Cydsa, S.A.B. de C.V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2010 and 2009, and Independent Auditors' Report Dated March 14, 2011

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

INDEPENDENT AUDITORS´ REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2010 AND 2009

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Independent Auditors' Report to the Board of Directors and Shareholders of Cydsa, S.A.B. de C.V.

We have audited the accompanying consolidated balance sheets of Cydsa, S.A.B. de C.V. and Subsidiaries (the "Company") as of December 31, 2010 and 2009, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cydsa, S.A.B. de C.V. and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations, changes in their shareholders' equity, and their cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards.

The accompanying consolidated financial statements have been translated into English for the convenience of users.

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

C.P.C. Fernando Cerda Martínez
March 14, 2011

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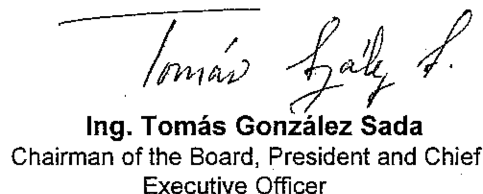
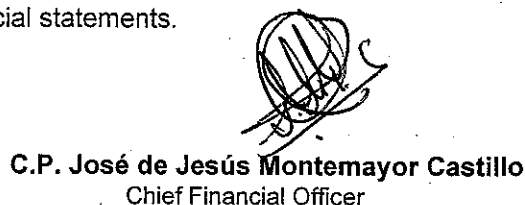
CYDSA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

	2010	2009
ASSETS		
Cash and cash equivalents:		
Cash and cash equivalents	$ 348	$ 438
Funds for specific uses	2,229	575
Trade receivables, net	637	589
Other receivables	150	153
Inventories, net	313	287
Current assets from discontinued operations	131	1,373
Current assets	3,808	3,415
Investment in shares	94	19
Property, plant and equipment, net	2,768	2,214
Amortizable expenses, net	26	25
Other assets	199	41
Deferred income tax	20	692
Long-lived assets from discontinued operations	1,114	1,863
Total assets	$ 8,029	$ 8,269
LIABILITIES		
Short-term debt	$ 111	$
Current portion of long-term debt	129	246
Trade payables	454	449
Other payables	285	297
Short-term liabilities from discontinued operations	6	610
Short-term liabilities	985	1,602
Long-term debt	778	1,264
Employee termination and retirement benefits	307	284
Derivative financial instruments	47	54
Taxes payable	620	603
Other long term liabilities	91	
Long-term liabilities from discontinued operations	21	75
Long-term liabilities	1,864	2,280
Total liabilities	2,849	3,882
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	2,615	2,615
Other equity accounts	(238)	(68)
Retained earnings	2,600	1,625
Stock in trust	(23)	(34)
Translation effects of foreign operation	28	34
Controlling interest	4,982	4,172
Noncontrolling interest	198	215
Total shareholders' equity	5,180	4,387
Total liabilities and shareholders' equity	$ 8,029	$ 8,269

The accompanying notes are part of these consolidated financial statements.





Ing. Tomás González Sada
Chairman of the Board, President and Chief Executive Officer

C.P. José de Jesús Montemayor Castillo
Chief Financial Officer

CYDSA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

	2010	2009
Net sales	**$ 3,870**	$ 3,918
Cost of sales	**(2,546)**	(2,361)
Operating expenses	**(871)**	(805)
Operating income	**453**	752
Other (expenses) income, net	**(475)**	1
Comprehensive financing cost	**(67)**	(29)
(Loss) income from continuing operations before income taxes	**(89)**	724
Income taxes	**(21)**	(194)
(Loss) income from continuing operations	**(110)**	530
Income (loss) from discontinued operations, net of income taxes	**1,134**	(78)
Net income	**$ 1,024**	$ 452
Controlling interest	**$ 1,036**	$ 406
Noncontrolling interest	**(12)**	46
	$ 1,024	$ 452
Controlling interest income (loss) per common share: Note		
(Loss) income from continuing operations	**$ (0.51)**	$ 2.43
Income (loss) from discontinued operations	**5.85**	(0.39)
Controlling interest net income per common share	**$ 5.34**	$ 2.04

The accompanying notes are part of these consolidated financial statements.

Note In Mexican pesos, determined on the basis of 193,703,223 and 199,417,948 weighted average shares in 2010 and 2009, respectively.

CYDSA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

	Capital stock	Other equity accounts	Retained earnings	Stock in trust	Translation effect of foreign operation	Noncontrolling interest	Total shareholders' equity
Balances at January 1, 2009	$ 2,615	$ (80)	$ 1,408	$ (46)	$ 57	$ 224	$ 4,178
Share repurchase		(126)					(126)
Decrease in capital stock through cancellation of treasury shares	(108)	108					0
Capital increase through capitalization of retained earnings	108		(108)				0
Dividends paid			(50)			(33)	(83)
Decrease of stock in trust			(8)	12			4
Comprehensive income:							
Effect of tax reform in the fiscal consolidation			(23)				(23)
Valuation of derivative financial instruments		30					30
Translation effect of foreign operation					(23)	(22)	(45)
Net income			406			46	452
Balances at December 31, 2009	2,615	(68)	1,625	(34)	34	215	4,387
Share repurchase		(171)					(171)
Dividends paid			(55)				(55)
Decrease of stock in trust			(6)	11			5
Comprehensive income:							
Valuation of derivative financial instruments		1					1
Translation effect of foreign operation					(6)	(5)	(11)
Net income			1,036			(12)	1,024
Balances at December 31, 2010	$ 2,615	$ (238)	$ 2,600	$ (23)	$ 28	$ 198	$ 5,180

The accompanying notes are part of these consolidated financial statements.

CYDSA, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

	2010	2009
OPERATING ACTIVITIES:		
(Loss) income from continuing operations before income taxes	$ (89)	$ 724
Items related to investing activities:		
Impairment of fixed assets	428	11
Impairment of goodwill	41	
Depreciation and amortization	150	143
Items related to financing activities:		
Interest income earned	(24)	(16)
Interest expense incurred	108	121
	614	983
Trade receivables	(48)	(74)
Inventories	(26)	49
Other assets and liabilities	374	54
Trade payables	5	(51)
Employee termination and retirement benefits	23	(1)
Income taxes paid, net	(29)	(88)
Discontinued operations		114
Net cash provided by operating activities	913	986
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(198)	(203)
Amortizable expenses	(1)	(14)
Other permanent investments	(80)	
Interest received	20	12
Proceeds from sale of subsidiaries	1,708	
Discontinued operations	9	181
Net cash provided by investing activities	1,458	(24)
Excess cash to apply to financing activities	2,371	962
FINANCING ACTIVITIES:		
Payment of long-term debt	(423)	(186)
Dividends paid to the shareholders of Cydsa, S.A.B. de C.V.	(55)	(50)
Dividends paid to the noncontrolling interest		(33)
Interest paid	(105)	(119)
Repurchase of shares	(171)	(126)
Discontinued operations		10
Net cash used in financing activities	(754)	(504)
Increase in cash and cash equivalents	1,617	458
Adjustment to cash flows due to exchange rate fluctuations	(53)	(55)
Cash and cash equivalents at beginning of year	1,013	610
Cash and cash equivalents at end of year	$ 2,577	$ 1,013
Cash and cash equivalents	348	438
Funds for specific uses	2,229	575
Total	$ 2,577	$ 1,013

The accompanying notes are part of these consolidated financial statements.

CYDSA, S.A.B. DE C.V. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In millions of Mexican pesos)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

a) The consolidated financial statements include all the companies where Cydsa, S.A.B. de C.V. (collectively the "Company") exercises direct or indirect control; whose primary operations include the stock ownership of subsidiary companies in order to control their operating and financing activities.

b) The principal activities of the subsidiaries include the production and marketing of salt, chlorine, caustic soda, refrigerant gases and acrylic yarns.

The principal consolidated operating companies are:

- Sales del Istmo, S.A. de C.V.
- Industria Quimica del Istmo, S.A. de C.V.
- Iquisa Santa Clara, S.A. de C.V.
- Quimobasicos, S.A. de C.V.
- Derivados Acrilicos, S.A. de C.V.

c) Cydsa, S.A.B. de C.V. ("CYDSA") owns the entire stock of its subsidiaries except for Quimobasicos, S.A. de C.V and Almacenamiento Subterraneo del Istmo, S.A. de C.V., where it has a 51% interest.

d) Monetary unit of the financial statements - The financial statements and notes as of December 31, 2010 and 2009 and for the years then ended, include balances and transactions denominated in Mexican pesos of different purchasing power.

e) Significant intercompany balances and transactions have been eliminated.

f) Translation of financial statements of Quimobasicos, S.A. de C.V.- This subsidiary is considered as a foreign operation, whose recording currency is the Mexican peso and functional currency is the US dollar.

To consolidate the financial statements of its domestic subsidiary considered to be a foreign operation, the Company translates its financial statements from the recording to the functional currency, using the following exchange rates: 1) for monetary assets and liabilities, the closing exchange rate in effect at the balance sheet date; 2) for non-monetary assets and liabilities and shareholders' equity, the historical exchange rates; and 3) for revenues, costs and expenses, the date they were incurred, except those arising from non-monetary items that are translated using the historical exchange rate for the related non-monetary item. Such translation effects are recorded under comprehensive financing cost in the consolidated statement of income. Subsequently, to translate the financial statements from the functional currency to Mexican pesos, the following exchange rates are used: 1) the closing exchange rate in effect at the balance sheet date for assets and liabilities and 2) historical exchange rates for shareholders' equity, revenues, costs and expenses. Such translation effects are recorded in shareholders' equity in the consolidated balance sheet.

The translation adjustment recorded in shareholders' equity decreased $11 and $45 in 2010 and 2009, respectively, as a result of the conversion effects for the year.

g) Classification of costs and expenses - Costs and expenses presented in the consolidated statements of income were classified according to their function because this is the practice of the industry to which the Company belongs.

h) Operating income – Obtained from reducing the cost of sales and operating expenses from net sales. Although NIF B-3, *Statement of Income*, does not require it, this line item is included in the accompanying financial statements because it contributes to a better understanding of the Company's economic and financial performance.

i) Sale of Policyd and Plasticos Rex

On October 28, 2010, the Company completed the sale of 100% of the shares of its subsidiaries Policyd, S.A. de C.V. and Plasticos Rex, S.A. de C.V. to Grupo Mexichem ("Mexichem"). The transaction was executed through a cash payment made by Mexichem to the Company as well as the acquisition of a chlorine-caustic soda and chemical specialties factory, located in Santa Clara, State of Mexico (Iquisa Santa Clara), see Note19a).

The results of operations for the ten months of 2010 of each subsidiary, as well as the balance sheet and statement of income items for 2009, have been classified as discontinued operations.

The acquisition of the Iquisa Santa Clara facility mentioned above, strengthens the Company's chlorine-caustic soda operations. The proceeds from this transaction will be used to strengthen the technology of the existing businesses and for future investments, aimed to promote profitable and sustainable development of CYDSA's operations in order to deliver greater value to its shareholders.

In accordance with NIF B-7 "Business Acquisitions", the purchase of the Iquisa Santa Clara plant, was determined based on the fair value of assets acquired and liabilities assumed. The fair value of the assets and liabilities acquired is as follows:

ASSETS		
Trade receivables	$	**24**
Inventories		**26**
Intangible assets for customer lists		**199**
Land		**137**
Buildings		**207**
Machinery and equipment		**687**
LIABILITIES		
Employee termination and retirement benefits		**43**
Other liabilities (soil remediation costs)		**131**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with Mexican Financial Reporting Standards ("MFRS", individually referred to in Spanish as Normas de Información Financiera or "NIFs"), which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Company's management, upon applying professional judgment, considers that the estimates made and

assumptions used were adequate under the circumstances. The significant accounting policies of the Company are as follows:

a) Recognition of the effects of inflation

Since the cumulative inflation for the three fiscal years prior to those ended December 31, 2010 and 2009, was 14.48% and 15.01%, respectively, the economic environment is considered to be non-inflationary in both years. Inflation rates for the years ended 2010 and 2009 were 4.40% and 3.57%, respectively.

Beginning on January 1, 2008, the Company discontinued recognition of the effects of inflation in its financial statements. However, assets, liabilities and shareholders' equity include the restatement effects recognized through December 31, 2007.

b) Cash and cash equivalents

Cash and cash equivalents consist mainly of bank deposits in checking accounts and readily available daily investments of cash surpluses. Cash is stated at nominal value and cash equivalents are measured at fair value; any fluctuations in value are recognized in comprehensive financing cost of the period.

c) Inventories and cost of sales

The Company uses absorption costing for its inventory. Inventory costs include fixed production costs and variable manufacturing costs.

The inventories are valued at the lower of cost or net realizable value, using the last-in first out (LIFO) method.

d) Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost. Balances arising from acquisitions made through December 31, 2007 were restated for the effects of inflation by applying factors derived from the National Consumer Price Index ("NCPI") through that date. Depreciation is based on the estimated useful lives of the related assets and is calculated using the straight-line method.

e) Investment in associated companies

Equity investments in associated companies are accounted for using the equity method, which includes cost plus the company's participation in the profits (losses) undistributed post-acquisition. At December 31, 2010 the Company's investment is a 50% interest in the shares of Aerosalmon, S.A. of C.V. with a book value of $77.

f) Other permanent investments

Permanent investments made by the Company in entities where it has no control, joint control, or significant influence, are initially recorded at acquisition cost and any dividends received are recognized in current earnings, except when they are taken from earnings of periods prior to the acquisition, in which case, they are deducted from the permanent investment.

g) Finite lived intangible assets

Intangible assets with finite lives correspond to the customer list resulting from the acquisition referred to in note 1i), which was initially recorded at its fair value determined by using a discounted cash flow model. It is currently being amortized based on the straight-line method over a ten year period, which is the expected useful life.

h) Impairment of long-lived assets in use

The Company reviews the carrying amounts of long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the aforementioned amounts. The impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than that of previous years, obsolescence, reduction in the demand for the products manufactured, competition and other legal and economic factors.

i) Financial risk management policy

The activities carried out by the Company expose it to a number of financial risks, including market risk (foreign exchange, interest rate and commodity price risks), credit risk and liquidity risks. The Company seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Company uses derivative and non-derivative financial instruments to hedge against some exposures to financial risks embedded in the balance sheet (recognized assets and liabilities). Financial risk management and the use of derivative instruments are governed by Company policies approved by the Corporate Practices and Audit Committee and are carried out by the Company's Treasury Department who identifies, assesses and hedges financial risks. The Treasury Department reports monthly to the Board of Directors' Finance Committee. This Committee is ultimately responsible for monitoring the Company's risks and the policies implemented to mitigate such exposure.

j) Derivative financial instruments

The Company obtains financing under different conditions. If the rate is variable, interest rate swaps may be entered into to reduce exposure to the risk of interest rate volatility. The Company also considers entering into interest rate swaps, in order to convert the interest rate from variable to fixed. These instruments are negotiated only with institutions of recognized financial strength. The Company's policy is not to carry out transactions with derivative financial instruments for the purpose of speculation.

The Company recognizes all assets or liabilities that arise from transactions with derivative financial instruments at fair value in the consolidated balance sheets, regardless of the Company's intent for holding them. Fair value is determined using prices quoted on recognized markets. If such instruments are not traded, fair value is determined by applying recognized valuation techniques.

When derivatives are entered into to hedge risks, and such derivatives meet all hedging requirements, their designation is documented at the beginning of the hedging transaction, describing the transaction's objective, characteristics, accounting treatment and how the effectiveness of the instrument will be measured.

Changes in the fair value of derivative instruments designated as hedges are recognized as follows: (1) for fair value hedges, changes in both the derivative instrument and the hedged item are stated at fair value and recognized in current earnings; (2) for cash flow hedges, changes in the effective portion are temporarily recognized as a component of comprehensive income in shareholders' equity and then reclassified to current earnings when affected by the hedged item. The ineffective portion of the change in fair value is immediately recognized in current earnings.

The Company discontinues hedge accounting when the derivative instrument matures, is sold, cancelled or exercised, when the derivative instrument does not reach a high percentage of effectiveness to compensate for changes in fair value or cash flows of the hedged item, or when the Company decides to cancel its designation as a hedge.

For cash flow hedges, upon discontinuing hedge accounting, the amounts recorded in shareholders' equity as a component of comprehensive income remain there until the time when the effects of the forecasted transaction or firm commitment affect current earnings. If it is not likely that the firm commitment or forecasted transaction will occur, the gains or losses that accumulated in other comprehensive income are immediately recognized in current earnings. When the hedge of a forecasted transaction has proven satisfactory, but subsequently the hedge fails the effectiveness test, the cumulative effects recorded within comprehensive income in shareholders' equity are proportionately recorded in current earnings, to the extent that the forecasted asset or liability affects current earnings.

While certain derivative financial instruments are contracted for hedging from an economic point of view, they are not designated as hedges because they do not meet all of the requirements and are instead classified as held-for-trading for accounting purposes. Changes in fair value are recognized as a component of comprehensive financing cost.

k) Provisions

Provisions are recognized for current obligations that result from a past event, that are probable to result in the future use of economic resources, and that can be reasonably estimated.

l) Direct employee benefits

Direct employee benefits are calculated based on the services rendered by employees, considering their actual salaries. The related liability is recognized as it accrues. These benefits primarily include PTU payable, vacation benefits and vacation premiums, and incentives.

m) Employee retirement and termination benefits

Liabilities from seniority premiums, pensions and severance indemnities are recognized as they accrue and are calculated by independent actuaries based on the projected unit credit method using nominal interest rates.

n) Statutory employee profit sharing (PTU)

PTU is recorded in the results of the year it is incurred. PTU is included in other income and expenses in the consolidated statements of income. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that such difference will generate a liability or benefit, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

o) Share-based payments

The Company has implemented a share-based payment plan for its key officers. Payments are settled with the Company's own equity instruments, which are recognized at their fair value at the grant date by use of the Black-Scholes method. The related compensation expense is recognized over the vesting period of the related awards.

p) Income taxes

Income taxes, calculated as the higher of regular Income Tax ("ISR") or the Business Flat Tax ("IETU") are recorded in the results of the year they are incurred. To recognize deferred income taxes, based on its financial projections, the Company determines whether it expects to incur ISR or IETU and accordingly recognizes deferred taxes based on the tax it expects to

pay. Deferred taxes are calculated by applying the corresponding tax rate to the applicable temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

q) Foreign currency transactions

Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency, are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of comprehensive financing cost in the consolidated statements of income.

r) Revenue recognition

Revenues are recognized in the period in which the risks and rewards of ownership of the inventories are transferred to customers, which generally coincides with the delivery of products to customers in satisfaction of orders.

Gains related to the sales of the Certified Emission Reductions certificates, are recognized when their ownership rights are transfered to third parties.

s) Basic earnings per share

Basic earnings per common share are calculated by dividing net income of controlling interest by the weighted average number of common shares outstanding during the year. Diluted earnings per share is determined by adjusting common shares outstanding to include equivalent common shares under the assumption that the Company's commitments to issue its own shares will be realized.

3. CASH AND CASH EQUIVALENTS

	2010	2009
Cash	**$ 22**	$ 42
Demand deposits of cash surpluses	**326**	396
	$ 348	$ 438

The Company's Board of Directors approved in a meeting held on November 24, 2010, the establishment of a separate fund to be used primarily to address long-term tax commitments arising from the reform on tax consolidation, investments in strategic projects and expected soil remediation costs, among others, up to a total of $2,400. At December 31, 2010 and 2009 this fund amounted to $2,229 and $575, respectively.

4. TRADE RECEIVABLES

The balance of trade receivables was reduced by $26 in 2010 and 2009, by the allowance for doubtful accounts.

5. INVENTORIES, NET

	2010	2009
Finished goods	$ 142	$ 130
Work in process	14	16
Raw materials and components	74	72
Spare parts and accessories	47	42
Other inventories	36	27
	$ 313	$ 287

The balance of inventory was reduced by $3 in 2010 and $17 in 2009, by the allowance for slow-moving and obsolete inventory.

6. DERIVATIVE FINANCIAL INSTRUMENTS

On September 10, 2008, the Company entered into an interest rate swap that was documented as a hedge for accounting purposes on December 27, 2008 in order to hedge the volatility of the three-month LIBOR variable interest rate on its US dollar syndicated debt. The Company fixed its interest rate at 3.65%, which in addition to an established basis spread results in a net interest rate of 6.25% before taxes over the term of the debt.

Both the syndicated debt and the interest rate swap mature in September 2012.

The notional amount of the swap entered into on September 10, 2008 is US$105.9 million and matches the syndicated debt repayment schedule.

On October 28, 2010 the Company made a prepayment of debt, corresponding to the portion in dollars of US$21 million and decided not to unwind the interest rate swap, which caused the derivative to no longer be highly effective resulting in a gain recognized in the consolidated statement of income of $5, net of income tax.

During 2010, as a result of unwinding the interest rate swap disclosed in the previous paragraph, the Company recognized a charge in shareholders' equity of $1, net of income tax.

As of December 31, 2009, the Company's interest rate swap, which was considered highly effective during 2009 had a fair value of $20, net of income tax, which resulted in an increase in shareholders' equity.

Additionally, during 2009, swap contracts and call options to purchase natural gas entered into with Petroleos Mexicanos expired, with an increase to equity of $10, net of income tax.

7. PROPERTY, PLANT AND EQUIPMENT, NET

	2010			2009		
	Value	Accumulated Depreciation	Net Value	Value	Accumulated Depreciation	Net Value
Land	$ 341	$	$ 341	$ 238	$	$ 238
Buildings	968	(567)	401	992	(556)	436
Property, plant and equipment	5,146	(3,213)	1,933	4,956	(3,542)	1,414
Construction in progress	93		93	126		126
	$ 6,548	$ (3,780)	$ 2,768	$ 6,312	$ (4,098)	$ 2,214

8. OTHER ASSETS

As of December 31, 2010, other assets includes a customer list with a book value of $199, which was acquired in the transaction referred to in note 1i). The balance as of December 31, 2009 includes goodwill of $41, which was written off during 2010.

9. BANK DEBT

a) At December 31, 2010, the Company has foreign short-term bank loans of US$9 million, at an interest rate(*) of 3.61%, maturing on January 20, 2011.

b) On October 28, 2010, the subsidiary Valores Quimicos, S.A. de C.V., Sub-Chemical Holding, made a prepayment of bank debt of $310 (equivalent to US$25 million) of principal on the syndicated loan signed in September 2007.

c) At December 31, consolidated long-term bank debt is as follows:

	Interest Rates(*)	2010	Interest Rates(*)	2009
U.S. dollar denominated debt with foreign financial institutions:				
Guaranteed bank debt(1)	**6.42%**	**$ 756**	6.16%	$ 1,289
Mexican peso denominated debt:				
Guaranteed bank debt	**7.54%**	**151**	7.57%	221
		907		1,510
Current portion of long-term debt		**129**		246
Long-term debt		**$ 778**		$ 1,264

(*) Weighted average rates (net of tax) as of December 31, 2010 and 2009.

(1) In 2010 and 2009 this liability corresponds to debts with Banco Nacional de Mexico, S.A.; Banamex Nassau-Bahamas Branch; Banco Latinoamericano de Comercio Exterior, S.A.; Israel Discount Bank of New York; Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. "Rabobank Nederland" New York Branch; The Royal Bank of Scotland, N.V.

d) Maturities of long-term bank debt as of December 31, 2010 are as follows:

Year	Amount
2012	$ 778

e) The syndicated debt agreement establishes certain financial covenants the Company must comply with. The Company was in compliance with such covenants as of December 31, 2010.

10. OTHER LONG-TERM LIABILITIES

The Company with the assistance of independent experts, conducted an environmental study of the land acquired as disclosed in note 1i), in order to estimate the cost of land restoration caused by pollution from the Chlorine-caustic soda factory. The estimated land restoration cost of $128 was recorded as a provision as of December 31, 2010. In 2011, the Company expects to incurr payments of $37 to begin the restoration process, which are presented as short-term liabilities within other payables.

11. EMPLOYEE TERMINATION AND RETIREMENT BENEFITS

a) The Company has a pension plan with defined benefits that cover an amount equivalent to 3 months and 20 days per year of service, for its employees that retire at the age of 65.

Mexican labor law also requires that the Company provide seniority premium benefits, which consist of a lump sum payment of 12 days wage for each year worked, calculated using the most recent salary, not to exceed twice the legal minimum wage established by law. The related liabilities and annual cost of such benefits are calculated by an independent actuary, on the basis of formulas defined in the plans, using the projected unit credit method.

b) The present values of these obligations and the rates used for the calculations are as follows:

	2010	2009
Vested benefit obligation	**$ 267**	$ 216
Nonvested benefit obligation	**200**	174
Projected benefit obligation	**467**	390
Plan assets at fair value	**(70)**	(45)
Unfunded status	**397**	345
Unrecognized items:		
Past service costs, actuarial gains and losses and plan modifications	**(90)**	(61)
Net projected liability	**$ 307**	$ 284
Contributions to plan assets	**2.0**	1.8

c) Nominal rates used in actuarial calculations were as follows:

	2010 %	2009 %
Discount rate	**7.0**	8.0
Expected yield on plan assets	**7.0**	8.0
Expected salary increase	**4.0**	4.3
Future pension increase	**3.8**	3.8

d) The balance of past services as of December 31, 2007 is being amortized over a maximum of 5 years.

Unrecognized items for retirement and termination benefits are charged to results based on the average remaining service lives of employees, which is 15 years.

e) The net period cost for the years ended December 31 is as follows:

	2010	2009
Service cost	$ 11	$ 10
Interest cost	28	28
Expected return on plan assets	(4)	(4)
Amortization of unrecognized prior service costs	1	1
Actuarial losses, net	(16)	(7)
Business acquisition	38	
Net period cost	$ 58	$ 28

f) Under Mexican law, the Company must pay up to 2% of its workers' daily salary to a defined contribution plan as part of the retirement savings system. The expense related to this obligation was $18 in 2010 and $17 in 2009.

g) Changes to the present value of the defined benefit obligation:

	2010	2009
Present value of the defined benefit obligation as of January 1	$ 390	$ 361
Service cost	(11)	(10)
Interest cost	(28)	(28)
Actuarial gain	154	67
Business acquisition	(38)	
Present value of the defined benefit obligation as of December 31	$ 467	$ 390

h) Changes to the fair value of plan assets:

	2010	2009
Plan assets at fair value as of January 1	$ 46	$ 43
Return on plan assets	4	4
Actuarial gains and losses	20	(2)
Contributions to plan assets	2	2
Benefits paid	(2)	(2)
Plan assets at fair value as of December 31	$ 70	$ 45

Return of plan assets:

	Expected for long-term	Actual
Return	7.0%	3.8%

12. SHAREHOLDERS' EQUITY

a) Pursuant to a resolution of the general ordinary shareholders' meeting held on April 28, 2010, the shareholders approved a dividend distribution of $55 from the Net Tax Income Account ("CUFIN"), $1,000 as the maximum amount for the repurchase of shares, and increased the legal reserve by $20.

b) Pursuant to a resolution of the general ordinary shareholders' meeting held on April 29, 2009, the shareholders approved a dividend distribution of $50 from the Net Tax Income Account ("CUFIN"), $1,000 as the maximum amount for the repurchase of shares and increased the legal reserve by $2.

c) Pursuant to a resolution of the extraordinary general shareholders' meeting held on April 29, 2009, the shareholders approved to reduce the Company's fixed capital stock by $84, through the cancellation without repayment of 14,373,250 ordinary non-par, fully subscribed and paid class I series "A" voting shares. A reduction in capital of $24 to restated capital was also approved. The two capital reductions of $108 resulted in the acquisition of 14,373,250 Company's shares.

   Furthermore, pursuant to a resolution of the extraordinary general shareholders' meeting, the shareholders approved an increase in capital stock without the issuance of shares through the capitalization of retained earnings of $108.

d) During 2010 and 2009, 9,502,300 (at a cost of $171) and 15,394,350 (at a cost of $126) of the Company's shares were acquired in the market, respectively.

e) As of December 31, 2010, Cydsa, S.A.B. de C.V.'s subscribed and paid capital is represented by 200,000,000 Series "A" nominative, non-par value, voting shares and with similar characteristics.

f) Pursuant to a resolution of the general ordinary shareholders' meeting held on March 29, 2000, dividends of $58 ($39 par value) were declared due and payable; however, at December 31, 2010, they had not been paid yet. Such dividends will be paid when the Board of Directors decides to distribute them.

g) Retained earnings include the statutory legal reserve. 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. As of December 31, 2010 and 2009, the legal reserve, in historical pesos, was $58 and $38, respectively.

h) Cydsa, S.A.B. de C.V. acquired 2,000,000 Series "A" shares of its capital stock and placed them in a trust, which was created to grant stock purchase options to its eligible executives. The exercise price assigned is $1.35 (Mexican pesos) per share, which expire on April 30, 2012, and require a service period of 5 years.

   Accordingly, the Company recognized a charge of $4 in the results of operations for the years ended December 31, 2010 and 2009, using the Black-Scholes method.

   During each of the years ending December 31, 2010, 2009 and 2008, 400,000 shares were exercised by the eligible executives of the Company. As of December 31, 2010, the Company held 800,000 shares in the trust.

These shares are considered potentially dilutive for the purposes of calculating diluted earnings per share. The weighted average number of equivalent shares for such calculation was 932,071 and 1,300,736 for the years ended December 31, 2010 and 2009, respectively. In 2010 and 2009 the diluted earnings per share was not presented as it is the same as basic earnings per share.

As of December 31, 2010, the market value of Cydsa, S.A.B. de C.V.'s Series "A" shares is $19.24 (Mexican pesos).

i) Noncontrolling interest consists of the following:

	2010	2009
Capital stock	**$ 60**	$ 60
Retained earnings	**123**	77
Net (loss) income	**(12)**	46
Translation effects of foreign operations	**27**	32
	$ 198	$ 215

j) Shareholders' equity, except restated paid-in capital and tax retained earnings will be subject to income tax payable by the Company at the rate in effect upon distribution. Any tax paid on such distribution, may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

k) The balances of the shareholders' equity tax accounts as of December 31, are as follows:

	2010	2009
Contributed capital account	**$ 2,892**	$ 2,770
Net tax income account	**1,908**	2,459
Total	**$ 4,800**	$ 5,229

l) Comprehensive income presented in the accompanying consolidated statements of changes in shareholders' equity represents changes in shareholders' equity during the year, for concepts other than capital contributions, reductions and distributions, and is comprised of the net income of the year, plus other comprehensive income items of the same period, which are presented directly in shareholders' equity without affecting the consolidated statement of income. In 2010 and 2009, other comprehensive income items are represented by the valuation of derivative financial instruments and the foreign currency translation adjustment. In 2009, the effects also include the impact of the tax consolidation reform.

13. FOREIGN CURRENCY BALANCES AND TRANSACTIONS

a) The exchange rates per U.S. dollar at December 31, 2010 and 2009 was $12.3496 in 2010 and $13.0659 in 2009. The exchange rate at March 14, 2011, the issuance date of these consolidated financial statements, was $11.9235 per U.S. dollar.

b) The Company's assets and liabilities include inventories and fixed assets of foreign origin and other monetary items that could be collected or paid in foreign currencies. These items expressed in millions of U.S. dollars, are as follows:

	2010	2009
Inventories	**5.3**	3.6
Plant and equipment	**83.1**	74.5
Monetary assets	**155.1**	79.7
Monetary liabilities (non-bank debt)	**18.5**	20.2
Bank debt	**70.2**	98.6

c) The Company had the following transactions denominated in foreign currencies (amounts expressed in millions of U.S. dollars):

	2010	2009
Export sales and other revenues	**35.4**	39.4
Import purchases	**(81.5)**	(63.5)
	(46.1)	(24.1)
Interest income	**0.2**	0.1
Interest expense	**(5.9)**	(6.7)
	(5.7)	(6.6)
Balance of payments	**(51.8)**	(30.7)

14. TRANSACTIONS WITH RELATED PARTIES

Employee benefits granted to executives of the Company were as follows:

	2010	2009
Short- and long-term compensation benefits	**$ 165**	$ 117

15. QUIMOBASICOS, S.A. DE C.V.'s INCINERATION PROJECT HFC-23 ("QUIMOBASICOS")

Beginning in March 2006, several investments in plant and equipment enabled Quimobasicos to participate in the Protocol of Kyoto (the "Protocol"). The Protocol uses a series of instruments that allows developed countries to accomplish their goals of reducing gas emmissions, with flexibility and reduced costs. Those organizations that participate in the Protocol and reduce or capture emissions of gases that damage the environment (GEI) will generate, under certain circumstances, Certified Emission Reductions (CERs) certificates, salable to developed countries to credit their compliance with their obligations. The CERs can be negotiated directly in the market, given their ownership rights and protection under the regulation of the Framework Convention on Climate Change and the Protocol.

The sales of CERs for fiscal year 2009 amounted to $126, which was recorded as revenue in the consolidated statements of income. No sales of CERs occurred during 2010.

16. OTHER (EXPENSES) INCOME, NET

	2010	2009
Impairment of fixed assets	**$ (428)**	$ (11)
Impairment of goodwill	**(41)**	
Other (expenses) income, net	**(6)**	12
	$ (475)	$ 1

In 2010, the Company reviewed and determined the recoverable values of the long-lived assets of certain subsidiaries and concluded that there was evidence of impairment, resulting in a write-down in the value of fixed assets by $428 as follows:

a) Industria Quimica del Istmo, S.A. de C.V. recognized an impairment loss of $104, mainly due to the relocation of its plant in Monterrey, Nuevo Leon.

b) Derivados Acrilicos, S.A. de C.V. recognized an impairment loss of $276 resulting from increased competition entering the country from Asia and the cancellation of tariffs that resulted in a reduction in expected future cash flows from this subsidiary.

c) Industria Quimica del Istmo, S.A. de C.V. and Sales del Istmo, S.A. de C.V. evaluated the fair value of certain fixed assets that are no longer in use, which was determined by independent appraisers and resulted in an impairment loss of $48.

To determine the fair value of such fixed assets, the Company used an 11.2% annual rate to discount the expected future cash flows.

The Company also recognized goodwill impairment of $41.

17. COMPREHENSIVE FINANCING COST

	2010	2009
Interest expense	**$ (108)**	$ (121)
Interest income	**24**	16
Early payment discount	**(10)**	(8)
Exchange gain	**26**	80
Derivative financial instruments	**5**	
Translation effects of foreign operation	**(4)**	4
	$ (67)	$ (29)

18. INCOME TAXES

a) The Company is subject to ISR and IETU.

The ISR rate is 30% for 2010 through 2012 and was 28% in 2009; it will be 29% for 2013 and 28% for 2014. The Company pays ISR, together with subsidiaries on a consolidated basis since 1990.

On December 7, 2009, amendments to the ISR Law were published and become effective beginning in 2010. These amendments state that: a) ISR relating to tax consolidation benefits obtained from 1999 through 2004 should be paid in installments beginning in 2010 through 2014, b) ISR relating to tax benefits obtained in the 2005 tax consolidation and thereafter, should be paid during the sixth through the tenth year after that in which the benefit was obtained. Payment of ISR in connection with tax consolidation benefits obtained from 1990 through 1998 may be required in those cases provided by law.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. Beginning in 2010, the IETU rate is 17.5%, and it was 17% in 2009. The Asset Tax (IMPAC) Law was repealed upon enactment of the IETU Law; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid for the first time, may be recovered, according to the terms of the law. In addition, as opposed to ISR, the parent and its subsidiaries will incur IETU on an individual basis

Income tax incurred will be the higher of ISR and IETU.

Based on its financial projections and according to INIF 8, *Effects of the Business Flat Tax*, the Company determined that it will essentially pay ISR in the future. Therefore, it only recognizes deferred ISR.

The ISR liability relating to tax consolidation benefits at December 31, 2010 should be paid during the following years:

Year	**Amount**	
2011	$	115
2012		139
2013		116
2014		114
2015		54
2016		74
2017		44
2018		36
2019		24
2020		19
	$	735

b) Income taxes and the reconciliation of the statutory and effective ISR rates, expressed as a percentage of income before income taxes follows:

	2010	2009
Effective income tax rate	**23.6%**	26.8 %
Add (less) effects of permanent differences, mainly non-deductible expenses	**(0.8)%**	1.2 %
Cancellation of tax on assets	**(52.8)%**	
Statutory income tax rate	**(30.0)%**	28.0%

c) Other comprehensive income amounts, items and their related deferred income tax effects are as follows:

	Amount before income taxes		**Deferred income tax**		**Amount net of income taxes**	
Derivative financial instruments	$	1	$		$	1
Effect of translation of foreign operation		(16)		5		(11)
	$	(15)	$	5	$	(10)

d) The main items comprising the deferred ISR asset as of December 31, are as follows:

	2010	2009
Deferred ISR (liabilities) assets:		
Property, plant and equipment	$ (419)	$ (514)
Tax loss carryforwards	350	532
Employee termination and retirement benefits	91	80
Derivative financial instruments	14	16
Allowance for doubtful accounts	4	22
Other	(20)	(45)
Sub-total	20	91
Recoverable tax on assets		601
Long-term deferred tax asset	$ 20	$ 692

e) The benefits of restated tax loss carryforwards for which the deferred ISR asset, has been recognized, can be recovered subject to certain conditions. Restated amounts as of December 31, 2010 and expiration dates are:

Tax Loss Carryforwards:

Year of Origin	Amount	Year of Expiration
2001	$ 157	2011
2002	435	2012
2003	1,016	2013
2004	426	2014
2005	163	2015
2006	230	2016
2007	125	2017
2008	188	2018
2009	78	2019
2010	4	2020
	$ 2,822	

19. DISCONTINUED OPERATIONS

a) As a result of the sale of subsidiaries disclosed in the note 1i), the Company recognized a gain of $1,094, net of income tax, which is shown in the statement of income within discontinued operations.

b) As disclosed in note 1i), as a result of the sale of its subsidiaries Policyd, S.A. de C.V. and Plasticos Rex, S.A. de C.V., the results of operations for the ten months of 2010 of each subsidiary, as well as the balance sheet and statement of income items for 2009 have been classified as discontinued operations.

c) Assets and liabilities of discontinued operations have been separately disclosed in the consolidated balance sheets, as follows:

	2010	2009
Assets		
Cash	$ 109	$ 321
Trade receivables, net	4	784
Inventories		215
Other current assets	18	53
Property, plant and equipment, net	717	1,481
Deferred income taxes	397	376
Other non-current		6
Total assets of discontinued operations	$ 1,245	$ 3,236
Liabilities		
Trade accounts payable	$ 2	$ 490
Other payables	4	120
Other non-current liabilities	21	75
Total liabilities of discontinued operations	$ 27	$ 685

Discontinued operations have also been separately identified in the consolidated statements of income in order to present comparative figures for all periods presented. A summary of the Company's discontinued operations is presented below:

	2010	2009
Net sales	$ 2,402	$ 2,732
Cost of sales	(2,139)	(2,363)
Operating expenses	(184)	(183)
Operating income	79	186
Other income (expenses), net	1,534	(287)
Comprehensive financing cost	(8)	(1)
Income (loss) before income taxes	1,605	(102)
Income tax (expense) benefit	(471)	24
Net income (loss)	$ 1,134	$ (78)

d) The balance sheet at December 31, 2009 and the statement of income for the ten months ended October 31, 2010, and for the year ended December 31, 2009, related to Policyd, S.A. de C.V. and Plasticos Rex, S.A. de C.V., presented in prior years as part of the chemical products and specialties segment, is as follows:

	2010	2009
Balance Sheet		
Current assets		$ 1,299
Non-current assets		815
Current liabilities		604
Non-current liabilities		60

	2010	2009
Statement of income		
Net sales	$ **2,402**	$ 2,732
Cost and expenses	**2,323**	2,616
Income from continuing operations before income taxes	**79**	116
Income taxes	**(17)**	(38)
Net income	$ **62**	$ 78

e) Impairment of Fixed Assets Within the Yarn Segment

During 2010 and 2009, the Company performed an appraisal of idle fixed assets within its Yarn Segment and recorded an impairment loss of $30 in 2010 and $162 in 2009, net of income tax, to reflect their fair value. This impairment loss is recorded in the income (loss) from discontinued operations line-item of the income statement.

20. COMMITMENTS AND CONTINGENCIES

a) During 2010, the Company obtained a refund of the asset tax paid from the Mexican Tax Authorities. Based on recommendations from its legal counsel, the Company voluntarily desisted against pursuing additional refunds related to pending tax proceedings.

b) As of December 31, 2010, bank debt with a total value of $907 was collateralized by trade receivables, inventories and fixed assets with a book value of $2,171.

c) As of December 31, 2010, the Company had recorded a warranty reserve of $75, to cover the quality of products sold to customers.

d) The Company has lease agreements for offices, land, and other fixed assets. Rental expense amounted to US$1 million in 2010 and US$2 million in 2009. The agreements contain fixed-term lease clauses. Future minimum rentals due under the leases are as follows, in millions of U.S. dollars:

Years	Amount
2011	1.2
2012	1.0
2013 and thereafter	0.4

21. INFORMATION BY BUSINESS SEGMENT

a) The Company is divided into two business segments, as described below with their main products:

- **Chemical Products and Specialties:** Salt, chlorine, caustic soda and refrigerant gases.
- **Yarns:** Acrilic yarns.

b) The relevant information by business segment is as follows:

	2010				
	Chemical Products and Specialties	**Yarns**	**Corporate and Eliminations**	**Discon-tinued Operations**	**Consolidated Information**
Net sales by segment	**$ 3,516**	**$ 356**	**$ 175**	**$**	**$ 4,047**
Net intersegment sales	**6**		**171**		**177**
Net consolidated sales	**3,510**	**356**	**4**		**3,870**
Operating income (loss)	**748**	**82**	**(377)**		**453**
Assets	**4,034**	**538**	**2,212**	**1,245**	**8,029**
Liabilities	**864**	**43**	**1,915**	**27**	**2,849**
Capital expenditures	**195**	**1**	**2**		**198**
Depreciation and amortization	**130**	**18**	**2**		**150**

	2009				
	Chemical Products and Specialties	Yarns	Corporate and Eliminations	Discon-tinued Operations	Consolidated Information
Net sales by segment	$ 3,603	$ 318	$ 174	$	$ 4,095
Net intersegment sales	6		171		177
Net consolidated sales	3,597	318	3		3,918
Operating income (loss)	1,121	84	(453)		752
Assets	2,924	847	1,261	3,237	8,269
Liabilities	743	46	2,408	685	3,882
Capital expenditures	206	1	(4)		203
Depreciation and amortization	120	19	4		143

c) Export sales by segment are summarized as follows (in millions of U.S. dollars):

	2010			
	Chemical Products and Specialties	Yarns	Consolidated Information	%
United States and Canada	**14.6**	**0.7**	**15.3**	**44.0**
Central and South America	**17.6**		**17.6**	**49.0**
Asia	**0.3**		**0.3**	**0.4**
Europe	**2.2**		**2.2**	**6.6**
Total	**34.7**	**0.7**	**35.4**	**100.0**

	2009			
	Chemical Products and Specialties	Yarns	Consolidated Information	%
United States and Canada	16.5	0.7	17.2	44.0
Central and South America	12.9		12.9	33.0
Europe	9.3		9.3	23.0
Total	38.7	0.7	39.4	100.0

22. NEW ACCOUNTING PRINCIPLES

As part of its efforts to make Mexican standards converge with international standards, in 2010, the Mexican Board for Research and Development of Financial Information Standards ("CINIF") issued the following Mexican Financial Reporting Standards (NIFs) and improvements to NIFs applicable to profitable entities, which become effective for fiscal years beginning on January 1, 2011, as follows:

B-5, Financial Segment Information
B-9, Interim Financial Information
C-4, Inventories
C-5, Advance Payments and Other Assets
Improvements to Mexican Financial Reporting Standards 2011

Some of the most important changes established by these standards are:

NIF B-5, *Financial Segment Information.-* Establishes management's approach to disclose financial information by segment as opposed to Bulletin B-5, which, while using a management's approach, require that the information be disclosed by economic segments, geographical areas or homogeneous groups of customers. The standard does not require that the business areas be subject to different risks from one another to separate them; it allows classifying as a segment area in the pre-operational stage; and requires the separate disclosure of interest income, interest expense and liabilities, as well as disclosure of information of the entity as a whole, by products, services, geographical areas, and major customers and suppliers. As the previous Bulletin B-5, this standard is only mandatory for public companies or entities in process of becoming public.

NIF B-9, *Interim Financial Information.-* Unlike Bulletin B-9, this standard requires a condensed presentation of the statement of changes in shareholders' equity and the statement of cash flows as part of the financial information at interim dates and, for comparative purposes, requires that the information presented at the closing of an interim period be included together with information at the end of the same interim period of the

previous year and, in the case of the balance sheet, it requires presenting the closing balance sheet of the immediately preceding year.

NIF C-4, *Inventories*.- This standard eliminates direct costing as a system of valuation and the last-in first-out valuation method. It requires that the amendment relating to the acquisition cost of inventory on the basis of cost or market value, whichever is less, be made only on the basis of net realizable value. It also sets rules for valuing inventory of service providers. It clarifies that, in the case of inventory acquisitions by installments, the difference between the purchase price under normal credit terms and the amount paid be recognized as a financial cost during the financing period. The standard allows that, under certain circumstances, the estimates for impairment losses on inventories that have been recognized in prior periods be reduced or canceled against current earnings of the period where changes to estimates are made. It also requires disclosing the amount of inventories recognized in the results of the period, when cost of sales includes other elements, or when part of cost of sales is included as part of discontinued operations, or when the statement of income is classified according to the nature of the P&L items and no cost-of-sales line item is presented, but rather the individual elements making up cost. It requires disclosing the amount of any impairment losses on inventories recognized as cost of the period. It also requires that any change in the cost allocation method be treated as an accounting change. Additionally, it requires that advances to suppliers from the time when the risks and benefits of ownership are transferred to the Company, be recognized as inventories.

NIF C-5, *Advance Payments and Other Assets*.- This standard sets as a basic feature of advance payments, the fact that they do not yet transfer to the Company the risks and benefits of the ownership of goods and services to be acquired or received. Therefore, this standard requires that advances for the purchase of inventories or property, plant and equipment, among others, be presented in the advance payments line item and not in inventory or property, plant and equipment, respectively. It requires that advance payments be recognized as an impairment loss when they lose their ability to generate future economic benefits. This standard requires advance payments related to the acquisition of goods to be presented in the current or noncurrent sections of the balance sheet, based on their respective classification.

Improvements to Mexican Financial Reporting Standards 2011.- The main improvements generating accounting changes that should be recognized in fiscal years starting on January 1, 2011 are as follows:

NIF B-1, Accounting Changes and Error Corrections.- This standard requires that if the entity has implemented an accounting change or corrected an error, it should present a retroactively adjusted statement of financial position at the beginning of the earliest period for which comparative financial information with that of the current period is presented. It also requires that each line item in the statement of changes in shareholders' equity shows: a) initial balances previously reported, b) the effects of the retroactive application for each of the affected items in shareholders' equity, segregating the effects of accounting changes and corrections of errors, and c) the beginning balances retroactively adjusted.

NIF B-2, Statement of Cash Flows.- This standard eliminates the requirement to show the excess cash to be applied in financing activities, or cash to be obtained from financing activities line items, to leave its presentation as a recommendation.

Bulletin C-3, Accounts Receivable.- This Bulletin includes standards for the recognition of interest income from accounts receivable, and clarifies that it is not possible to recognize accrued interest income derived from receivables considered difficult to recover.

NIF C-10, Derivative Financial Instruments and Hedging Activities.- The standard establishes specific cases when a component of a derivative financial instrument should be excluded when determining hedge effectiveness. The standard also requires that for valuation of options and currency forwards, certain components be excluded for purposes of determining effectiveness, thus resulting in recognition, presentation and pertinent disclosure in the following cases: a) valuation of derivative financial instruments such as an option or a combination of options: changes in fair value attributable to changes in the intrinsic value of the options may be separated from changes attributable to their extrinsic value and only the change attributable to the option's intrinsic value, and not the extrinsic component, may be designated as effective hedging; and b) valuation of currency exchange forwards: separation of the change in fair value relating to the element attributable to differences between interest rates of the currencies to be exchanged from the change in fair value attributable to the component of changes in the spot prices of the currencies involved is possible, and the effect attributable to the component that was excluded from the cash flow hedge may be recognized directly in current earnings. The hedge accounting is limited when the transaction is carried out with related parties whose functional currencies are different among them. The standard requires that when the hedged position is a portion of a portfolio of financial assets or financial liabilities, the effect of the hedged risk relating to variances in the interest rate of the portion of such portfolio, be presented as a supplement of the primary position, in a separate line. It also states that contribution or margin accounts received, associated with transactions for trading or hedging with derivative financial instruments, be presented as a financial liability separately from the financial instruments line item when cash or marketable securities are received and that only their fair value be disclosed if securities in deposit or qualifying financial warranties are received that will not become the property of the entity. The standard also states that a proportion of the total amount of the hedging instrument, such as a percentage of its notional amount, may be designated as hedging instrument in a hedging relationship. However, a hedging relationship cannot be designated for only a portion of the term in which the instrument intended to be used as hedge is in effect.

NIF C-13, Related Parties.- This standard defines a close family member as a related party and considers all persons who qualify as related parties or, excludes those who, despite the family relationship, are not related parties.

Bulletin D-5, Leases.- Bulletin D-5 removes the obligation to determine the incremental interest rate when the implicit rate is too low; consequently, it establishes that the discount rate to be used by the lessor to determine the present value should be the implicit interest rate of the lease agreement. It eliminates the requirement to use the lower interest rate between the incremental interest rate and the implicit interest rate of the lease agreement to determine the present value of minimum lease payments the lessee may capitalize. It requires using the implicit interest rate of the agreement if it can be easily determined; otherwise, the incremental interest rate should be used. Both the lessor and the lessee should disclose more detailed information on their leasing operations. The Bulletin requires that the result in a sale and leaseback transaction be deferred and amortized over the term of the agreement and not in proportion to the depreciation of the leased asset. The Bulletin also establishes that the gain or loss on the sale and leaseback in an operating lease be recognized in results at the time of sale, provided that the transaction is established at fair value, noting that if the sales price is lower, the result should be recognized immediately in current earnings, unless the loss is offset by future payments that are below the market price, in which case it should be deferred and amortized over the term of the agreement and, if the selling price is higher, the excess should be deferred and amortized over the term of agreement.

At the date of issuance of these consolidated financial statements, the Company has not fully assessed the effects of adopting these new standards on its consolidated financial information.

23. INTERNATIONAL FINANCIAL REPORTING STANDARDS

In January 2009, Mexico's National Banking and Securities Commission published the amendments to its National Securities Law, which requires companies to file financial statements prepared according to the International Financial Reporting Standards ("IFRS") beginning in 2012, and permits their early adoption.

The Company will adopt IFRS beginning in 2012 and must present comparative information for 2011 as required by such standards.

24. FINANCIAL STATEMENTS ISSUANCE AUTHORIZATION

On March 14, 2011, the issuance of the consolidated financial statements was authorized by C.P. José de Jesús Montemayor Castillo, Chief Financial Officer of the Company. Based on provisions set forth by the General Corporate Law, these consolidated financial statements are subject to the approval or modifications of the Company's general ordinary shareholders' meeting.

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