56,700
Depreciation		16,770		15,303		13,643
Amortization		16,587		18,169		18,047
	$	707,088	$	675,701	$	675,618

c. Administrative expenses:

		2015		2014		2013
Salaries, wages and other benefits	$	151,367	$	134,477	$	133,425
External services		44,592		48,087		49,559
Taxes and duties		9,223		13,108		8,710
Telephone		2,787		3,068		3,625
Repair and maintenance		14,279		14,985		14,786
Insurance		7,394		7,448		4,902
Lease		9,437		10,308		12,043
Administrative services affiliates		12,033		14,569		16,230
Depreciation		17,240		15,729		14,028
Amortization		58,753		64,355		63,926
Others		29,232		21,286		17,152
	$	356,337	$	347,420	$	338,386

d. Other income

		2015		2014		2013
Expenses:						
Expenses related to acquisitions	$	-	$	5,307	$	3,809
Loss on items hedged with forwards		20,968		-		-
Donations to affiliates		3,081		1,810		1,793
		24,049		7,117		5,602
Income:						
Cancellation environmental contingency reserve	$	-	$	-	$	(16,995)
Anticipated reduction of labor obligations		(6,582)		(4,718)		(24,753)
Recovery of expenses and claims		(10,327)		(10,131)		(6,575)
Gain on insurance claim		(6,933)		-		(520)
Gain on sale of fixed assets		(2,990)		(1,302)		(1,371)
Gain on sale of waste materials		(2,372)		(3,547)		(1,493)
Severance by arbitration		-		(16,775)		-
Extraordinary income		(6,417)		(6,290)		-
Others		(8,683)		(1,982)		(5,887)
		(44,304)		(44,745)		(57,594)
Other income expenses	$	(20,255)	$	(37,628)	$	(51,992)

23. Income taxes

In Mexico, the Entity is subject to ISR. ISR is based on taxable income, which differs from profit or loss reported in the consolidated statements of profit or loss and other comprehensive income due to items of income or expense that are taxable or deductible in years other than the current year as well as for items that are never taxable or deductible. The Entity's liability for current income tax payable using the tax rates enacted or substantially enacted at the end of the reporting period in the countries in which the Entity and its subsidiaries operate.

The rate in Mexico is 30%. Mexichem incurred income tax on a consolidated basis with its Mexican subsidiaries beginning 1982. As of the year 2014 the consolidation scheme was eliminated and Mexichem exercised the option to pay consolidated income tax on an installment basis. The amount to be paid in five years is $798 million of Mexican pesos ($61 million); as of December 31, 2015, the remaining amount is $428 million of Mexican pesos ($25 million).

At the same time when the 2014 Law repealed the tax consolidation regime, an option was established to calculate ISR collectively in groups of companies (tax integration regime). The new regime enables integrated companies which are more than 80% owned directly or indirectly by an integrating company, to have certain benefits in the payment of the tax (when there are entities in the group of companies with profits or losses in the same year), which they may defer for three years and pay, on a restated basis, at the due date of the return for the year following that in which the aforementioned term ends.

The Entity and its subsidiaries opted to join the new scheme, so determined income tax for the years 2015 and 2014 as described above.

a. ISR

The income tax rates applicable in 2014 in the countries where the Entity operates are as follows:

	%		%
Argentina	35	Japan	36
Austria	25	Latvia	15
Belgium	33	Lithuania	15
Brazil	34	Mexico	30
Bulgaria	10	Netherlands	25
Canada	27	Nicaragua	30
China	25	Norway	27
Colombia	39	Oman	12
Costa Rica	30	Panama	25
Croatia	20	Peru	28
Czech Republic	19	Poland	19
Denmark	24	Romania	16
Ecuador	22	Russia	20
El Salvador	30	Serbia Republic	15
Estonia	20	Slovakia	22
Finland	20	South Africa	28
France	33	Sweden	22
Germany	34	Switzerland	24
Guatemala	25	Taiwan	17
Honduras	25	Turkey	20
Hungary	19	U.K.	20
India	34	Ukraine	18
Ireland	13	U.S.A.	42
Italy	28	Venezuela	34

b. Deferred taxes

At December 31, the main items comprising the (asset) liability balance of deferred income tax are as follows:

	2015	2014	2013
Property, plant and equipment	$ 472,302	$ 450,786	$ 436,666
Inventories	765	2,817	2,454
Accrued liabilities which will be deductible when paid	(16,953)	(29,716)	(35,128)
Tax loss carry forwards, net of reserves	(204,216)	(189,375)	(117,888)
Employee profit sharing	(396)	(1,818)	(1,115)
Intangible assets	95,161	125,976	166,503
Others	(57,522)	(46,103)	(64,936)
	289,141	312,567	386,556
Deferred tax asset	186,989	169,122	125,357
Deferred tax liability	$ 476,130	$ 481,689	$ 511,913

c. A reconciliation of beginning and ending amount of the net deferred tax liability is as follows:

	2015	2014	2013
Beginning balance	$ 312,567	$ 386,556	$ 362,535
Income tax provision applied to results	(52,468)	(69,623)	5,340
Effect of assets and liabilities of acquired companies	-	39,077	-
Effect of foreign currency conversion	(32,040)	(40,862)	15,240
Discontinued operations	-	17	(25,152)
Transfer of tax deferred on consolidation to current tax	-	-	(57,730)
Effect on capital of other comprehensive income entries	61,082	(2,598)	86,323
Ending balance	$ 289,141	$ 312,567	$ 386,556

d. Reconciliation of the legal and effective rates

Taxes on income and the reconciliation of the legal and effective rates expressed in amounts and as a percentage of profit before income taxes are as follows:

	2015	%	2014	%	2013	%
Profit before income taxes	$ 266,722	32.10	$ 154,982	27.34	$ 399,911	39.20
Permanent items that modified the tax base:						
Accruable (deductible) annual adjustment for inflation	35,433	4.08	11,686	3.40	(3,391)	(0.23)
Non-accruable income	(16,888)	(1.94)	(24,511)	(7.13)	(28,596)	(1.98)
Non-deductible items	31,825	3 .66	17,343	5.04	25,815	1.79
Reserve (recognition) of tax losses	13,321	1.53	28,891	8.40	73,085	5.06
Effect of changes in tax rate	857	0.09	14,770	4.30	41,735	2.89
Mining tax and others	2,330	0.26	3,791	1.10	11,850	0.82
Fixed asset and other tax incentives	(22,196)	(2.55)	(7,494)	(2.18)	14,356	0.99
Foreign exchange tax and translation effect, net	(30,855)	(3.55)	(64,166)	(18.66)	(10,041)	(0.70)
Others	(1,339)	(0.15)	1,260	0.37	(635)	(0.04)
Total permanent items	12,488	1.43	(18,430)	(5.36)	124,178	8.60
Base profit for income taxes	$ 279,210	30.67	$ 136,552	32.70	$ 524,089	30.60

	2015	2014	2013
Current income tax	$ 138,095	$ 111,993	$ 151,445
Deferred income tax	(52,468)	(69,623)	5,340
Total tax	$ 85,627	$ 42,370	$ 156,785
Effective rate	32.10%	27.34%	39.20%
Average legal rate	30.67%	32.70%	30.60%

The benefits of tax loss carry forwards, restated for inflation as permitted by tax law in certain countries, for which the deferred income tax asset has been partially recognized, may be recovered subject to certain requirements. The years of expiration of the tax losses and recoverable asset tax of the individual entities and their restated amounts as of December 31, 2015 are as follows:

Year of expiration	Tax loss carry forwards
2018	$ 6,564
2019	627
2021	101,327
2022	16,907
2023	45,365
2024	179,951
Without expiration	641,440
	$ 992,181

24. Discontinued operations

During 2015, Mexichem decided to close its Hydrofluoric Acid (HF) operation in the UK, and discontinue its participation in the company Fenix Fluor Limited, which produces chlorodifluormethane. In the last few years, the (HF) market has faced major challenges due to the drop in its prices, mainly in Europe, as a result of excess demand, and imports from China as well as the closure of operations of its main customers, which meant that the Mexichem HF plant in Rocksavage was no longer competitive.

a. Disposal plan for the HF plant and its participation in the company Fenix Fluor Limited

The Entity is in the process of selling its HF business and its participation in the subsidiary Fenix Fluor Limited, and currently has two nonbinding offers on the table. Additionally, it is seeking other bidders with the intention of accepting the best possible offer.

b. Analysis of profits for the year from discontinued operations

The combined results of the discontinued operations included in the statement of income and other items of comprehensive income are detailed below. The comparative profits and cash flows derived from the discontinued operations have been presented again to include the operations classified as discontinued in the current period.

	2015	2014	2013
Result for the year from discontinued operations			
Sales	$ 14,906	$ 36,088	$ 57,073
Expenses	(68,119)	(33,149)	(248,489)
Financig income, Net	738	142	138
Profit before income taxes	(52,475)	3,081	(191,278)
Income (expense) attributable to income taxes	2,491	(1,080)	31,207
Profit for the year from continuing operations (Attributable to owners of the parent)	$ (49,984)	$ 2,001	$ (160,071)

Below is a summary of the financial information related to discontinued operations:

	At December 2015	At December 2014	At December 2013
Sales	$ 14,906	$ 36,088	$ 57,073
Costs of sales	(10,220)	(39,203)	(100,140)
Other income (expenses)	-	6,450	-
Severance by arbitration	(57,899)	(396)	(148,349)
Financial (costs) income	738	142	138
Income tax	2,491	(1,080)	31,207
Net loss from discontinued operations	$ (49,984)	$ 2,001	$ (160,071)

25. Commitments

As of December 31, 2015, the Entity has contractual commitments for operating leases related to machinery and equipment and operating leases for real estate in the amount of $85,789.

Maturities of contractual commitments at December 31, 2015, are as follows:

Years		Amount
2016	$	25,072
2017		16,750
2018		13,318
2019		12,590
2020 and thereafter		18,059
	$	85,789

Operating lease concept		Amount
Building	$	33,319
Machinery and equipment		41,374
Furniture and fixtures		6,531
Vehicles		4,565
	$	85,789

26. Information by industry segment

Segment information is presented according to the business group, which are grouped according to the vertical integration of their raw materials; the Entity's operating decisions are made based on such segmentation for purposes of assigning resources and assessing the performance of each segment.

The Entity's operating segments are composed of the Vinyl, Energy, Fluor and Fluent business group. The Vinyl business group includes the production of chlorine, caustic soda, chlorinated derivatives, mainly used to purify water, and PVC resins and compounds used to manufacture tubes, connectors, and special materials for various industries; the Fluor business group includes the exploitation of fluorite, the production of hydrofluoric acid and cooling gases, which are used in the cement, steel, ceramic, glass, and automotive industries; the Fluent business group includes the production of pipes and fittings of PVC, polyethylene and polypropylene; and geo-synthetic tubes and connectors, which are used to handle and transport fluids, mainly water, in the construction and agricultural sectors. The Energy business group which is expected to start operations in 2018 will produce 530 MW of energy for internal consumption and sale to third parties.

Below is a summary of the most significant line items of the consolidated financial statements for each business group:

	December 31, 2015						
	Vinyl	Energy	Fluor	Fluent	Holding Entity	Eliminations	Consolidated
Net sales	$ 2,139,962	$ 245	$ 607,545	$ 3,122,509	$ 17,955	$ (179,907)	$ 5,708,309
Cost of sales	1,744,416	232	320,760	2,258,943	-	(168,069)	4,156,282
Gross profit	395,546	13	286,785	863,566	17,955	(11,838)	1,552,027
General expenses	236,476	(353)	109,353	617,814	91,718	(11,838)	1,043,170
Other expenses (income) related parties	53,520	-	16,231	12,073	(81,248)	(576)	-
Exchange loss (gain), Net	(17,345)	(39)	(5,028)	4,455	74,403	576	57,022
Interest expense	29,639	5	6,523	89,689	140,176	(53,957)	212,075
Interest income	(1,658)	-	(5,270)	(17,668)	(51,146)	53,957	(21,785)
Monetary position loss	-	-	-	(2,097)	-	-	(2,097)
Income from dividends	-	-	(18)	(629)	(81,032)	81,679	-
Equity in income of associated	486	-	-	(3,566)	-	-	(3,080)
Profit before income taxes	94,428	400	164,994	163,495	(74,916)	(81,679)	266,722
Income taxes	55,302	-	58,155	42,003	(69,833)	-	85,627
Profit for the year from continuing operations	39,126	400	106,839	121,492	(5,083)	(81,679)	181,095
Discontinued operations	-	-	(48,869)	(1,115)	-	-	(49,984)
Consolidated profit (loss) of the year	$ 39,126	$ 400	$ 57,970	$ 120,377	$ (5,083)	$ (81,679)	$ 131,111

	December 31, 2014					
	Vinyl	Fluor	Fluent	Holding Entity	Eliminations	Consolidated
Net sales	$ 1,907,775	$ 637,364	$ 3,228,833	$ 33,147	$ (257,772)	$ 5,549,347
Cost of sales	1,689,685	319,578	2,380,994	-	(236,680)	4,153,577
Gross profit	218,090	317,786	847,839	33,147	(21,092)	1,395,770
General expenses	141,724	130,323	671,365	63,173	(21,092)	985,493
Other expenses (income) related parties	59,006	17,612	5,127	(81,927)	182	-
Exchange loss (gain), Net	(6,070)	478	24,306	72,777	(182)	91,309
Interest expense	26,098	6,422	83,936	119,740	(41,183)	195,013
Interest income	(2,962)	(4,440)	(19,372)	(49,088)	41,183	(34,679)
Monetary position loss	-	-	6,381	-	-	6,381
Income from dividends	(10,733)	(3)	(516)	(109,412)	120,664	-
Equity in income of associated	1,055	(5)	(3,779)	-	-	(2,729)
Profit before income taxes	9,972	167,399	80,391	17,884	(120,664)	154,982
Income taxes	20,786	54,817	26,991	(60,224)	-	42,370
Profit for the year from continuing operations	(10,814)	112,582	53,400	78,108	(120,664)	112,612
Discontinued operations	-	2,860	(919)	-	60	2,001
Consolidated profit (loss) of the year	$ (10,814)	$ 115,442	$ 52,481	$ 78,108	$ (120,604)	$ 114,613

	December 31, 2013					
	Vinyl	Fluor	Fluent	Holding Entity	Eliminations	Consolidated
Net sales	$ 1,813,871	$ 648,925	$ 3,039,375	$ 35,903	$ $ (395,572)	$ 5,142,502
Cost of sales	1,478,909	330,992	2,175,433	-	(377,691)	3,607,643
	334,962	317,933	863,942	35,903	(17,881)	1,534,859
Net sales of finished goods purchased	124,793	-	-	-	-	124,793
Cost of sales	124,430	-	-	-	-	124,430
	363	-	-	-	-	363
Gross profit	335,325	317,933	863,942	35,903	(17,881)	1,535,222
General expenses	121,256	133,232	650,285	75,120	(17,881)	962,012
Other expenses (income) related parties	58,691	16,797	6,128	(77,608)	(4,008)	-
Exchange loss (gain), Net	(10,061)	7,604	15,673	34,624	4,008	51,848
Interest expense	22,323	6,890	78,255	109,983	(42,559)	174,892
Interest income	(4,776)	(6,573)	(21,018)	(76,759)	42,559	(66,567)
Monetary position loss	-	-	13,831	-	-	13,831
Income from dividends	(56,179)	(6,180)	(762)	(291,901)	355,022	-
Equity in income of associated	-	2,865	(3,570)	-	-	(705)
Profit before income taxes	204,071	163,298	125,120	262,444	(355,022)	399,911
Income taxes	59,510	53,463	45,537	(1,725)	-	156,785
Profit for the year from continuing operations	144,561	109,835	79,583	264,169	(355,022)	243,126
Discontinued operations	-	(154,450)	(5,710)	-	89	(160,071)
Consolidated profit (loss) of the year	$ 144,561	$ (44,615)	$ 73,873	$ 264,169	$ (354,933)	$ 83,055

The revenues reported in the preceding paragraph represent the revenues generated by external customers. Sales between segments were not recorded in the year or in previous years.

The accounting policies of the segments being reported are the same as the accounting policies of the Entity described in Note 4. The profit by segment represents the income obtained by each group of businesses, without the allocation of the corporate administrative costs and salaries of management, equity in the result of associated companies, revenues from investments, financial costs and the expense of income tax. This represents the valuation reported to the officer who takes the operating decisions for purposes of distribution of resources and evaluation of the performance of the business group.

	December 31, 2015						
	Vinyl	Energy	Fluor	Fluent	Holding Entity	Eliminations	Consolidated
Current assets:							
Cash and cash equivalents	$ 128,778	$ 77	$ 98,071	$ 254,181	$ 172,167	$ -	$ 653,274
Accounts receivable, Net	283,084	(5)	125,863	484,233	(8,831)	-	884,344
Other current assets	269,751	307	349,241	423,497	444,090	(789,156)	697,730
Assets classified as held for sale	-	-	11,533	4,972	-	-	16,505
Total current assets	681,613	379	584,708	1,166,883	607,426	(789,156)	2,251,853
Property, plant and equipment, Net	2,620,435	5,078	420,104	1,157,053	257	-	4,202,927
Other assets, Net	2,400,698	4,802	309,726	1,708,524	3,967,105	(6,175,959)	2,214,896
Total assets	$5,702,746	$ 10,259	$1,314,538	$4,032,460	$ 4,574,788	$(6,965,115)	$ 8,669,676
Current liabilities:							
Bank loans and current portion of long-term debt	$ 16,103	$ -	$ 17,879	$ 9,671	$ -	$ -	$ 43,653
Suppliers and credit letters	709,595	1	38,957	451,244	1,224	-	1,201,021
Other current liabilities	490,786	156	67,111	374,147	449,357	(827,287)	554,270
Liabilities classified as held for sale	-	-	19,617	-	-	-	19,617
Total current liabilities	1,216,484	157	143,564	835,062	450,581	(827,287)	1,818,561
Bank loans and long-term debt	83,445	-	84,320	5,771	2,117,886	-	2,291,422
Other non-current liabilities	496,332	91	209,364	750,607	71,596	(647,078)	880,912
Total liabilities	$1,796,261	$ 248	$ 437,248	$1,591,440	$ 2,640,063	$(1,474,365)	$ 4,990,895

	December 31, 2014						
	Vinyl	Energy	Fluor	Fluent	Holding Entity	Eliminations	Consolidated
Current assets:							
Cash and cash equivalents	$ 149,468	$ 13	$ 46,035	$ 243,093	$ 180,916	$ -	$ 619,525
Accounts receivable, Net	338,630	108	175,883	595,422	14,124	-	1,124,167
Other current assets	320,958	-	272,868	678,497	687,886	(1,132,610)	827,599
Assets classified as held for sale	-	-	2,796	9,387	-	-	12,183
Total current assets	809,056	121	497,582	1,526,399	882,926	(1,132,610)	2,583,474
Property, plant and equipment, Net	1,963,821	-	484,416	1,281,461	270	-	3,729,968
Other assets, Net	1,751,630	-	336,283	1,340,209	3,874,553	(4,889,872)	2,412,803
Total assets	$4,524,507	$ 121	$1,318,281	$4,148,069	$ 4,757,749	$(6,022,482)	$ 8,726,245
Current liabilities:							
Bank loans and current portion of long-term debt	$ 22,530	$ -	$ 9,038	$ 30,168	$ -	$ -	$ 61,736
Suppliers and credit letters	543,975	-	49,317	535,600	1,388	-	1,130,280
Other current liabilities	474,360	123	119,749	482,970	352,485	(812,615)	617,072
Liabilities classified as held for sale	-	-	6,759	584	-	-	7,343
Total current liabilities	1,040,865	123	184,863	1,049,322	353,873	(812,615)	1,816,431
Bank loans and long-term debt	103,843	-	108,280	8,877	2,145,457	-	2,366,457
Other non-current liabilities	544,138	-	113,748	1,240,702	129,500	(974,470)	1,053,618
Total liabilities	$1,688,846	$ 123	$ 406,891	$2,298,901	$ 2,628,830	$(1,787,085)	$ 5,236,506

	December 31, 2013						
	Vinyl	Energy	Fluor	Fluent	Holding Entity	Eliminations	Consolidated
Current assets:							
Cash and cash equivalents	$ 149,468	$ 13	$ 46,035	$ 243,093	$ 180,916	$ -	$ 619,525
Accounts receivable, Net	338,630	108	175,883	595,422	14,124	-	1,124,167
Other current assets	320,958	-	272,868	678,497	687,886	(1,132,610)	827,599
Assets classified as held for sale	-	-	2,796	9,387	-	-	12,183
	809,056	121	497,582	1,526,399	882,926	(1,132,610)	2,583,474
Total current assets							
Property, plant and equipment, Net	1,963,821	-	484,416	1,281,461	270	-	3,729,968
Other assets, Net	1,751,630	-	336,283	1,340,209	3,874,553	(4,889,872)	2,412,803
Total assets	$ 4,524,507	$ 121	$1,318,281	$4,148,069	$ 4,757,749	$(6,022,482)	$8,726,245
Current liabilities:							
Bank loans and current portion of long-term debt	$ 22,530	$ -	$ 9,038	$ 30,168	$ -	$ -	$ 61,736
Suppliers and credit letters	543,975	-	49,317	535,600	1,388	-	1,130,280
Other current liabilities	474,360	123	119,749	482,970	352,485	(812,615)	617,072
Liabilities classified as held for sale	-	-	6,759	584	-	-	7,343
Total current liabilities	1,040,865	123	184,863	1,049,322	353,873	(812,615)	1,816,431
Bank loans and long-term debt	103,843	-	108,280	8,877	2,145,457	-	2,366,457
Other non-current liabilities	544,138	-	113,748	1,240,702	129,500	(974,470)	1,053,618
Total liabilities	$ 1,688,846	$ 123	$ 406,891	$2,298,901	$ 2,628,830	$(1,787,085)	$5,236,506

	December 31, 2013					
	Vinyl	Fluor	Fluent	Holding Entity	Eliminations	Consolidated
Current assets:						
Cash and cash equivalents	$ 314,310	$ 29,873	$ 256,546	$ 631,832	$ -	$ 1,232,561
Accounts receivable, Net	357,120	170,774	532,930	(28,098)	-	1,032,726
Other current assets	375,473	199,934	646,700	364,685	(819,282)	767,510
Assets classified as held for sale	-	5,511	14,670	-	-	20,181
Total current assets	1,046,903	406,092	1,450,846	968,419	(819,282)	3,052,978
Property, plant and equipment, Net	1,283,607	525,322	1,343,527	292	-	3,152,748
Other assets, Net	1,309,346	475,277	4,357,973	3,464,273	(7,630,793)	1,976,076
Total assets	$ 3,639,856	$ 1,406,691	$ 7,152,346	$ 4,432,984	$ (8,450,075)	$ 8,181,802
Current liabilities:						
Bank loans and current portion of long-term debt	$ 27,084	$ 29,767	$ 5,270	$ -	$ -	$ 62,121
Suppliers and credit letters	486,200	41,996	423,717	1,234	-	953,147
Other current liabilities	413,814	144,451	559,180	176,073	(816,589)	476,929
Liabilities classified as held for sale	136	21,376	1,236	-	-	22,748
Total current liabilities	927,234	237,590	989,403	177,307	(816,589)	1,514,945
Bank loans and long-term debt	142,227	132,181	42,279	1,786,399	-	2,103,086
Other non-current liabilities	335,204	115,864	993,308	144,148	(615,810)	972,714
Total liabilities	$ 1,404,665	$ 485,635	$ 2,024,990	$ 2,107,854	$ (1,432,399)	$ 4,590,745

Below other information shown by segment of business group consolidated financial statements:

	Depreciation and amortization			Additions to property, plant and equipment		
	2015	2014	2013	2015	2014	2013
Vinyl	$ 154,160	$ 140,555	$ 84,208	$ 818,313	$ 528,710	$ 244,392
Fluor	63,834	68,667	59,120	140,439	126,317	193,560
Fluent	158,270	180,744	167,649	30,236	23,215	67,345
Controller	20,192	20,395	23,411	9	6	119
	$ 396,456	$ 410,361	$ 334,388	$ 988,997	$ 678,248	$ 505,416

Below is the financial information classified by geographical area:

Country	Net sales from external customers At December 2015	At December 2014	At December 2013	Property, plant and equipment , net At December 2015	At December 2014	At December 2013
Mexico	$ 1,280,398	$ 1,378,476	$ 1,240,496	$ 1,404,715	$ 1,379,176	$ 1,352,181
Northwest Europe	996,536	628,400	575,431	163,791	196,604	213,879
U.S.A.	927,701	672,162	457,739	386,861	406,974	455,180
Southwest Europe	559,808	598,557	551,460	1,288,828	641,954	245,739
Colombia	492,436	571,069	570,462	87,547	89,485	89,246
Brazil	377,394	563,946	548,607	8,539	9,680	14,951
Central and Eastern Europe	241,433	283,746	287,398	64,181	68,170	70,818
Central America	174,174	176,239	170,462	100,704	104,743	112,668
Others	157,327	49,283	14,832	12,240	74,949	90,057
Southeast Europe	152,104	203,545	211,514	22,934	15,622	20,027
Ecuador	101,408	119,125	120,203	338,926	389,461	125,212
Peru	85,839	87,666	93,665	125,921	156,378	174,216
Argentina	54,782	44,804	58,156	74,968	80,096	87,369
Japan	50,391	60,769	73,020	39,684	37,570	34,008
Other Europe	46,464	49,174	49,450	51,393	57,504	66,446
Venezuela	10,114	62,386	119,607	31,695	21,602	751
Total	$ 5,708,309	$ 5,549,347	$ 5,142,502	$ 4,202,927	$ 3,729,968	$ 3,152,748

27. Financial statement issuance authorization

The issuance of the consolidated financial statements for the year ended December 31, 2014 and 2013, were approved by the Stockholders' General Meeting on April 11, 2014 and February 23, 2015, respectively. The issuance of the consolidated financial statements for the year ended December 31, 2015, were authorized by Lic. Rodrigo Guzmán Perera on February 22, 2016, Chief Financial Officer; consequently these do not reflect events after this date and are subject to the approval of the Entity's Audit Committee and the Board of Directors and the Stockholders' Common General Meeting, where they may be modified based on provisions set forth in the Mexican General Corporate Law.

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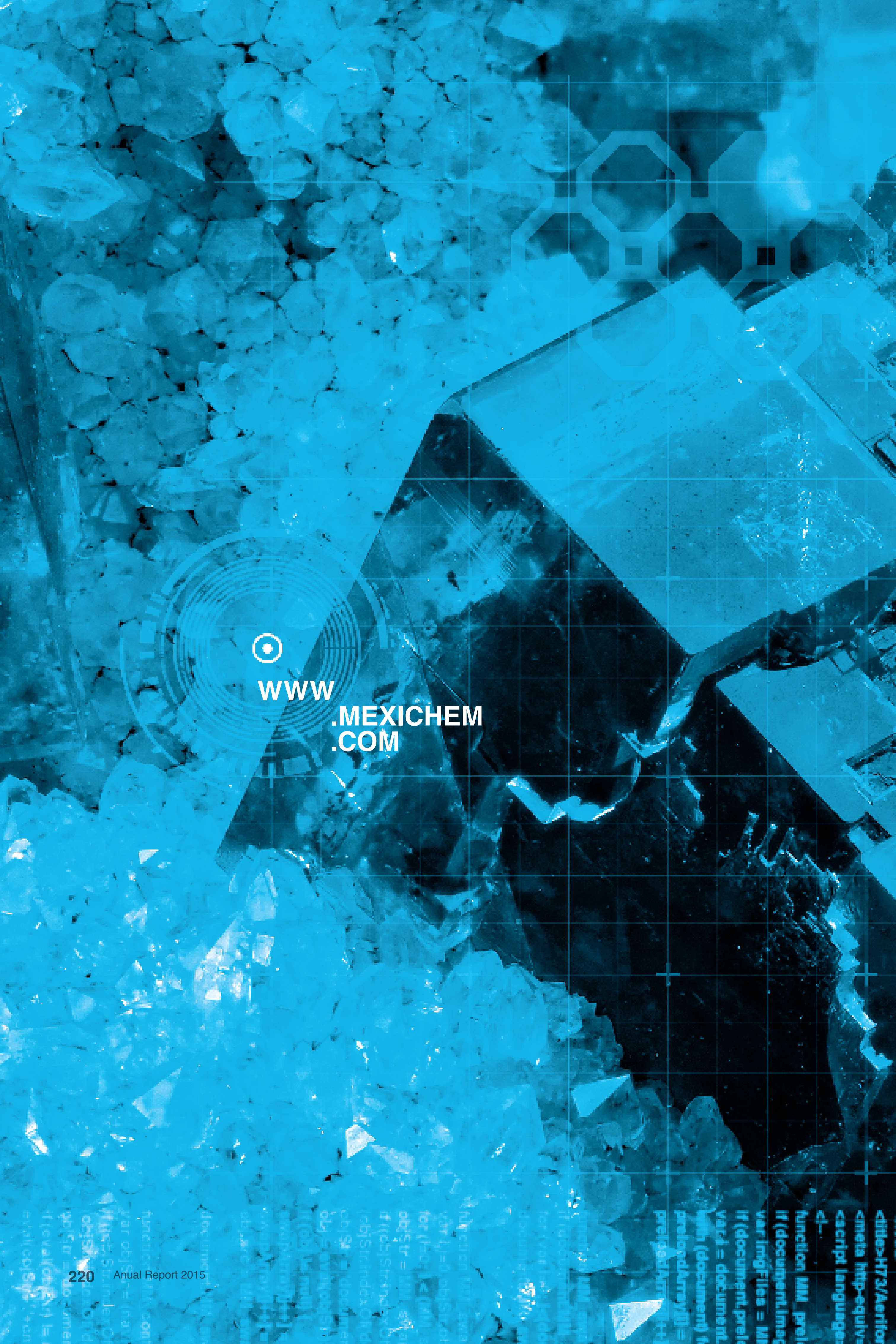
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