OVERCOMING CHALLENGES, EXPANDING HORIZONS

Annual Report

2015

Vitro®

The Glass Company

Our Company

Vitro is the leading glass producer in Mexico and one of the most important players worldwide with more than 100 years of experience in the industry.

Founded in 1909 in Monterrey, Mexico, Vitro has subsidiaries in the American continent through which it offers quality products and reliable services to meet the needs of its main two business sectors: glass containers and float glass.

Vitro's companies produce, process, distribute and market a wide range of glass products which are part of the everyday life of thousands of people.

Vitro offers solutions for multiple markets such as cosmetics and pharmaceuticals, as well as the automotive and construction.

The company is also a supplier of raw materials, mould manufacturing, equipment and machinery, equipment for industrial and chemicals and has shareholdings in Empresas Comegua, S.A. in central America.

As a Socially Responsible Company, Vitro works various initiatives under the Vitro Sustainability Model in order to exert a positive influence in the economic, social and environmental aspects linked to its stakeholders, through a responsible corporate management.

Vitro's Philosophy

For over a century Vitro's collaborators have managed to turn challenges into opportunities by putting into practice the Values of the Company. Vitro's Mission is sustained by being a value generator for all its stakeholders.

Mission:

Provide efficiently the best solutions in products and services to the industries in which it participates in order to create value for its clients, shareholders, employees, suppliers and the communities where it operates.

Vision

Lead Vitro in the next five years to achieve higher sales values, cash flow generation and capitalization than prior to the disinvestment of the containers division.

In five years our businesses will have a more solid strategic position, and based on major competitive advantages and a robust business model, we will be recognized as an innovative company in the industries where we participate.

Values

Innovation
Enhance processes and operations with new ideas to consistently improve our results.

Team Work
Unite talent to work as a single force.

Operational Excellence
Always overcome what is expected from us.

Customer Orientation
Our customers are the focal point of our business.

Integrity
Always act with honesty and adherence to our principles.

Contents

Global Presence

With 106 years of experience in the industry, Vitro occupies a leading position as a manufacturer of glass in Mexico and the world.

The prestige of the Company rests on its products and services used by thousands of people all over the world.

Through its Containers and Float Glass business units, Vitro serves the cosmetics, perfume pharmaceutical, construction, and automotive, industries as well as the chemical, machinery & equipment and molds industries.

Thorough its solid business relationships with the leaders of each of the market it serves, its products reach more than 40 countries all over the world and it has operating and marketing facilities in eight countries of the American continent.

Our main companies

Vitro, S.A.B. de C.V.

Glass Containers

Compañía Vidriera (4)
Fabricación de Máquinas
Servicios Integrales de Acabados
Vidriera Guadalajara
Vidriera Los Reyes
Vidriera Monterrey
Vidriera Querétaro
Vidrio Lux (3)
Vidriera Toluca
Vitro Packaging de México
Vitro Packaging, LLC. (2)
BBO Glass Solutions, LLC (2) (5)
Envases de Vidrio de las Américas, S. de R.L. de C.V. (5)
Especialidades Operativas de las Américas, S. de R.L. de C.V. (5)
Vitro América, S. de R.L. de C.V. (5)
Vitro Vigusa, S.de R.L. de C.V. (5)
Vitro Vimosa, S.de R.L. de C.V. (5)
Vitro Viquesa, S.de R.L. de C.V. (5)
Vitro Virreyes, S.de R.L. de C.V. (5)
Vitro Vitolsa, S.de R.L. de C.V. (5)

Float Glass

Comercializadora Álcali
Cristales Automotrices
(In association with the Posselt family, who holds 49%)
Distribuidora Álcali
Industria del Álcali
Productos de Valor Agregado en Cristal
Vidrio Plano de Mexicali
Vidrio Plano de México
Vidrio Plano de México LAN
Vidrio y Cristal del Noroeste
Viméxico
Vitro Automotriz
Vitro Chemicals (2)
Vitro Colombia (1)
Vitro Do Brasil Industria E Comercio
Vitro Flex
Vitro Flotado Cubiertas
Vitro Vidrio y Cristal
Vitrocar
VVP Autoglass

(1) Company with operations in Colombia.
(2) Company with operations in USA.
(3) Company with operations in Bolivia.
(4) Companies merged with Vitro on January 1, 2014.
(5) Companies divested on August 31, 2015 as part of the transaction involving the Food and Beverages Glass Containers business.

Main destinations of our products

1. Germany
2. Argentina
3. Belgium
4. Bolivia
5. Brazil
6. Canada
7. Chile
8. China
9. Colombia
10. South Korea
11. Costa Rica
12. Cuba
13. Ecuador
14. El Salvador
15. Arab Emirates
16. Spain
17. United States of America
18. Philippines
19. France
20. Greece
21. Guatemala
22. Honduras
23. Hungary
24. Italy
25. Japan
26. Mexico
27. Nicaragua
28. Panama
29. Peru
30. Poland
31. Puerto Rico
32. United Kingdom
33. Dominican Republic
34. Russia
35. South Africa
36. Switzerland
37. Trinidad and Tobago
38. Tunisia
39. Uruguay
40. Venezuela

Our Facilities

1. Brazil
2. Colombia
3. Costa Rica
4. Ecuador
5. United States of America
6. Guatemala
7. Mexico
8. Peru

Financial highlights

Vitro, S.A.B de C.V. and Subsidiaries
(In millions of mexican pesos under IFRS, except where indicated otherwise; dollar figures are in millions of US dollars).

	December 31,					
	US $ (1)		%	'Ps. (2)		%
	2015	2014	change (3)	2015	2014	change (3)
Income Statement						
Consolidated net sales	**$ 882**	$ 836	5.5	**$ 14,127**	$ 11,145	26.8
Domestic	**598**	565	5.9	**9,588**	7,538	27.2
Export	**259**	237	9.4	**4,145**	3,150	31.6
Foreign Subsidiaries	**25**	34	(28.1)	**394**	458	(13.9)
Operating income before other (EBIT)	**141**	60	134.9	**2,263**	770	194.0
Net income (loss)	**1,445**	3		**24,188**	(39)	
Net income (loss) of majority interest	**1,411**	2		**23,600**	(57)	
Net income (loss) of majority interest earnings per common share (4)	**4.07**	0.00		**68.08**	(0.16)	
EBITDA (5)	**193**	134	43.5	**3,090**	1,775	74.1
Balance Sheet						
Total assets	**1,606**	2,378	(32.5)	**27,732**	35,057	(20.9)
Total liabilities	**439**	1,830	(76.0)	**7,588**	26,984	(71.9)
Stockholders' equity	**1,167**	548	113.1	**20,144**	8,073	149.5
Stockholders' equity of majority interest	**1,083**	447	142.2	**18,692**	6,748	177.0
Financial Indicators						
Debt / EBITDA (times)	**0.0**	8.9		**0.0**	9.9	
Net Debt (7) / EBITDA (times)	**(2.1)**	7.5		**(2.3)**	8.4	
Interest Coverage (times) (EBITDA / total net financial expense)	**2.2**	1.2		**2.2**	1.2	
EBIT Margin (%	**16.0**	7.2		**16.0**	6.9	
EBITDA Margin (%)	**21.8**	16.1		**21.9**	15.9	
Personnel (8)	**10,744**	15,919	(32.5)	**10,744**	15,919	(32.5)
Capital expenditures (6)	**85**	33	154.2	**1,373**	457	200.4

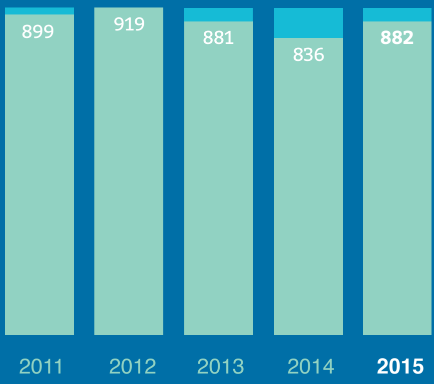
(1) Dollar figures reported herein are in nominal dollars resulting from dividing each month's nominal pesos by that month's ending exchange rate.
(2) Financial data is presented in nominal pesos.
(3) Change from 2014 to 2015.
(4) Based on the weighted average shares outstanding.
(5) EBITDA = earning before other, interest, taxes plus depreciation and amortization, and provision for employee retirement obligations.
(6) Represents the capital expeditures carried out during the year, for which differs of the investments presented in the cash flow.
(7) Debt net to cash and equivalents.
(8) Personnel in 2014 include glass containers for food and beverage segment.

Financial statements were prepared according to International Financial Reporting Standards (IFRS).

Vitro is in an outstanding financial position, with excellent results in EBITDA, with the debt cover at 100 percent and has a liquidity that had not had in over 25 years.

Consolidated Net Sales

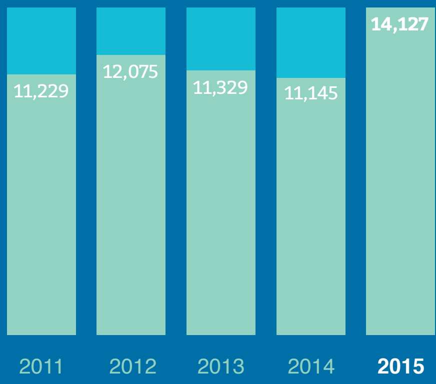
In millions of US dollars



5%

2015 vs. 2014

Millions of pesos

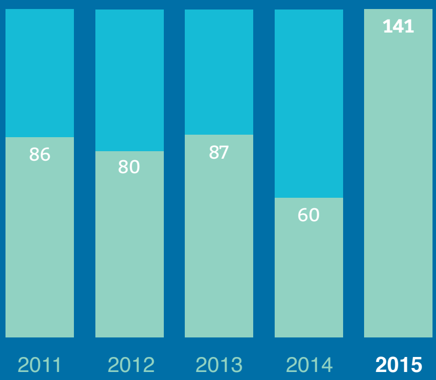


27%

2015 vs. 2014

Consolidated EBIT before other expenses

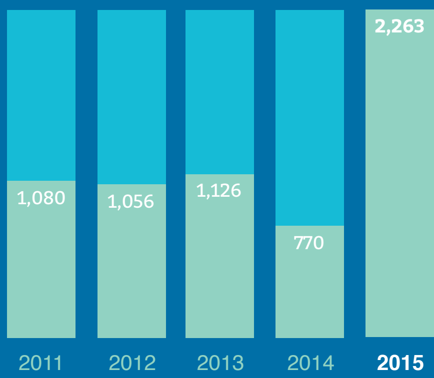
In millions of US dollars



135%

2015 vs. 2014

Millions of pesos

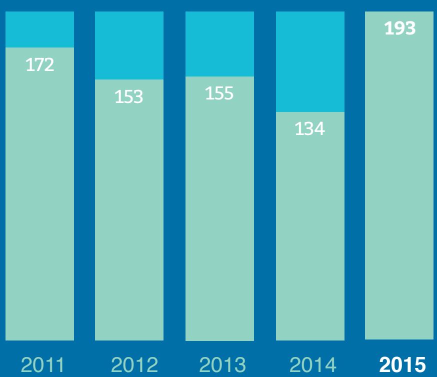


194%

2015 vs. 2014

Consolidated EBITDA

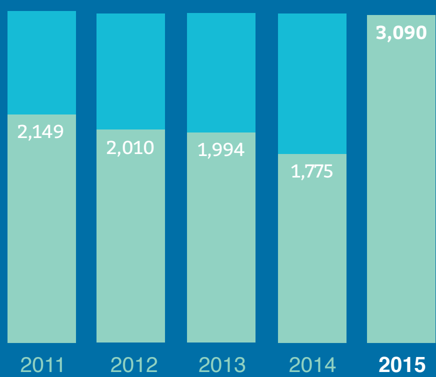
In millions of US dollars



44%

2015 vs. 2014

Millions of pesos



74%

2015 vs. 2014

Message from the Chairman of the Board

Dear Shareholders,

The fact that we turned challenges into opportunities was shown in the equity price of Vitro which had a yield of 128 percent.

Today, I'm pleased to report that Vitro is in an extraordinary financial position, with excellent EBITDA results, with its debt fully paid and with the necessary liquidity to capitalize future investment projects.

On September 1, 2015, Vitro closed the sale of its Food and Beverages Glass Containers companies to Owens-Illinois, Inc.; this represented a business opportunity which provided financial and operational benefits for both parties.

The transaction, which amounted, on a debt/cash free basis to USD$2,150 million, included five container plants located in Mexico, a plant in Bolivia and the distribution of these products in the United States of America.

With the flow from the sale, the 2018 Bonds (USD$800.4 million) the Fintech Bond (USD$200 million) and the loan agreement with Crédit Agricole CIB (USD$21.9 million) were paid in advance together with any accrued interest as at the payment date. Having paid the total debt, the exposure to the debt in dollars was eliminated in a context where the peso is becoming weaker.

The closing of the sale of the Food and Beverages Glass Containers Division was made at the right time and in record time, given that the company took the measure to allocate a work team focused on the divestment process which gave timely follow-up to other businesses and achieved the transition smoothly without affecting operations.

In spite of the fact that the divestiture of the Food and Beverages Glass Containers business caused some nostalgia, given that it was the origin of the Company, we are sure it was the right decision.

The consolidation and development of the Company will continue through its Cosmetics, Perfumes and Pharmaceuticals Glass Containers business units, and with its Float Glass units which include the segments of Automotive and Architectural Glass, as well as the business related to chemical products in Industria del Álcali and the manufacturing of molds, equipment and machinery in Fabricación de Máquinas.

Turning challenges into opportunities

In the current macroeconomic environment, worldwide conditions have not favored the development of certain industries. The weakening of economies has affected internal growth and therefore the purchasing power of final consumers, and the investments of certain companies were moderate or nil.

Amongst the factors having a greater impact on the global economy is the fact that oil prices continue to fall, reaching record lows, together with the appreciation of the American dollar of up to 19.5 percent at the end of the year; the latter meant a significant depreciation of the Mexican peso and of the currencies of the territories where we have commercial activity, which in turn affects our sales in countries such as Colombia and Brazil, among others.

After several adjustments to the growth forecasts made by the authorities and private organizations during the previous year, the Gross Domestic Product (GDP) index in our country closed at 2.3 percent pursuant to the Economic Information Database of the National Institute of Geography and Statistics (INEGI, for its acronym in Spanish), thereby affecting the macroeconomic conditions provided above.

Despite the challenging environment of 2015, Vitro remained firm in its business strategy, focused on its organic growth plan in an orderly and disciplined manner. Having a lean organization and agility in decision making allowed the Company to overcome challenges and direct its course to new horizons.

The foregoing, together with cost reduction programs and well managed expenses, planning and execution of commercial strategies that have not only maintained solid relationships with clients but also raised new businesses and new clients through the development of products, the provision of integral services and the attachment to our company philosophy have all produced good results for Vitro.

The sum of all the actions taken in the previous year; turning challenges into opportunities and remaining faithful to the commitment to improve the finances of the Company and generate value to our shareholders was reflected in the equity price of Vitro which had a yield of 128 percent in the period from January to December 2015.

Sustainable Development

At Vitro we are convinced that sustainable development is only achieved through responsible corporate management involving the whole Company, the environment and the human aspect.

In 2015, the Company was awarded for the eighth straight year with the distinction of Socially Responsible Company (ESR for its acronym in Spanish) by the Mexican Center for Philanthropy (CEMEFI for its acronym in Spanish), and was also awarded for its environmental commitment and its actions to reduce Greenhouse Effect Gases, among other awards that endorse it as a Company with an outstanding labor environment.

Corporate Governance

Vitro strictly adheres to the highest standards of corporate governance and complies with applicable laws with respect to the correct development of a sustainable business.

The main responsibility of the Board of Directors of Vitro is to establish effective strategies, policies and guidelines for the correct execution of businesses and of the entities it controls, as well as to follow-up their duties through the surveillance of its management and execution. In 2015 the Board of Directors was composed of 12 members, 42 percent of which are independent members, a percentage higher than that required by the Mexican law.

In line with the responsibility to monitor the performance of the Company, as of 2004 Vitro has a Code of Conduct of Business and Business Ethics to make sure that all the decisions are adopted within a solid and transparent institutional framework.

The Code of Ethics monitors, regulates and solves any situation where there may be a conflict of interest, the use of facilities, materials and information of the Company, as well as the work relationships with suppliers, customers and competitors, among others that have the potential to violate the law and the internal policies if the company.

In addition to the foregoing, Vitro has an Anonymous Complaints System (SDS for its acronym in Spanish) where, as its name indicates, any person may anonymously report irregularities involving any collaborator, vendor and/or customer breaching the conduct rules and policies provided.

Expanding horizons to generate value

Looking ahead, the outlook remains challenging. As long as the dollar continues to appreciate and the cost of oil continues downwards, the world economy may continue to be affected. However, at Vitro we have a solid base and an optimum financial position with which to continue through the path we choose, of profitable and sustainable growth.

We have the necessary conditions to grow orderly and selectively, making investments in line with our business strategy and allowing us to address the demands of our customers in a timely manner.

Dear shareholders, on behalf of the Board of Directors, I appreciate the trust placed in our management and their handling of this, your company, and we reaffirm our commitment to create value for you.

We thank our clients and suppliers, the community in general and all our stakeholders for believing in Vitro and providing us your support at all times; we are ready to continue expanding horizons together.

Best Regards,

Adrián Sada González
Chairman of the Board of Directors
March 16, 2016

Message from the Chief Executive Officer

Dear Shareholders,

2015 will go down in history as one of Vitro's best years. During the period covered by this report we took actions that have strengthened our Company and, due to the foregoing, today we can present before you a financially and strategically stronger Vitro and with greater prospects of value generation.

As we reported at the time, during the third quarter of 2015 we closed the sale of the Food and Beverages Glass Containers division to Owens Illinois, Inc. (O-I), one of the leaders in that industry.

The transaction benefited both companies; O-I will take advantage of the leadership of Vitro in this segment, as well as of its solid commercial relationships to position itself in Mexico and, in our case, this transaction allowed us to generate great value for our shareholders and other stakeholders, and helped position us as a financially stronger company and with greater projection. Today we are better prepared to capitalize on the growth opportunities we may face.

Currently at Vitro we are in a better position to focus on the Glass Containers business units, serving the Cosmetics, Perfumes and Pharmaceutical sectors, Float Glass serving the Automotive and Architectural markets, as well as the chemical and manufacturing of machinery, molds and equipment business through Industria del Álcali and Fabricación de Máquinas respectively.

Additionally to the great benefits procured through the sale of the food and beverages business, in which it is worth highlighting the total payment of Vitro's debt, we also achieved good operating results and generated value in the businesses we still have.

The latter was thanks to the commitment of our people and the business strategies implemented by the company.

I'm pleased to inform you that, for the sixth consecutive year, the Company achieved an excellent performance by closing 2015 with an EBIT Flow of USD$193 million, an increase of 43.5 percent against the figure for 2014.

The latter was the result of better national and export sales in almost all the market segments we serve, lower energy costs, a greater capacity to use our float furnaces and permanent initiatives to reduce costs and expenses.

Consolidated sales of Vitro for 2015 amounted to USD$882 million, which represented an increase of 5.5 percent against 2014. These figures were reached thanks to an increase in national and export sales in both business units: Glass Containers and Float Glass.

Sales in pesos increased 26.8 percent, from $11,145 million pesos in 2014 to $14,127 million pesos in 2015.

As a result of both the positive operating development as well as an extraordinary transaction with Owens Illinois, it is important to state that our shareholders achieved an increase of their estate during the year, considering the dividend distributed, of 128 percent.

Overcoming challenges

In spite of the challenging economic environment of 2015, Vitro has a great operating and financial development. Amongst the main achievements are the following: Maintaining an operating development in the businesses that were not part of the sale of the food and beverages division, even when this transaction demanded a great portion of the time and attention of key executives.

A favorable result in dollars was obtained both in sales and in generation of cash flow, even with the depreciation of the Mexican peso.

We successfully repaired float glass VF1 furnace, allowing us to recover our participation in the construction glass segment, generating new business opportunities.

The decisions adopted by the Company and its current financial position generated certainty in the market, reflected in new agreements with manufactures of original automotive equipment of a value in annual sales of approximately USD$110 million; the benefits of this achievement will show in 2017.

Even when the sale of the Food and Beverages Glass Containers unit was closed on September 1, our technology department of Fabricación de Máquinas helped with the construction of the new furnace in Vidriera Monterrey which will supply the agreement with Constellation Brands. Such project is of utmost importance for our FAMA business given that this new factory has the cutting edge technology and will allow us to promote our products and services in the future.

The sum of our efforts, the constant search to improve processes and to make them more efficient and the conviction of our collaborators to live and apply Vitro's values, managed to overcome expectations within the complex economic environment.

Solid earnings

The total consolidated sales of Glass Containers, which includes the businesses of Cosmetics, Perfumes and Pharmaceuticals as well as of Fabricación de Máquinas closed with USD$205 million, an increase of 12.8 percent against USD$182 million sold in 2014. The EBIT Flow of Glass Containers totaled USD$52 million against USD$48 million of last year, a figure that represents an increase of 7 percent.

These results were due to a better mixture of products in the cosmetics and perfume sectors, to the sound volume of national sales in the pharmaceutical segment and to the increase in the sales of machinery, molds and services for glass containers of food and beverages; the foregoing in addition to strict savings programs and a continuous improvement in all the processes.

The consolidated sales of Vitro for 2015 were of USD$882 million, which represented an increase of 5.5 percent in comparison with 2014. These figures were achieved thanks to the increase of national and export sales in both business units.

After overcoming the challenges we faced not only in 2015 but also in the last years, in Vitro we have a renewed work spirit and are prepared to extend horizons.

Meanwhile, Float Glass, which includes the companies of Vidrio y Cristal for the construction segment; Vitro Automotriz that serves the sectors of glass for original equipment and the aftermarket, as well as Industria del Álcali, dedicated to the production of chemicals and raw materials registered an extraordinary financial development.

The total consolidated sales of Float Glass were of USD$672 million, figure that represents a 3.5 percent increase to the USD$649 million reported in 2014. The EBIT Flow of Float Glass registered USD$145 million at the closing of 2015, 38 percent higher than the amount of the previous year of USD$105 million.

Amongst the factors supporting these results are: the stable increase of the construction company and a healthy price mix; the sound performance of sales in the original equipment segment; the inclusion of new clients and new projects, as well as the entire use of the float glass furnace that was repaired. Lower energy costs and initiatives to reduce costs and expenses also helped in these advances.

Sustainable growth

The financial and operational strength of a Company is not only due to the efficient management of machinery, equipment and of material and economic resources. An optimal work environment is also required, the search of the integral development of its collaborators and of the surrounding community as well as the care and preservation of the environment are also necessary; the former are the pillars with which Vitro works to achieve a sustainable business model.

Given our commitment to the environment and voluntary action, as of 2007 we hold the annual volunteering "Naturalmente Vitro" an urban reforestation initiative which invites collaborators to adopt tress of endemic species in different cities. Since then we have added more volunteers each year and more green spaces recovered in urban areas. In 2015, Vitro's collaborators adopted more than 9 thousand trees, reaching a total of 61,689 planted trees since the beginning of the project.

The education of new generations is another pillar of our social responsibilities, therefore our schools of Formación Educativa, A.C. opened their doors to more than 1300 students, offering educational services of the highest quality. Also, more than 80 scholarships were granted during the year to the children of employees promoting the development of our community.

In 2015, the commitment of Vitro as a socially responsible company was reflected in the awards and recognition it obtained from public and private organizations. Also, our main stakeholders endorsed and certified the quality of our processes and products.

In Vitro it is a priority to provide an excellent work environment and promote the development of our collaborators. The results of this task are certified by the survey "Top Companies" in which the company occupies position number 15 in the ranking "Super Empresas Expansión 2015" list in which collaborators evaluate our culture and organizational climate.

Likewise, once again the companies of Vitro were recognized as a "Great Place to Work 2015", surveys that distinguish the companies who care and try to establish programs and practices promoting the respect, credibility, objectiveness, pride and team work.

During the year, the Company was also recognized for the eighth year in a row with the seal as a Socially Responsible Company (ESR) granted by the Mexican Center for Philanthropy (CEMEFI), and was also awarded for its environmental commitment and the actions implemented to reduce Greenhouse Effect Gases, among other awards that endorse it as a Company with an outstanding labor environment.

The foregoing are only several examples of the sense of belonging and the interest of our collaborators to take the company in the same direction, to be sustainable and generate value to all.

Expanding horizons

After overcoming the challenges we faced not only in 2015 but in the last years, now in Vitro we have a renewed work spirit prepared to expand horizons.

Expert analysts forecast another challenging year and unstable conditions are in sight in the global economy, therefore our organic growth plans will continue under an analytic and selective scheme where we will intervene in the business opportunities offering a positive return for our stakeholders.

The growth dynamics of the construction and automotive industries in Mexico sustain our expansion plan in Float Glass. In 2016 we will commence the construction of a new float glass furnace which we expect it will start operations in 2017; therefore we will have four furnaces of this kind in the country.

In addition to the foregoing, we will also repair and update the float glass furnace located in Mexicali, Baja California, adding more production volume to this plant; it is estimated that the maintenance works will commence in July and end in November of this year.

For both projects USD$85 million will be invested and some of the equipment from the float furnace that is in Mexico City as of 2006 will be used.

Likewise, pursuant to our mission to offer the best solutions of products and services in the most efficient way, we will commence a project to expand the capacity for the business of spare parts, the construction of an automated line focused in bending processes with the most recent technologies to serve the original equipment segment, both to current clients and to new agreements within the NAFTA region. Both projects will have a net estimated investment of USD$35 million.

With the foregoing we are prepared to support clients in both segments in the near future in addition to generating more value to our shareholders.

The project to expand the acid chloride plant in Industria del Álcali will conclude in this period, which will allow us to grow in our coverage of current clients and new prospects.

The plan to install a plant to produce glass containers for the cosmetics and perfume sectors in Brazil is still effective and we estimate that it will start operations in 2017.

We are certain that the organic growth of our Company will strengthen us to achieve better results; we will be a stronger Vitro based on competitive advantages with a sustainable business model.

Vitro has the financial stability and flexibility to execute the strategies and actions allowing it to achieve its mission to create value for all of its stakeholders.

We wish to thank our clients and all of our stakeholders for their trust in Vitro. We also acknowledge and value our more than 10,700 collaborators that with their talents have made the strong Company that we now have.

Dear shareholders, your support and trust have been decisive in reaching our profitability objectives; we thank you for your support to the decisions we have taken and we reiterate our commitment to maintain a strong financial position. Be certain that we will continue to grow in an orderly manner following business strategies that generate value.

Best Regards,

Adrían Sada Cueva

Chief Executive Officer

March 16, 2016.

Board of Directors

Adrián Sada González (1944)

MEMBER SINCE 1984

Chairman of the Board of Directors

Board Member of Alfa, Cydsa, Consejo Mexicano de Negocios (CMDN) and Grupo de Industriales de Nuevo León.

Álvaro Fernández Garza (1968)

MEMBER SINCE 2011

Chief Executive Officer of Alfa and Member of the Boards of Directors of Alfa and Cydsa. He is also a Member of the Executive Committee of Universidad de Monterrey, Museo de Arte Contemporáneo de Monterrey (MARCO), Grupo Aeroportuario del Pacífico, Latin- American Council of Georgetown University , Axtel, Nemak and Alpek.

Tomás González Sada (1943)

MEMBER SINCE 1980

Chairman of the Board and Chief Executive Officer of Cydsa; Vice President of the Instituto Mexicano para la Competitividad- (IMCO); Honorary Consul of Japan in Monterrey, Mexico. Treasurer of the Martinez Sada Foundation and Member of the Regional Board of Banco de México. He is also member of Consejo Mexicano de Negocios of Nuevo Leon.

Ricardo Guajardo Touché (1948)

MEMBER SINCE 2013

Chairman of the Board of Solfi and Board Member of BBVA Bancomer, Valores de Monterrey, Bimbo, Liverpool, ALFA, Grupo Aeroportuario del Sureste, Coppel and Coca-Cola FEMSA. He was a Member of the International Advisory Committee of the Federal Reserve Bank of New York. He has served in various executive positions in companies such as BBVA Bancomer, Valores de Monterrey, FEMSA and Grupo AXA.

Mario Laborín Gómez (1952)

MEMBER SINCE 2010

Chairman of ABC Holding and ABC Capital, Chief Executive Officer of Bancomext (2006-2008), Chief Executive Officer of Nacional Financiera (2000-2008), Chief Executive Officer of Bancomer and Chairman of the Brokerage Firm (1991-2000) and Founder Chairman of MexDer (1998-2000), as well as Co-Founder and Chief Executive Officer of Grupo Vector (1986-1990). He has served as Board Member of TV Azteca, Cervecería Cuauhtémoc, Transportación Marítima Mexicana, Bancomer, Bolsa Mexicana de Valores, MexDer, Indeval, Xignux, Megacable, Cydsa, Astrum México, Banco de México Nuevo León and Gruma.

Ricardo Martín Bringas (1960)

MEMBER SINCE 2007

Chairman of the Corporate Practices Committee

Chief Executive Officer and Vice-president of the Board of Directors of Soriana as well as Board Member of Teléfonos de México, Grupo Financiero Banamex, Grupo Senda, MADISA, Consejo Mexicano de Negocios (CMDN), Grupo de Empresarios de Nuevo León and Asociación Nacional de Tiendas de Autoservicio y Departamentales (ANTAD). He is also serves as the Chairman of the Patronage for Hospital Regional Materno Infantil.

David Martínez Guzmán (1957)

MEMBER SINCE 2013

Chairman and Special Counselor of Fintech Advisory, Inc. and Board Member of ALFA, Sabadell Banc and CEMEX.

Guillermo Ortiz Martínez (1948)

MEMBER SINCE 2010

Chairman of BTG Pactual Casa de Bolsa México, Fundación Per Jacobsson and Founder of Guillermo Ortiz y Asociados. He was Chairman of Advisory Board (2015) and of the Board of Directors of Grupo Financiero Banorte (2011–2014). He is currently a Member of the Group of Thirty and of the Boards of Directors of Bombardier, Grupo Aeroportuario del Sureste, Mexichem, Grupo Comercial Chedraui and Weatherford International LTD, as well as of the International Board of Zurich Insurance Group. He has acted as Chairman of the Board of Directors of the Bank for International Settlements (2009), Governor of Banco de México (1998-2009) and Secretary of Finance and Public Credit in Mexican Federal Government (1994-1997). At the International Monetary Fund, he chaired the External Panel for the Review of the Fund's Risk Management Framework (2010-2011) and also served as Managing Director (1984-1988).

Jaime Rico Garza (1957)

MEMBER SINCE 2008

Chief Executive Officer and Chairman of the Board of Vitro Europa and Vitro Global, as well as Board Member and Vice-President of Vitro Cristalglass and Director of Vitro Cristalglass (2007-2012).

Adrián Sada Cueva (1975)

MEMBER SINCE 2010

Chief Executive Officer

Board Member of Empresas Comegua, Club Industrial de Monterrey, Grupo Financiero Banorte and Banco Mercantil del Norte, as well as Board Member of Cámara de la Industria de Transformación (CAINTRA) Nuevo León.

Jaime Serra Puche (1951)

MEMBER SINCE 1998

Chairman of SAI Consultores, founder of Aklara (Electronic Auctions), Centro de Arbitraje de México (CAM) and the Mexico NAFTA Fund (Private Capital Fund). He is also Board Member of Fondo México, Tenaris, Grupo Modelo and Alpek as well as Member of the Patronage of the University of Yale (1994-2001). He held several positions in the Mexican Federal Government (1986-1994), as Undersecretary of Revenue, Secretary of Trade, and Secretary of Finance. Currently, he co-chairs the President's Council on International Activities of Yale University and he is a Trustee for the Trilateral Commission.

Joaquín Vargas Guajardo (1954)

MEMBER SINCE 2000

Chairman of the Auditing Committee

Chairman of the Board of Grupo MVS Comunicaciones and Grupo CMR. He is also a Board Member of Grupo Financiero Santander, Grupo Costamex, El Universal, Consejo Superior de la Universidad Panamericana, Grupo Aeroportuario del Pacífico and Médica Sur. He has served as Chairman of Cámara Nacional de la Industria de Radio y Televisión (2000-2001), Chairman of Asociación Mexicana de Restaurantes (1985-1987) and Chairman of Asociación de Directores de Cadenas de Restaurantes (1989).

*Alejandro F. Sánchez Mújica (1954)

***SECRETARY OF THE BOARD SINCE 2007**

He has been a Board Member of several Mexican and foreign companies such as Empresas Comegua and The University of Texas Lady Bird Johnson Wildflower Center. He is currently Senior Counsel of Thompson & Knight and Board Member of the Beneficencia Privada de Nuevo León. He was Legal Counsel of Vitro (2005-2013), Partner of Thompson & Knight (2003-2005), Legal Counsel of Grupo Pulsar/Savia (1982-2003), Legal Counsel of the Petrochemical Division of Grupo Kuo (1975-1981) and Legal Manager of Indeval (1973-1975).

Committees of the Board of Directors

Audit Committee

Chairman

Joaquín Vargas Guajardo *

Guillermo Ortiz Martínez *
Jaime Serra Puche *
Jonathan Davis Arzac**
Secretary Claudio L. Del Valle Cabello ***

Corporate Practices Committee

Chairman

Ricardo Martín Bringas *

Joaquín Vargas Guajardo*
Guillermo Ortiz Martínez *
Mario Martín Laborín Gómez*
Secretary Alejandro F. Sánchez Mújica***

Chairmanship Committee

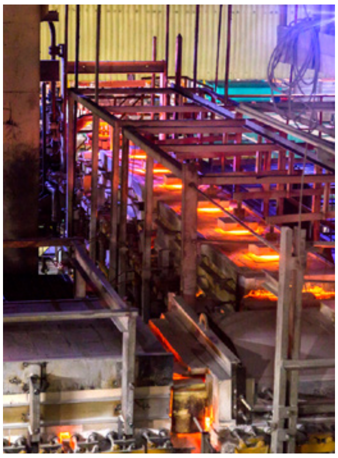
Chairman

Adrián Sada González

Adrián Sada Cueva
Secretary Claudio L. Del Valle Cabello ***

* Independent Director
** No Member Financial Expert
*** No Member Secretary

Glass Containers



Innovation is still one of our competitive advantages; in 2015 the sales of new products represented 36 percent of the total sales in the Perfumes sector.

We implemented internal and external strategies in Glass Containers which compensated the retraction in the Cosmetics, Perfumes and Pharmaceuticals (CPP) segment.

12.8%

Sales increase in the Containers division

With state of the art technology, under strict quality, safety and hygiene controls, the Glass Containers unit produces highly sophisticated and aesthetic containers for the cosmetics, perfumes and toiletries industry; it is also in charge of serving the pharmaceutical segment and it also manufactures machinery, industrial equipment and molds.

Summary of 2015

2015 was a year of challenges for the Glass Containers unit due to the crisis faced by the cosmetics and perfume industries in the last years. The unfavorable worldwide macroeconomic conditions have notoriously affected certain sectors and the cosmetics and perfume sectors is no exception.

The beauty products industry reported a considerable decline in the consumption of cosmetics, perfumes, lotions, treatments and nail polishes, which forced the clients to make adjustments in their processes, from the workforce, their production levels and the development of new presentations to their inventories. The companies of such industry rationalized their purchase orders and also requested better conditions: longer payment terms, adjustments in prices

Vitro’s glass containers are sopport by an excellent quality and service with over 100 years of experience.

The strict expenses and costs control programs, continuous improvement and the lower energy costs allowed us to reach the financial goals established for 2015.

and reductions in delivery times and lots. Likewise, given the increasing demand of previous years, the perfume containers industry increased in capacity and an over capacity and over demand was generated due to this contraction, which led to an increase in competition.

Given this situation, we implemented internal and external strategies in the Glass Containers division which compensated the retraction of the Cosmetics, Perfumes and Pharmaceuticals (CPP) segment.

The strict expenses and costs control programs, continuous improvement in the operating processes as well as the low energy costs played in our favor and the financial goals established for 2015 were met.

Another factor that counteracted market contraction was the variety of products given that more than 50 percent are for export markets. In Europe, our sales increased 81 percent in dollars and 109 percent in parts.

The sale increase in the national pharmaceutical segment helped counteract the effects of the stagnation in the cosmetics sector; the increase in pesos was of 12 percent and in parts the volume increased 39 percent.

Innovation is still our best competitive advantage. In 2015 the sales of new products represented 36 percent of the total sales of the Perfume sector.

The molds and machinery manufacturing business had a good performance. The last year the operations in both segments were at full capacity. Fabricación de Máquinas (FAMA) in addition to manufacturing and repairing molds for glass containers, offer integral design, technology, development, construction and installation services of machines to produce glass containers as well as their maintenance.

One of the most important projects we developed in 2015 was the construction of furnace VM2 for Owens Illinois, Inc., in its Monterrey, Nuevo Leon plant, in which the capacity and experience that FAMA offers to the market was evidenced, given that it is a company expert in the manufacturing of machines for the industry. In its early stages the plan was conceived as an furnace to add capacity, but the dimensions of the project made it a new plant.

In spite of the market conditions and the economic environment that prevailed in 2015, at the end of the year Glass Containers increased its sales 12.8 percent, with total consolidated sales of USD$205 million against USD$182 million registered in 2014.

Thanks to the outstanding performance in the national pharmaceutical sector, a better mixture of products in the cosmetics and perfume sectors and the strict programs to reduce costs and expenses, in 2015 the business reported an EBIT Flow of USD$53 million compared to USD$48 million in 2014, an increase of 9 percent.

Thanks to the outstanding performance in the national pharmaceutical segment, a better mixture of products in the cosmetics and perfume sectors and the strict programs to reduce costs and expenses, in 2015 the business reported an EBIT Flow of USD$53 million compared to USD$48 million in 2014, an increase of 9 percent.

81%

Sales increase in Europe (USD)

Natura, a leader in the cosmetics industry in Brazil, evaluated our facilities and quality management, environment, safety and social liability systems, granting us a score of 98.6.

Convinced that direct and personalized service to the clients is a key for lasting commercial relationships, in the first quarter of 2015 we established a Commercial and Logistics office in Sao Paulo, Brazil.

When facing challenges: actions

During the last year, the business unit had to face challenges of different kinds. Some of the actions that were implemented to mitigate the effects of the negative economic situation and the standing of the industry were the following: developing strategies to maintain market share in the sector, carry out initiatives to improve operating efficiencies and adopting precautionary measures in its growth plan.

In the face of a contraction of almost 15 percent, we designed strategies allowing us to maintain prices and make adjustments pursuant to the clients' needs, adapting to the market conditions. These actions are proof of our new orientation towards the client and of reciprocity in response to their loyalty and trust.

Convinced that the direct and personalized attention with the clients is fundamental for lasting commercial relationships, in the first quarter of 2015 we established a Commercial and Logistics office in Sao Paulo, Brazil; the country with the greatest per capita consumption of perfumes. Having presence and closeness to our clients will facilitate future transactions once the market has recovered.

Another of the challenges we had to face was the spin-off of our Good and Beverages Glass Containers unit when sold to Owens Illinois, Inc. Both the Cosmetics, Perfumes and Pharmaceutical and the Manufacturing of Machines business, had management and operation synergies; however the practice of the Transformation Model that had been applied since 2014 together with team work, allowed us to rapidly reach the autonomy in all the departments.

In the operating aspect, during the last year we had good results. Thanks to the adherence to the continuous improvement procedures and initiatives we achieved greater efficiencies in our processes compared to 2014. The index of customers' claims reduced 32 percent, the efficiency decoration increased 3 percent and the index of the service reached 99 percent of satisfaction.

Proven Quality

Once more, the clients recognized our products and services and endorsed our processes, confirming that the quality and innovation are not only buzzwords, but that they are Vitro's philosophy.

Belcorp, a Peruvian direct sales company of beauty products and client of Vitro for over 10 years, qualified us for third year in a row as a Diamond vendor and in April 2015 it distinguished us with Supplier Excellence.

Natura is amongst the clients auditing us; it is a leader in the cosmetics industry in Brazil and evaluated our facilities and quality, environment, safety and social responsibility management systems, granting us a score of 98.6.

9%

EBITDA increase in 2015

The industry to which our products are targeted not only requires refined glass containers with creative designs, but they must also meet characteristics that assure the client and final user that the glass containers follow strict quality control systems, that our processes meet the highest standards of social responsibility and that we offer sustainable products and services.

SEMARNAT validated us as a Clean Industry

For the launch of the new container for Katy Perry's perfume line, our client, Coty, company dedicated to the manufacturing of beauty products with over 100 years of history, visited the facilities of Glass Containers to validate our processes, our good manufacturing practices and the levels of general inspection of the table Acceptable Quality Limit (AQL).

Likewise, Mirco Essence fragrance by Estée Lauder, one of the most prestigious firms of the beauty industry in the world, was recognized in the Expo Pack Mexico as a product manufactured by Vitro. It is worth highlighting that the client granted us the Supplier Excellence Award for our operating performance.

Mary Kay, one of the biggest direct sales companies in the world, has evidenced for over 12 years that Quality and Innovation are core values for Vitro. Therefore the company entrusted Glass Containers to manufacture the containers for its Upbeat Her and Upbeat Him fragrances, where the embossed gracing is the characteristic distinguishing them.

The industry to which our products are targeted not only requires refined containers and creative designs, they must also meet certain characteristics ensuring the client and the final consumer that the containers follow strict quality control systems, that our processes meet high standards in social responsibility matters and that we offer sustainable products and services.

In the operational aspect, during the last year we had good results. Thanks to the adherence to the procedures and initiatives of continuous improvement, we achieved greater efficiencies in our processes compared to 2014.

FAMA, upon ceasing to be a department integrated into the Food and Beverages Glass Containers department, has a huge potential to grow.

We retain the loyalty of our clients through innovation in developing new products, having new designs and specialized finishes, more convenient presentations, all with the goal of becoming competitive advantages and differentiators.

Vitro has a clear mission to offer the best product and services solutions as efficiently as possible to its clients. Proof of this is the auditing that the clients regularly apply and that certify it as a reliable and satisfactory supplier.

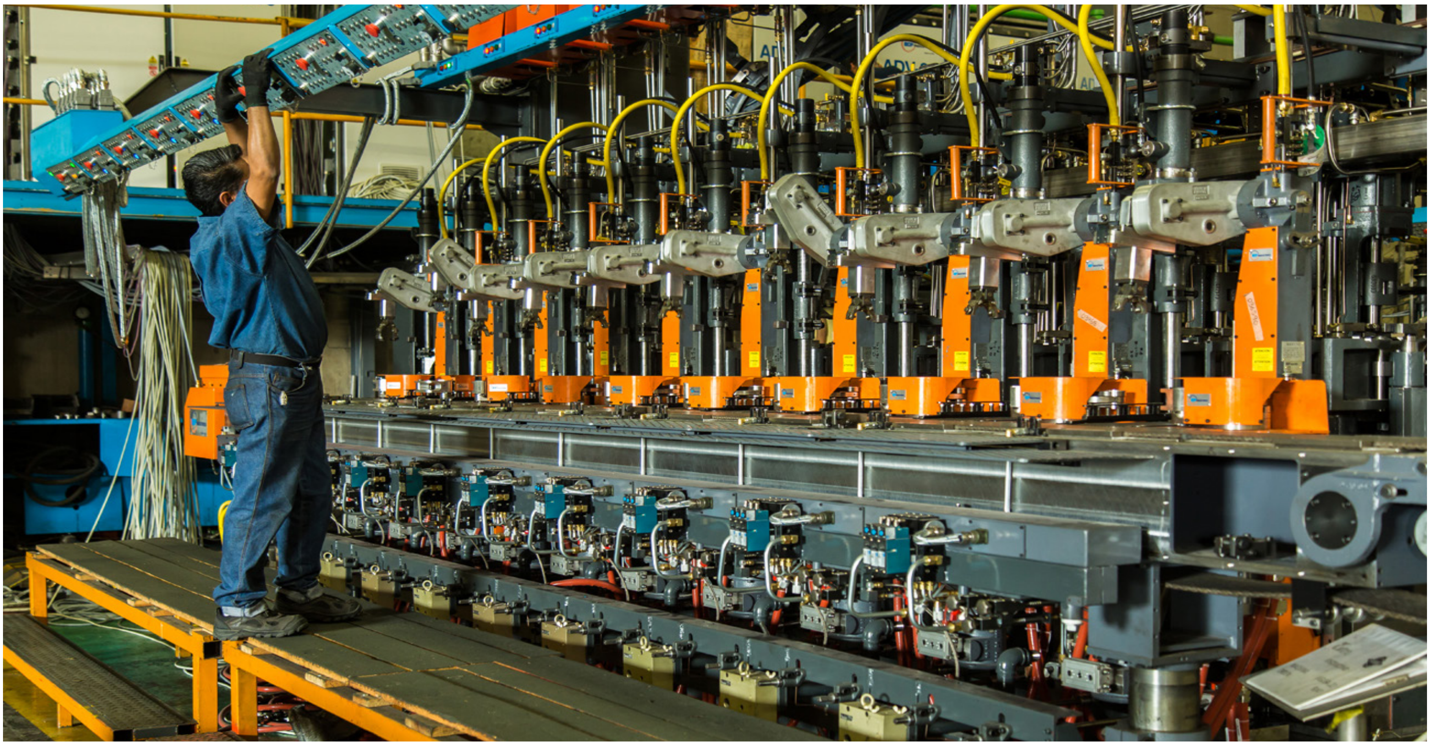
In addition to the recognitions of the clients that certify our commitment, in 2015 the Ministry of the Environment and Natural Resources (SEMARNAT for its acronym in Spanish) validated us as a Clean Industry; likewise we obtained the certification as an Inclusive Company by the Ministry of Labor and Social Security (STPS for its acronym in Spanish).

Business prospects

Onwards, the economic context will continue to be complex, the same challenging tendencies will continue in the market dynamics, our clients do not expect a recovery, the expectation is that the sector is not weakened any further but for the commercial and productive activity in this sector to start stabilizing.

We will continue to implement strategies allowing us to maintain our market share, we will keep our clients' loyalty by innovating in the development of new products with new forms and specialized finishes and more convenient presentation in order to become the competitive advantage and the differentiating factor.

Our plan to install a plant in Brazil still stands; however, we consider that the sociopolitical and economic conditions of the country are not suitable; therefore we will move forward but prudently, expecting that the macroeconomic conditions of this country are stabilized and materialize this growth opportunity for Vitro.



The experience in this segment allows us to offer a wider range of products and services such as molds, machinery, repairs, preventive and corrective maintenance, electronic and mechanic technical assistance and coordination of projects for new furnaces and/or new plants in the glass containers industry.

100

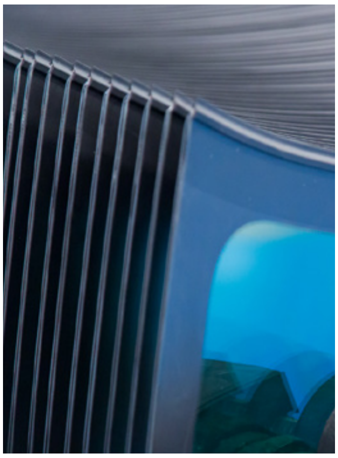
More than 100 years of experience

On the other hand, FAMA, since it is no longer a department integrated to the Food and Beverages Glass Container Business, it has wide potential to grow, and we have designed commercial plans that will allow us to compete in the global market with proven competitive advantages.

Our experience in this segment allows us to offer a wide range of products and services going from molds, machinery, repairs, preventive and corrective maintenance, electronic and mechanic technical assistance up to the coordination of projects for new furnaces and/or new plants in the glass containers industry.

The Glass Containers business unit will capitalize our experience of over a century, our leadership in Mexico and our important presence abroad, to find alternatives that will help us to expand our horizons.

Flat Glass



Flat Glass is a key player in the american continent in manufacturing and processing float glass to serve the construction and automotive industries.

In addition to produce and market glass, Vitro also produces sodium carbonate, sodium bicarbonate, sodium chloride and calcium chloride which are used in the glass, detergent, water treatment, food and oil industries.

2015

A year of favorable results, operating excellence and a workforce highly committed.

Summary of 2015

Favorable results, operating excellence and a highly committed team describe 2015 for Flat Glass. The response of the clients before the repair of the flat glass furnace VF1, together with the market growth in which it participates and the procurement of new automotive platforms are some of the factors influencing to rate the last year as an outstanding year.

After a complex 2014 due to the reduction in the capacity of one of the float glass furnaces, the commercial department of Vidrio y Cristal put all of its efforts in recovering the market share it had lost; fortunately the levels of market share increased both nationally and in the export segment.

In 2015 we won important agreements evidencing the trust of our clients in the quality of the products and services we offer to cover their needs in both segments: the architectural and automotive.

In 2015 we won important agreements which prove the trust of the clients in the quality of the products and services we offer to meet their needs in both segments: architectural and automotive.

The conditions were also favorable in Vitro Automotriz.

With positive financial and operating results we can say that the Flat Glass business unit has retaken its steady course towards profitability and organic growth.

An example is the important agreement we procured with a white goods producer that will supply the NAFTA region, to supply Vitro Luz® glass, which is a low-iron glass with an exceptional light transmission for different applications.

Also, in addition to repairing the VF1, we expanded our capacity to produce PAVIA® with more efficient technology. PAVIA® is a versatile line of glass that can be cut, beveled, curved, tempered, and laminated, making the product very attractive for the construction market. In Mexico we are the leaders in sales of these types of products and we have an important market share in the Unites States of America.

The conditions were also favorable in Vitro Automotriz, with positive financial and operating results we can say that the Flat Glass business unit has retaken its steady course towards profitability and organic growth.

The solid position of our Company is conclusive proof for the clients that in Vitro we are completely focused in generating value for everyone. In 2015, Vitro Automotriz closed new agreements for 2018 to 2020 models for USD$110 million for the original equipment segment.

Another factor that benefited us at the end of the year was the mixture in products and prices that helped compensating the depreciation of the Mexican peso, especially during the last quarter of the year.

The national aftermarket sales grew 11.1 percent, given that through our installation chain we achieved to attract more volume thanks to the prompt answer and distinguished service.

The latter balanced in some way the exchange rate loss given that in exports we loss volume due to the pressure of US clients to request lower prices. Even when our levels of auto sales have remained fixed, given that the results of agreements won in 2014 and 2015 will be shown in 2017 and 2018; we have executed internal actions such as resource optimization, costs and expenses reduction programs, and continuous improvements in the processes that contributed to increase the business profitability.

On the other hand the conditions in Brazil and Colombia were not as expected; the appreciation of the American dollar complicated even more the growth prospects. In our business in Colombia the exchange effect of the dollar against the Colombian peso, materially affected us. Additionally neither the conditions nor the necessary supports have been given for the emergence of the Colombian automotive industry. Before, the government incentivized importing cars, therefore the segment of automotive original equipment has declined in the last years.

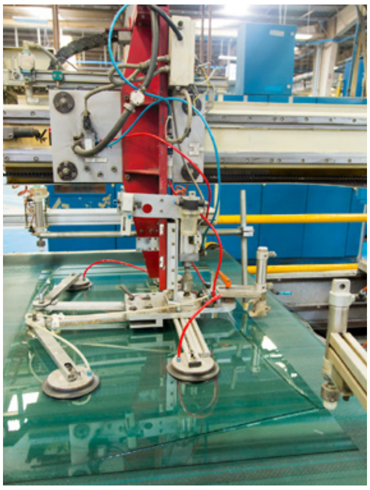
Coupled with the foregoing, or profitability was affected by the presence of models with a long time on the market; however, we

In addition to repairing VF1, we also expanded our capacity to produce PAVIA® with more efficient technology. PAVIA® is a versatile line of glass that can be cut, beveled, curved, tempered, and laminated, making the product very attractive for the construction market.

Vitro Automotriz made sales for approximately

US$110 Million.

Using the full capacity of the flat glass repaired furnace, a solid mixture of prices in the national construction market, higher sales in the original equipment sector, lower energy prices and the incentives to reduce costs and expenses resulted in an increase of the EBIT Flow of Flat Glass of 38 percent going from USD$105 million in 2014 to USD$145 million in 2015.



38%

EBITDA increase in Flat Glass

are trying to compensate the foregoing with a greater activity in the aftermarket and in the buses and trucks segment that is having a better performance than the segment of automotive original equipment.

Brazil is under a recession. Most industries have lost market share and some businesses have had to make prices adjustments. We trust that this country will retake its course in the medium term, therefore we will continue to grow in a controlled manner our presence through new distribution centers.

The results were great in the operating aspects, in addition to the optimal utilization of resources that helped profitability of Flat Glass, the manufacturing installed capacity used was of over 90 percent and it was used optimally.

In 2015, in Vidrio y Cristal, we focused on achieving better efficiencies in changes of color, elimination of wastes, and better use of raw materials in the grain-size distribution process where we used cullet and when reprocessing and reusing it we eliminated pollutants and we avoided confinement of hazardous wastes.

Vitro Automotriz also had operating excellence, the facilities of tempered and laminated glass work 100 percent on average; this shows that he have started to supply the platforms contracted un previous years.

Another achievement we had was to grow as suppliers in the tier-one segment; each time we have a higher business volume in this area. Today, we serve Honda and through this scheme, we manufacture glass for its Civic and Ridgeline models.

In the chemicals business the operating performance was very good in three of the four businesses; the volume in the sodium chloride plant was affected due to the execution of corrective maintenance; however, any setbacks were solved and as of today we are in a better positon to serve our clients.

In spite of the foregoing, Industria del Álcali had satisfactory financial results thanks to the effort of its collaborators, an appropriate budgetary control and lower energy costs, therefore we surpassed such reported in 2014.

Stable sales in the national construction market as well as new clients and a solid performance in the automotive original equipment segment made that the total consolidated sales of Flat Glass were of USD$672 million, 3.5 percent higher than the USD$649 million recorded in 2014.

The use at full capacity of the repaired flat glass furnace, a solid mixture of prices in the national construction market, greater sales in the original equipment sector, lower energy prices and the incentives to reduce costs and expenses resulted in an increase of the EBIT Flow of Flat Glass in 38 percent going from USD$105 million in 2014 to USD$145 million in 2015.

In the operating aspects, the results were great; in addition to the optimal utilization of resources that helped profitability of Flat Glass, the manufacturing installed capacity used was of over 90 percent and it was used optimally.

The operating equipment met in a timely manner with the launch of VF1 with high efficiencies; we achieved the clients' expectations and we maintained our facilities in full capacity.

Recovering our participation in the construction market was one of the tasks that the commercial team solved very quickly. The trust in our products and services as well as keeping the clients informed of the situation and meeting their needs in the best way were key to return to the expected levels of 2015.

Ante los retos: acciones

In order to reach the foregoing results we had to overcome challenges, some of an external and general character, that affected the economy and the markets where we participate; others were under our control and we executed strategic actions to face them. In addition to the foregoing, the operating team timely met the launch of VF1, with high efficiencies which helped to meet the expectations of the clients and to maintain our facilities in full capacity.

The market tendencies and demands are increasing, therefore in Float Glass we make sure to be at the forefront and develop new products, not only aesthetic, but that have conditions adding value; such is the case of the launching of the new glass Vitro Luz SE (solar energy) that has successfully entered the solar energy sector. This product is a patent entirely held by Vitro.

The presence of competitors has always represented a challenge; the greatest competition for Flat Glass comes from China, who we have always faced through our competitive advantages such as quality, response time, dimensions and value added glass that meet the needs of a more sophisticated segment. Regardless, Flat Glass is always is attentive to business situations and alert to any indication that may represent unfair competition.

The chemical business is not a stranger to the threats of a stagnant economy, the severe adjustments in the production of oil, the depreciation of the peso against the dollar and the presence of competitors in Mexico.

All of these factors make us double our efforts and focus in productivity and to support our clients in their strategies to preserve their presence in the market, either through competitive prices, improving delivery times, flexibility of supply pursuant to their needs and unquestionable quality of our products and services.

Proven Quality

One of the attributes distinguishing Vitro and in which its importance is based is the quality of the products and services it offers.

Industria del Álcali was subject to a verification by the rating company Loyd's Register Quality Assurance (LRQA).

In this way it was achieved that the sodium bicarbonate and the sodium chloride produced by the foregoing company are able to compete internationally as safe raw materials in the food industry.

In 2015 the Flat Glass business unit made sure to meet the standards and laws and to have all the certifications that the industries where it participates demand. Also, each of the companies is audited annually by its clients who evaluate processes, systems, procedures and good manufacturing practices.

As an example of the foregoing, Vitro Colombia was audited by GM Colomotores, one of the biggest manufacturers and assembles of automobiles in the country to evaluate the implementation of Quality Systems Basic Plus in which it meet all the requirements and it was certified.

Vitro Automotriz received VCA North America in all of its plants to verify the fulfillment of the requirements for the evaluation of against technical specification 16949. Autotemplex was visited by Chrysler, who made a detailed audit of its Quality system, which concluded satisfactorily highlighting the advances in the responsibility of the value of chain and training projects.

Likewise, in 2015 the Trail Lab of Vitro Colombia was recognized with the international certification of the National Certification Organization of Colombia (ONAC for its acronym in Spanish), and it was certified as the only laboratory to carry out trials in safety glass.

The Autotemplex and Vitro Flex plants were audited by Toyota in order to evaluate the quality system and the conditions of the processes and of their products. During the assessment the quality assurance system of Vitro was reviewed as well as the conditions of the process and product to consider Vitro Automotriz as a feasible supplier for its automotive plants. In 2015 Vitro Automotriz received several certifications for the quality of its products and processes such as the one given by NISSAN when considering the business as a level L1, position that places it in the upper range of suppliers.

PVA plant of Vidrio y Cristal was audited by the Supplier of Raw Material Glass Low-e®, carried out by PPG Industries, Inc.; achieving the certification. Currently the monumental work market requires highly efficient products such as glasses Low-e®, therefore this makes us a reliable and safe supplier.

On the other hand, Industria del Álcali, in order to achieve the certification of standard FSSC 22000 was submitted to the verification of the verifying company Loyd´s Register Quality Assurance (LRQA). In this way it achieved that the sodium bicarbonate and the sodium chloride it produces may compete internationally as safe raw materials in the food industry.

In the chemicals business, unforeseen events had an impact on the operating development, therefore we lost volume in the sodium chloride plant; however any setbacks were solved and today we are in a better position to serve our clients.

In spite of the foregoing, Industria del Álcali had satisfactory financial results thanks to the effort of its collaborators, an appropriate budgetary control and lower energy costs, therefore we surpassed such reported in 2014.

Flat Glass has a good position in its markets and it has well defined strategies allowing it to keep growing orderly and coherently with the surrounding conditions.

In 2016 we will start a new automated line with state of the art technology for bending processes, destined to be used in the original equipment market, both for current and potential clients in the NAFTA region.

Business prospects

The macroeconomic situation is still unstable influenced by the volatility of the price of the oil, the threat that the appreciation of the dollar continues to rise and that the growth in the countries were we have presence is weakened even more.

However, Float Glass is in a good position in its markets and it has well-defined strategies allowing it to continue growing orderly and coherently with the surrounding conditions.

The reinforcement of some of the segments where we participate has given us the pattern to increase the installed capacity and to strengthen our competitive advantages. We have decided that we will make investments in the short-term to build new furnaces and production lines in our plants.

During 2016 we will start the construction of a flat glass furnace and we contemplate it will start operations at the end of 2017. The estimated investment is of USD485 million; at its termination, Flat Glass will have four float furnaces. In this project we will use the equipment available from the plant we closed in Mexico City in 2006.

Likewise, during the third quarter, the float furnace located in Mexicali, Baja California, will be repaired and extended, and we expect for it to be ready in the fourth quarter having the capacity to extend the manufacturing of value added products.

The automotive segment is under exceptional conditions, therefore we are making sure to provide our clients the quality and service they deserve. In 2016, we will commence a new automated line with state of the art technology for bending processes, targeted to the original equipment market, both for current and potential clients of the

The estimated investment for the new float glass over will be of

US$85 Million.

NAFTA region. The approximate capacity of this line will be of 3.5 million of parts a year and the approximate investment will be of USD$15 million.

In line with the plan of organic growth we will also execute an expansion project for the aftermarket business by developing an furnace for windshields and two tempered glass furnaces. With an investment of USD$20 million, we plan to produce 550,000 more windshields a year, and 650,000 tempered parts.

In the chemical business we will conclude the extension of the Calcium Chloride plant that will allow us to extend our coverage of clients and explore new market niches.

Float Glass is prepared to keep on being the best option for its clients; the union of human talent, clear strategies, a well-defined course, state of the art technology in its processes and innovating and sustainable products will be the attributes which will make the difference.

Sustainable Development

We keep overcoming challenges with the commitment of a sustainable growth; we implement projects that contribute to the Sustainable Development of the company.

Our Sustainability Model is our guide and under the framework of a responsible corporate management, we execute initiatives to promote optimal conditions that generate the best economic, social and environmental development of our groups on interest.

Vitro Sustainability Model

Integral Competitiveness

We offer sustainable solutions with our products to meet the needs of clients and consumers. The efficiency of our operations and our commitment with constant innovation are the pillars of our integral competitiveness in the industry.

We understand that the relationship with our clients and suppliers goes beyond a transaction; therefore we promote their development with continuous programs of approach and training in different subjects such as marketing, responsibility over the product and sustainability.

We understand that the relationship with our clients and suppliers goes beyond a transaction; therefore we promote their development with continuous programs of approach and training in different subjects.

In 2015 we created Vitro Luz Solar Energy, a low iron glass for the architectural market meeting the requirements to be used in the manufacturing of solar panels. This is a step towards a horizon where our act as industry merges with our relationship with the environment.

3 of our new plants were distinguished as a Great Place to Work.

During 2015 we consolidated our Sustainability Policy in Vitro's Value Chain, either as participants or by organizing several activities. An example of the foregoing is the workshop "Responsibility in the Supply Chain" given by the Automotive Industry Active Group (AIAG), the Environmental Leadership Program implemented by the Federal Attorney for Environmental Protection (PROFEPA for its acronym in Spanish), and the Quality Week held in Vitro Automotriz.

With these actions we maintain a constant approach with our stakeholders through initiatives that help us extend the horizons for both parties. Moreover, having customer orientation as one of our values and sustainability as one of our goals, we offer products that meet the needs of a society increasingly concerned with sustainable development.

Ensure operating excellence of the workplaces is a priority of Vitro. This year we renew once again the certifications granted by the programs Business Alliance for Secure Commerce ("BASC") and Customs-Trade Partnership Against Terrorism ("C-TPAT") in our export plants located in Mexico.

It is important to highlight that the actions we implemented in Social Responsibility matters were certified by the Mexican Center for Philanthropy (CEMEFI) which granted the company, for eight year in a row, the Distinction of Socially Responsible Company. Likewise, three of our plants were distinguished as a Great Place to Work. This organization bases its selection criteria in the opinion of the employees, acknowledged programs and practices promoting respect, credibility, objectivity, pride and team work.

Each of the recognitions and certifications are proof of the constant challenges we overcame when improving the efficiency of operations, always focusing our efforts in achieving a better performance and constant growth of everyone involved in the production process.

Human attitude

In Vitro we invest in the personal, labor and social development of our collaborators and of the communities where we have an impact. Therefore we try to strengthen the communication links to know their needs and to provide a relationship of support and service to the community.

In 2015 we maintained direct communications with the external community answering doubts and providing counseling via e-mail on different subjects. For example, during the foregoing period we received more than 150 requests of information on gathering centers and recycling processes, likewise we continue our work in the Sustainability Bulletin "Reflector" to inform the community our advances in sustainability.

Being certain that our collaborators are the engine that drives the company, we seek their welfare with activities promoting the balance between work and family.

Each of the certifications and awards obtained are proof of the constant challenges we had overcame to improve the efficiency of the operations, focusing our efforts to achieve a better development and a constant growth of everyone included in the production process.

In 2015 we beat records with over 8,700 visitors in the Glass Museum.

All the visitors were able to see the permanent collection that shows the three dimensions in the production of glass as a human activity: History, Art and Science.

Under this scheme one of the most emblematic traditions of the Company is family visits which consist in opening the doors of the plant to the families of the collaborators in order for them to know the workplace. This year, we added to the regular activities of the family visits the reforestation of certain plots of land of Vitro Flex and Autotemplex plants, inviting Vitro's families to contribute with better environmental practices.

Likewise we support and organize sports events such as football and volleyball tournaments, as well as 5k and 10k races, both for our collaborators and for their families. These initiatives are intended to help the integration of the work teams and also to promote a more active and healthy lifestyle.

On the other hand, we were recognized as an Inclusive Company by the Ministry of Labor and Social Security (STPS) when obtaining the Rincón Gallardo distinction in the Vitro Cosmos plant.

This distinction is the result of our diversity strategy embodied in the initiative Joining Talents, a project seeking the integration of valuable elements ensuring equal opportunities for people in a vulnerable situation.

Aware that in order to have a sustainable development it is necessary to work in different fields, we also invest in educational and cultural projects.

In 2015 we beat records with over 8,700 visitors in the Glass Museum. All the visitors were able to see the permanent collection that shows the three dimensions in the production of glass as a human activity: History, Art and Science.

Thanks to the free access that the Museum offers every Sunday of the year, and the free passes to several institutions participating in different programs, more than 1,500 people were benefited by the contribution of Vitro in this area.

To know more about the cultural activities of the Glass Museum we invite you to visit its website http://www.museodelvidrio.com.

Also, as part of the celebration of the 80th anniversary of the Vitro Cosmos plant, a new cultural institution was inaugurated dedicated to the preservation of the history of glass, specifically regarding the cosmetic line. The Vitro Cosmos Gallery, located inside the Toluca's workplace, in the State of Mexico, shows the most relevant events occurred throughout eight decades in the plant, and hosts historic pieces of the perfume industry. This gallery was opened to the public on November 2015.

Our aim is to keep working to trace new and better initiatives with respect to our collaborators and the communities, through a clear, sensitive and proactive dialogue with internal and external stakeholders.

Environment

We work to keep innovating our products and processes permanently; we make them more ecological, optimal and efficient. Therefore

Thanks to the free access that the Museum offers every Sunday of the year, and the free passes to several institutions participating in different programs, more than 1,500 people were benefited by the contribution of Vitro in this area.

DISTINTIVO Empresa Incluyente
Gilberto Rincón Gallardo

The Vitro Cosmos plant was recognized with the distinction of Inclusive Company

In 2015 Shatterproof, Crinamex, Autotemplex, Vidrio y Cristal, Vitro Flex and Vitro Cosmos were certified as Clean Industries by the Federal Attorney for Environmental Protection (PROFEPA for its acronym in Spanish).
Likewise, seven of our workplaces were certified with standard ISO 14001.

We keep overcoming challenges in the reduction of Greenhouse Effect Gasses ("GEG") to contribute fighting global warming and align our processes with our environmental responsibility.

we meet the highest quality standards, meeting the applicable standards, and respecting the natural environment and the communities where we operate.

In 2015 our Shatterproof, Crinamex, Autotemplex, Vidrio y Cristal, Vitro Flex and Vitro Cosmos plants were certified as Clean Industries by the Federal Attorney for Environmental Protection (PROFEPA). Likewise, seven of our work centers were certified with standard ISO 14001.

Our main raw material provides us an excellent opportunity to responsibly contribute to the welfare of the community given that glass is 100% recyclable and is completely reintegrated to its own industrial process.

During the reported period, we continue with the promotion of the flat glass recycling program, which has generated attention from external public; at the end of the year, the total amount of recycled glass was of 88,850 tones.

Likewise, we keep overcoming challenges in the reduction of Greenhouse Effect Gasses ("GEG") to contribute fighting global warming and align our processes with our environmental responsibility. As part of this commitment, in 2015 we submitted our Corporate inventory Report of Greenhouse Effect Gasses to the verification of the Asociación de Normalización y Certificación A.C. (ANCE, A.C. for its acronym).

In a market that demands more products with a lower carbon footprint, Vitro stands out for its capacity to measure, report and diligently work to diminish emissions from its processes and products.

Firm in our responsibility to communicate to the stakeholders the environmental performance of our operations; we make available to the interested parties the GEG Reports on the following website: http://www.vitro.com/es/sustentabilidad/reportes

On the other hand, we also work with our value chain to make our suppliers follow such environmental practices offering the workshop "Environmental Leadership for Competitiveness". The purpose of this training is to present tools for the participants to be able to generate a final project mitigating the environmental impact and to produce economic savings in their businesses.

In response to these efforts, for second year in a row, the Government of the State of Nuevo Leon recognized the work of Vitro Flex, Autotemplex, Fama and Vidrio y Cristal plants for their ecoefficient projects presented as part of the Action before Climate Change program of Nuevo Leon, significantly contributing to mitigate the emissions of carbon dioxide in the State.

Likewise, as part of the advance in these projects, in 2015 Vidrio y Cristal invested in a new mill for granulation of cullet allowing to pulverize recycled glass to sand, eliminating pollutants and reaching its maximum exploitation as raw material.

In 2015 Vitro Parque el Manzano received more than 45 thousand visitors and organized 4 reforestations between September and October.

We maintain our conservation labor in Vitro Parque el Manzano, a recreational and family space located 60 kilometers south of Monterrey, Mexico, having an extension of 585 hectares of woods covered by pines and oaks.

This process offers a double benefit given that it does not have to confine cullet as waste and it reduces the consumption of gas and CO2 emissions in the operating processes. With the commitment of all the collaborators actively working in different environmental efforts, we positioned ourselves as leaders in best corporate practices and we met the requirements of the authorities, maintaining social responsibility over our product.

Together with constant innovation in our processes, in the search for efficiency and lower environmental impact, we preserve natural spaces through conservation projects in the community.

We maintain our conservation labor in Vitro Parque el Manzano, a recreational and family space located 60 kilometers south of Monterrey, Mexico, having an extension of 585 hectares of woods covered by pines and oaks.

In 2015 Vitro Parque el Manzano received over 45 thousand visitors that used its facilities guided by a specialized team to carry out actions in order to preserve flora and fauna, as well as to prevent, fight and control fires and plagues that may be registered in the park and neighbor areas. Also, during this period it organized four reforestations, in September and October, to recover the trees that have been lost due to place, fire or natural death.

To know more about Vitro Parque el Manzano we invite you to visit our website http://www.vitroparqueelmanzano.com

Another association where we work to maintain the environment is the Wildlife Organization (OVIS for its acronym in Spanish).

Another association where we work to maintain the environment is the Wildlife Organization (OVIS for its acronym in Spanish). This non-profit organization arises from the Company with the purpose of managing projects protecting wildlife.

Currently OVIS has 38,303 private conservation hectares in Mexico distributed in four Environmental Handling Units (EHU), in addition to 15,372 leased hectares to increase its preservation capacity in the state of Sonora.

Together, they amount to 53,675 hectares protecting over 1,000 wildlife species, 97 of which are located under the risk categories identified as threatened. The Grey Mexican Wolf and the Black Bear are among such threatened species. To know more about OVIS activities, please visit http://www.ovis.org.mx.

In 2015, together with OVIS, we opened in Nuevo Leon our volunteering program “Naturalmente Vitro” to the external public in order to increase the impact of our urban reforestation and to take the environmental conscience to the community.

This volunteering program has been carried out within the doors of the institution to promote between our collaborators and their families to adopt a tree since 2007. This year we decided to take a step towards the community offering the opportunity to external agents of change to become part of this commitment and to generate environmental benefits such as cleaner air, temperature regulation and a more rainwater catchment; the latter was achieved with the adoption of more than 9 thousand trees of endemic species.

“Naturalmente Vitro” has registered as of this date the voluntarily adoption of over 60 thousand trees with survival rates of over 87 percent, number which is significantly higher than other reforestation initiatives.

Within the framework of Vitro Sustainability Model, in Vitro we always try to be at the forefront of the best environmental practices.

With these commitments we move steadily towards sustainability, consolidating our competitiveness in the future and the maximum exploitation of the resources provided by nature.

We strictly meet the highest administrative standards.

In addition to a timely compliance of corporate governance, by focusing our activities towards a Responsible Corporate Management.

Responsible Corporate Management
We strictly meet the highest administrative standards by focusing our activities towards a Responsible Corporate Management.

The Board of Directors is liable of establishing policies, guidelines and strategies for the correct operation of Vitro and of the entities controlled thereof, as well to surveil its management, direction and execution.

It should be highlighted that thanks to our good corporate governance practices we were amongst the 100 companies with best corporate reputation in Mexico according to the ranking by Merco.

During the reported period, 42 percent of the members of the Board were independent, which evidences the responsibility of the Company with our shareholders and other interested parties to maintain a greater percentage than such required by Mexican laws.

An assessment of the executive team is carried out at least once a year in order to secure transparency in the administration and performance of the duties assigned to the Executive Committee, the Board of Directors and its intermediate bodies.

For more details in the actions carried out by Vitro in Sustainability matters, please see the 2015 Sustainable Development Report available as of June 2016 in www.vitro.com.

It should be highlighted that thanks to ourgood corporate governance practices we were listed in the 100 companies with best corporate reputation in Mexico according to the ranking by Merco.

Financial and Operational Analysis

Economic Environment
In 2015, before the constant and high volatility of the economic environment and the financial markets the global activity continued developing.

The growth in most emerging companies, while advanced economies showed, in a reserved manner, some recovery before the results of previous years. The key factors that continue to influence the global activity are the gradual slowdown in China and its economic rebalancing and the sharp decline in energy prices, mainly oil, reflecting an expectation of a sustained increase in the production of such hydrocarbon by members of the Organization of Petroleum Exporting Countries (OPEC).

Similarly, the macroeconomic environment in Mexico during 2015 presented several challenges mainly attributed to the volatility in global financial markets resulting from the slowdown in China, which has produced anxiety and doubt over a new worldwide depression generating confusion in markets, affecting currencies, and falling oil revenues causing a reduction in price due to the increase in the volume of oil production by some countries.

On the other hand, the manufacturing level in Mexico has benefited from the level of industrial production in the United States of America, notoriously in the automotive sector with an important growth, just as in Mexico. The inflation in Mexico for 2015 has been the lowest of the last decades, which leads to greater stability in the fundamentals of economy. Exports have supported the Mexican economy which have benefited from the depreciation of the peso against the American dollar of 16.9 percent year after year.

As previously stated, oil prices have shown a steady decline during 2015, influencing the income of countries whose economy is highly dependent on the export of this hydrocarbon, resulting in a worldwide Gross Domestic Product (GDP) maintaining a similar growth to the previous year.

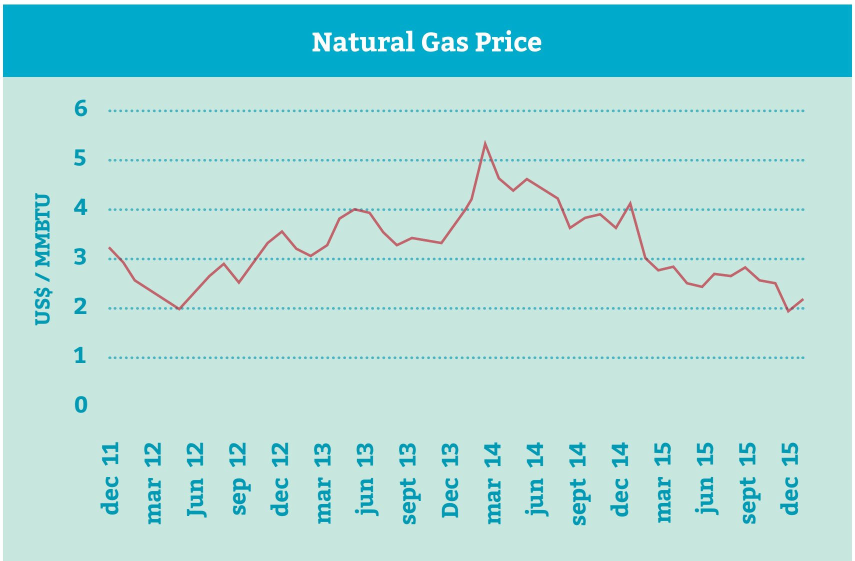
GDP Growth	2012	2013	2014	2015
Mexico	4.0%	1.4%	2.1%	2.3%
United States of America	2.3%	2.2%	2.4%	2.6%
Worldwide	3.2%	3.3%	3.3%	3.1%

Notwithstanding the foregoing, in Mexico the complex macroeconomic conditions and the dependence on oil income, pursuant to the figures published by the National Institute of Statistics and Geography (INEGI and of the International Monetary Fund (IMF), the PIB grew 2.3 percent, surpassing countries such as Argentina, Brazil, Chile and Ecuador.

	2012	2013	2014	2015
Inflation in Mexico (Based on the National Consumers Price Index)	3.6%	4.0%	4.1%	2.1%
Inflation in USA (Based on the Consumers Price Index))	2.0%	1.5%	0.8%	0.6%
Inflation differential USA/ Mexico	1.6%	2.5%	3.3%	1.4%
Devaluation (Appreciation) of the mexican Peso	(7.2%)	0.9%	12.7%	17.0%

As of December 31, 2015, the exchange rate closed at $17.25 Mexican pesos per American dollar, compared to $14.74 pesos per dollar at the end of the previous year. This fluctuation in the exchange rate resulted in an annual depreciation of 17.0 percent, and the annual average was depreciated 19.5 percent, when registering an average exchange rate of $15.98 Mexican pesos per American dollar in 2015 against $13.37 pesos per dollar in 2014.

In 2015, different factors affected the performance of the exchange rate of the Mexican peso against the American dollar; the main factor was a recoil in the international oil prices due to the surplus of global supplies of hydrocarbon, followed by fears of the impact of China's slowdown, one of the main consumers of oil.



Natural gas prices continue with the downward trend that started at the end of the first quarter of 2014 as a consequence of a surplus stock, increased production and a lower residential and commercial consumption due to several factors including weather. At the end of 2015, the natural gas price was of USD$2.16 million of BTU (MMBTU), which represented a 39 percent decrease, compared to USD$4.26 per MMBTU at the end of 2014. The average monthly Price of natural gas in 2015 was of USD$2.59 percent per MMBTU against USD$4.26 per MMBTU.

On September 1, 2015 the sale of the Food and Beverages Glass Containers Division in favor of Owens-Illinois, Inc. (NYSE: OI) was closed in USD$2,150 million for Vitro on a debt/cash free basis.

Consolidated Operating Results

The amounts in dollars shown in this section are expressed in nominal dollars, which are obtained by dividing nominal pesos for each cycle between the exchange rate published by the Mexican Central Bank at the end of each period. The financial information for 2011, 2012, 2013, 2014 and 2015 is reported pursuant the International Financial Reporting Standards (IFRS).

Following the divestment, the Company has made some changes in the composition of its reportable segments structure. Before the divestment business related with chemical products were grouped within the Glass Containers segment. As of the third quarter of 2015, the chemical business became part of the Float Glass segment, to align more with the new structure of Vitro. The financial information has been reclassified to present comparable segments accordingly with the new structure.

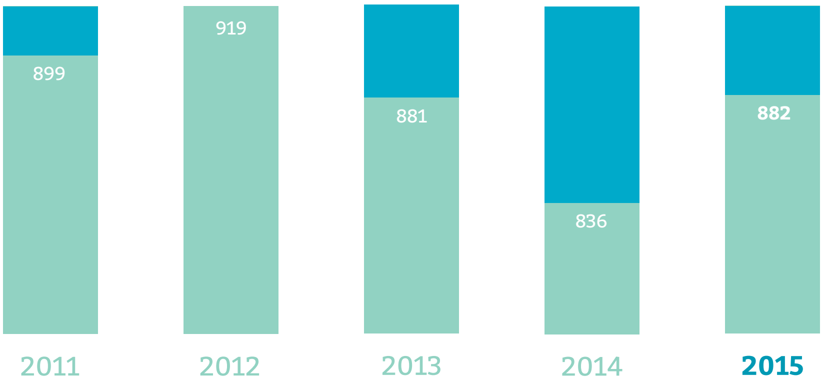
Sales

For the period ending on December 31, 2015, the consolidated net sales were of USD$882 million. Compared to USD$836 during 2014, which mean a 5.5 percent increase.

The sales increase was driven by a solid performance in Glass Containers and Float Glass, mainly showing a recovery in the construction, pharmaceutical and automotive original equipment industries, including the national and export market. The latter was partially countered in the income in pesos due to a devaluation of 16.9 percent of the peso in 2015, lower sales in the aftermarket automotive segment as well as lower export sales to the Latin-American market in the constructions segment.

Consolidated Net Sales

Millions of Dollars



Glass Containers

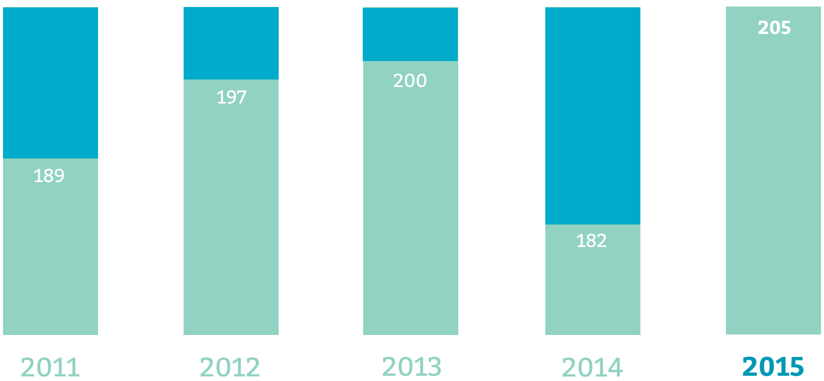
The Glass Containers business reported an 12.8 percent increase in sales, generating income in USD$205 million in 2015 compared with USD$182 million during the last year. This result was driven by an increase in the sales volume in the pharmaceutical industry, which was the result of a better positioned commercial strategy as well as new value added products in production. The sales were also benefited from a correct mixture of prices in the perfumes category.

The sales of the Glass Containers business showed an important increase in spite of a weak performance of the cosmetics sector due to the difficult conditions in the industry, which have extended generating lower national and export sales in this category.

Export sales, in spite of an increase in the sales in Europe in the perfume segment, they decreased 0.8 percent, registering USD$99 million during 2015, compared to USD$100 million in 2014, due to lower volumes of CFT sales in the United States of America and the challenging conditions in the cosmetics industry in South America.

Glass Containers

Millions of Dollars



The Glass Containers business reported an increase of 12.8 percent in sales, generating income in USD$205 million in 2015 compared to USD$182 million during the last year.

For sixth year in a row, Vitro generated grow-th in the EBIT Flow.

Float Glass

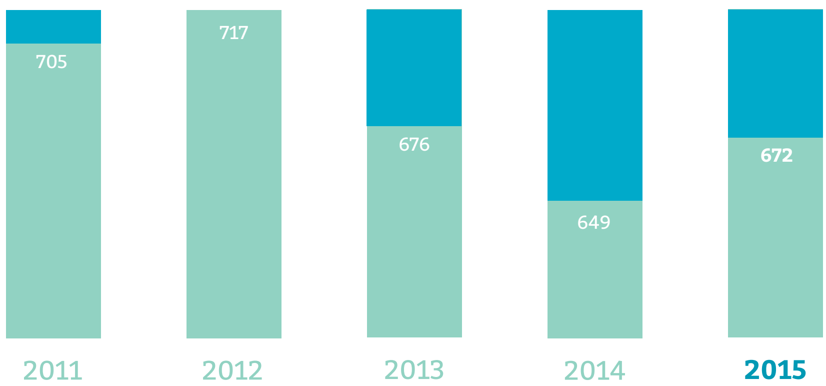
In 2015 the sales in the Float Glass business unit increased 3.5 percent to USD$672 million against USD$649 million in 2014, mainly due to the recovery of the construction industry in Mexico and abroad, the solid performance in the sales volumes in the automotive segment together with the growth in original equipment which thanks to the renewed trust of our clients, was capitalized and new businesses were acquired producing an aggregate amount of annual sales of USD$110 million for the following years.

The sales of Vidrio y Cristal were benefited when terminating the repairs of a float glass furnace, which represents more less a third of the installed capacity which contributed to an increase in sales when the Capacity no longer had limited capacity.

The export sales increased during this year 16.9 percent to USD$160 million, against USD$137 million in 2014, mainly driven by the original market automotive segment, compensated by fall in the sales of foreign subsidiaries, mainly the Colombian subsidiary.

Float Glass

Millions of Dollars



EBIT and EBIT Flow

For sixth year in a row, Vitro generated growth in the EBIT Flow. During 2015, the growth of consolidated Earnings Before Income and Taxes (EBIT) was of 134.9 percent in USD$141 million, compared to USD$60 million recorded in 2014. The EBIT margin increased 8.8 percent to 16.9 percent, from 7.2 percent from the last year.

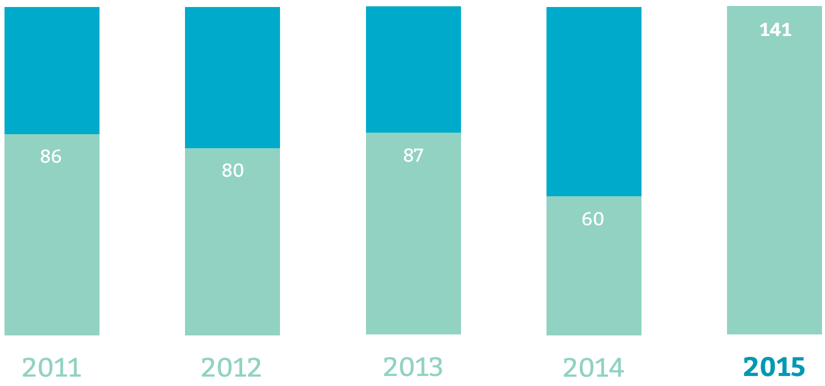
In 2015 the consolidated EBIT Flow increased 43.5 percent to USD$193 million, compared to USD$134 million in 2014, and the margin of EBIT Flow increased 5.5 percentage points to 21.8 percent, from 16.1 percent in 2014. During 2014, in spite of the complex environment with high volatility in the exchange markets and challenging conditions, positive results were achieved with an important growth in EBIT and EBIT Flow supported by the emphasis to promote a strict control in cost reduction and operating efficiency measures together with the constant work of our new team to strengthen a Vitro more focused in this new stage.

EBIT Flow was benefited in 2015 due to greater sales volumes in the pharmaceutical and construction segments, a solid mixture of prices as a result of the sale of products with greater added value, lower energy prices, greater usability and incentives to reduce costs.

All of these factors notoriously compensated the negative impact of the depreciation of the peso against the dollar.

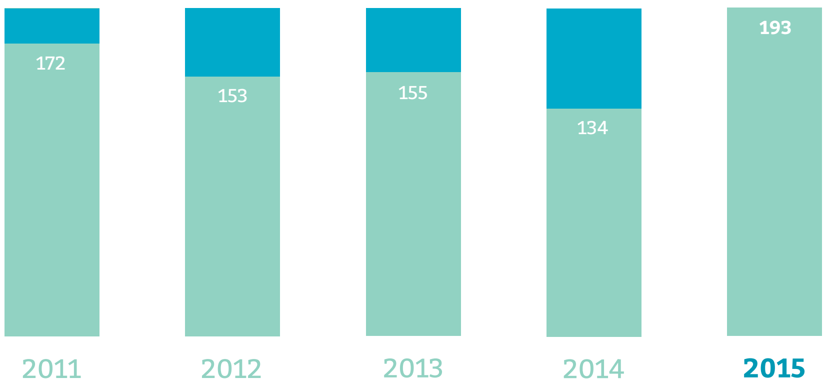
Consolidated Operating Income

Millions of Dollars



Consolidated EBITDA

Millions of Dollars



Net Financial Cost

The Net Financial Cost of the Company was of USD$173 million in 2015, which represented a decrease of 22.9 percent compared to the Net Financial Cost of USD$225 million recorded in 2014. This decrease was due to the advance payment of the total debt of the Company which caused a lower financial cost an a lower exchange loss in 2015 going from a liability position to an asset position of dollars from the divestment of the Food and Beverages Glass Containers Division.

Taxes

In 2015, Vitro reported an expense in Income Tax of USD$13 million, which is compared to a benefit of USD$57 million in 2014 explained by the movement in the expectation of the use of tax losses pending amortization.

The positive effect of several factors efficiently counter the impact of the devaluation of the Mexican peso against the American dollar for an aggregate of 16.9 percent at the year end, the decrease in the volume of sales in the Glass Containers unit arising from the difficult conditions in the cosmetics industry.

Net Income of the Year

At the end of 2015, the Company reported a Consolidated Net Income of USD$1,445 million compared to USD$3 million reported in 2014 due to an increase of the Operating Income of 100.3 percent compared to 2014, to the Income of the sale of the Food and Beverage Glass Containers unit and a lower net financial cost.

Fixed Assets Investments

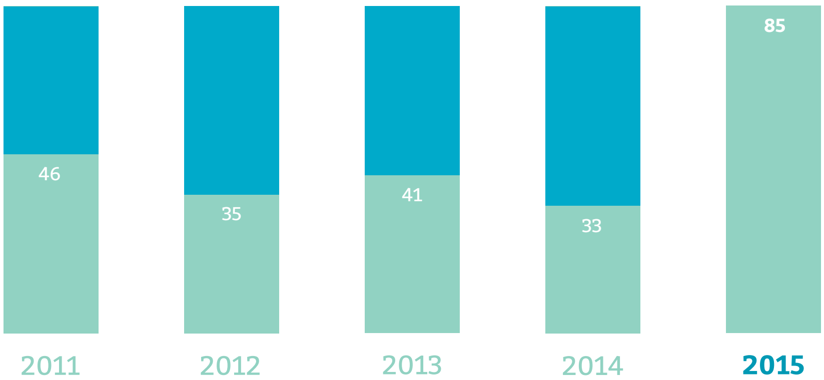
The investment in Fixed Assets made by the Company in 2015 was of USD$56 million, from which USD$39 million were destined to Float Glass which represents 70 percent of all the investments made during the year, while the remaining 30 percent corresponded to the Glass Containers business unit and to modifications in the headquarters.

The investments made in the Float Glass business unit were mainly used for the expansion and increase of the capacity of the Calcium Chloride plant as well as to repair the float glass furnace in Garcia, Nuevo Leon. In the segment of automotive glass, improvement and maintenance works were made to several production lines.

In the Glass Containers business unit, the investments made were destined to the manufacturing of molds for the production of glass containers, maintenance of IS machinery and improvement in the machining center used in the production of such machines.

Fixed Assets Investment

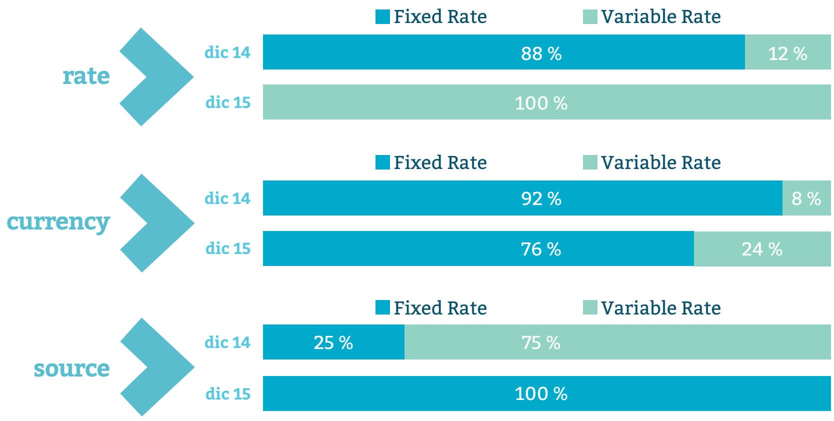
Millions of Dollars



Consolidated Financial Position

On September 1, 2015 the sale of the Food and Beverages Glass Containers division on a debt/cash free basis was closed in USD$2,150 million. Part of the flow received from the transaction was applied to pay 100 percent of the debt of the Company and to pay dividends to the shareholders.

On December 31, 2015, the total debt of the Company was of USD1 million and it had a cash balance of USD$414 million. This is compared to a cash balance of USD180 million at the end of last year.



Performance of the Stock

During 2015, the behavior of the shares representing the capital stock of the Company (VITROA) in the Mexican Stock Market (BMV for its acronym in Spanish) reflected the confidence of the market in the actions that Vitro has executed to continue strengthening its financial position and to increase the value for its shareholders.

Among this actions there is a constant effort to continue optimizing its costs and expenses, reducing the level of debt, strengthening relationships with current clients and adding new clients as well as the development and implementation of an orderly plan to achieve an organic growth of its businesses.

The stock price of VITRO in BMW was as follows:

2015
BMV Shares (Mexican Pesos)

	MINIMUM	MAXIMUM
Firts Quarter	32.41	34.99
Second Quarter	32.72	47.28
Third Quarter	36.27	66.69
Fourth Quarter	37.72	54.99

Relevant Events, Financial Position and Restructuring Process

Vitro successfully concludes the consent request to exempt certain covenants in its Senior Bonds.
On January 16, 2015, Vitro commenced the process to request the consent of the holders of Related Bonds Linked to the Senior Bonds maturing on December 20, 2018 (the "2018 Related Notes) ISIN XS0754042397 (144A) and XS0754039096 (Regulation S), with respect to a proposal to exempt certain covenants in the Senior Notes at 8.000 percent maturing on December 15, 2018 (the "Senior Notes"). The purpose of the proposed exemptions with respect to the Senior Notes is with respect to the capacity of Vitro to incur or allow encumbrances, debts or investments in fixed assets and to execute hedge agreements in order to align the Senior Notes with the expansion projects announced in three businesses and for which it expects its execution in the near future.

On January 30, 2015, the Company announced the successful termination of its request of consent to the holders and confirmed the reception of the consent by a number of holders representing the majority of the principal amount of the Related Notes.

As a result, the Company and the issuer of the Related Notes issued the documents in order to execute such exemptions.

Vitro accepts offer for its Food and Beverages Glass Containers business.
On Mary 13, 2015, Vitro announced the execution of an agreement where it accepted an offer by Owens-Illinois, Inc (NYSE:OI) to sell its Food and Beverages Glass Container business. The value of the transaction, on a debt/cash free basis was of USD$2,150 million and it includes the five plants of food and beverages in Mexico, the operation in Bolivia and the distribution of these products in the United States of America.

The assets related to the glass containers business for the Cosmetics, Perfumes and Pharmaceuticals ("CPP") market, the Float Glass business unit, as well as the businesses of the company related to Chemical Products, Manufacturing of Machinery and Equipment, the equity of Vitro in Empesas Comeagua, S.A. in Central America were not included in the transaction.

The transaction confirmed the strong commitment of the Company with its shareholders, creditors, collaborators and other stakeholders by adopting strategic measures adding value thereof. This was a great step for Vitro's consolidation which will strengthen the Company even more and will allow to continue improving its financial position in addition to allow to focus in the segments were it is still participating.

The shareholders of Vitro approved the sale of the Food and Beverages Glass Containers Division to Owens-Illinois.
On July 7, 2015, Vitro held a General Ordinary Shareholders Meeting through which it approved the offer of Owens-Illinois, Inc. (NYSE:OI) for USD$2,150 million to acquire its Food and Beverages Glass Containers division. The transaction will include five plants of food and beverages in Mexico, the operation in Bolivia and the distribution of these products in the United States of America. The assets will be transferred on a debt/cash free basis.

This transaction strengthen the Company even more both at an operational and financial level. During the last five years Vitro has established a culture to control costs and increase productivity throughout the company, while it constantly provides high quality products and services to its clients, which has allowed Vitro to achieve a compound annual growth of 5.7 percent in EBIT Flow in dollars between 2009 and 2014. The improved financial flexibility and aligned operations resulting from this transaction will reinforce the main operational focus of Vitro and will establish solid grounds for future growth opportunities.

Completa Vitro venta de su división de envases para Bebidas y Alimentos
On September 1, 2015 Vitro successfully concluded the sale of its Food and Beverages Glass Containers Division to Owens-Illinois, Inc. (NYSE:OI).

The transaction, valued, on a debt/cash free basis in USD$2,150 million, included five plants of food and beverages in Mexico, the operation in Bolivia (B&A containers) and the distribution of these products in the United States of America.

Part of the flow of the transaction was used to pay in advanced the 2018 Notes (USD$800.4 million), the Fintech Note (USD$200 million), the loan agreement with Crédit Agricole CIB (USD$21.8 million) and other debts of its Subsidiaries, which includes the securitization program of accounts receivable. All payments were made together with any accrued interests as at the payment date.

Vitro holds General Shareholders' Meetings
On September 18, 2015 Vitro held its General Shareholders' Meetings.

During one of the meetings, the Financial Statements were approved as well as the application of the balance of the losses and income accounts of the Company of the Financial Statements of the period going from January 1, to August 31, 2015. Also, the payment of dividends resulting from the profits shown in such Financial Statements was approved, at a ratio of USD$1.5542 per share. The dividends were paid on September 28, 2015..

Vitro announces the expansion of its float glass production capacity

On August 17, 2015, Vitro announced the expansion in the float glass production capacity, through the construction of a new float glass furnace in the country; it is deemed that it will start operations in 2017. By the time the work is finished, Vitro will have four furnaces.

In addition to this expansion, the float glass furnace in Mexicali will also be repaired in mid-2016, which will result in an increase of the production capacity in such facility.

The net investment for the expansion of the capacity will be of approximately USD$85 million, given that the company will be able to use some of the equipment of the float glass furnace that was closed in 2006 in Mexico City.

The Company is carrying out this expansion thanks to the growth opportunities projected in the automotive and construction industry in Mexico.

This additional capacity validates our commitment to continue supporting the growth of our clients in the construction and automotive sectors in coming years and to continue generating future value for our shareholders.

Vitro announces the expansion in the production capacity of automotive glass

On February 20, 2016 Vitro announced the investment of USD$35 million to extend its production capacity to serve the automotive market. The Company will build a new plat to serve the automotive aftermarket and a new automated line of folding process. It is expected that both projects start operations as of 2017.

The expansion of the aftermarket segment consists in an independent workplace that will include additional capacity in windshields and tempered products.

This investment will strengthen the position of the Company in the automotive aftermarket.

On the other hand, the automated line focuses on bending processes using state of the art technology to meet the needs of our current and potential clients of original equipment and consists in an investment of USD$15 million and will increase the capacity in 3.5 million parts a year.

Other Relevant Events

Vitro recognized as a great place to work

Vitro has been awarded, once again as a Great Place To Work Institute (GPTWI) as one of the best places to work. Also, Vitro managed to be placed in the list of Super Companies 2015 carried out by Top Companies and the Expansion Magazine.

This time, three work centers were recognized as Great Places to Work; in the northwest region Vidrio y Cristal Mexicali reached the eleventh place, while in the northeast region FAMA reached the twenty-second position and Vidrio Plano de Mexico, LAN, occupied sixth place.

This ranking, which started as a publishing project for a single edition, has presented over the last 25 years the best companies to work; Great Place to Work works with more than 5.500 organizations representing more than 10 million collaborators.

The quality of the labor conditions in Vitro was also recognized by the international consulting company Top Companies that publishes each year in Mexico the List of Super Companies in the Expansion Magazine.

This year, Vitro was ranked within the top 15 in the category of companies with over 3,000 collaborators thanks to the results shown by the study where collaborators chosen at random evaluated the culture and organizational climate of the company.

Vitro has been part of this ranking for the last five years in which it continuously stands out for its leadership, organizational cohesion, a healthy labor environment, labor satisfaction, motivation and social responsibility.

Vitro is a Socially Responsible Company

On May 7, 2015, the Company was awarded for eighth years in a row with the distinction of Socially Responsible Company (ESR) by the Mexican Center for Philanthropy (CEMEFI).

CEMEFI annually applies an evaluation that includes indicators regarding the management of social responsibility, quality of life in the company, company ethics, community outreach and conservation of the environment.

Based on this items the organization grants the distinction to companies meeting and standing out with the best practices in social responsibility matters.

This achievement consolidates the commitment of the organization with sustainable solutions that it offers to its clients, having as base a responsible management which reflects in the highest standards of ethic and respect to the environment met by the Company.

The ESR distinction is added to other achievements obtained by Vitro such as being in the top ranking of the companies having the best corporate reputation and overvaluation in social responsibility, both lists conducted by MERCO, a business monitor of corporate reputation that currently operates in nine countries: Spain, Colombia, Argentina, Chile, Ecuador, Bolivia, Brazil, Mexico and Peru.

This awards mean, among other things, that Vitro is a company with solid business fundamentals and the capacity to generate value for all its stakeholders through multiple social responsibility initiatives.
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Vitro is committed to reduce greenhouse effect gases

Acknowledging the environmental commitment and concrete actions to reduce Greenhouse Effect Gasses, the Government of the State of Nuevo Leon, through the Ministry of Sustainable Development, distinguished four of Vitro's workplaces.

In the awards led by the former Governor Rodrigo Medina de la Cruz, 35 medals were granted to 35 institutions for implementing projects helping to reduce in 819,308 tones the direct and indirect emissions such as carbon dioxide and methane.

The awarded workplaces were: Vitro Flex, Fabricación de Máquinas, VAU Autotemplex and Vitro Vidrio y Cristal. The award is another sign of the social and environmental commitment of Vitro. As part of this goal, each of the collaborators of the company are incentivized to generate ideas contributing to a more sustainable model, either through projects to reduce emissions, in energy or programs supporting social measures in the communities.

Applying values such as team work, integrity and innovation we contribute to the community not only reducing the greenhouse effect gasses emissions but also promoting environmental awareness in the community.

Thanks to the joint efforts between the company, community and government, Vitro works every day to fight environmental deterioration and its best allies are the ideas of all its members.

The commitment of Vitro with labor inclusion is recognized through the Rincón Gallardo Award

On December 2, 2015, as a result of good labor practices, Vitro Cosmos was awarded with the Gilberto Rincón Gallardo award with the Distinction of Inclusive Company.

This award granted by the Ministry of Labor and Social Security (STPS) distinguishes such companies having staff in vulnerable situations such as: seniors, people with disabilities; women and male heads of households with children with disabilities or caring for older sick people.

This achievement was the result of implementing the initiative “Joining Talents” promoting to add to Vitro valuable elements ensuring equal opportunities, development and nondiscrimination.

The program consists in hiring vulnerable people and has the support of government institutions such as the municipal DIF and the Ministry of Labor and Social Security. The former carries out a physical assessment and issues a disability certificate and the latter evaluates the abilities and competence of the candidate which will facilitate its location in a position according to his skills.

The commitment of Vitro, being named inclusive company is to move forward with this initiative increasing the number of engagement of people with disabilities and promoting a culture of nondiscrimination and respect towards vulnerable groups.

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Vitro successfully completes volunteer day 2015

Vitro reports that, as a result of the adoption of 9,574 trees during 2015 by the volunteers of the program Naturalmente Vitro, the company reached a total of 61,689 adopted and planted trees since it started such program in 2007.

In order to promote sustainable development, the Company implements several responsibility programs promoting the participation of its collaborators in social matters and environmental improvement.

This is an annual program of Vitro and its methodology includes three simple steps; in the first stage people are invited to Reflect; in this stage they publish and share relevant ecologic data regarding reforestation; the second level Adoption is promoted, proposing reforestation as a social activity benefiting the family and the community, reinforcing the commitments of the volunteer and finally they work with the results of the generated Impact publishing the indicators of the campaign and the calculated environmental benefits thanks to their participation.

Naturalmente Vitro operates in 36 cities of 23 States of the Mexican Republic and its success lies in the great commitment and enthusiastic participation of all of Vitro’s volunteers which make possible this environmental activation year over year.

Financial responsibility of the Administration

One of the responsibilities of the Administration is to prepare the financial statements of the Company and the additional financial information included in this Report. This responsibility includes to make sure that such financial statements and the notes thereof are made in compliance with the International Financial Reporting Standards ("IFRS").

The Company has an administrative and computer structure sufficient to provide reasonable certainty that the records substantially show the transactions arising from its operations. Likewise it has an internal control department validating the correct use of the assets and also help avoid any material damage of the assets of the Company.

To verify that the internal control is sufficient and suitable for the circumstances, the Company has established policies and procedures within the organization and frequently validates its correct application through auditing programs in all the material cycles of the business.

> Based on the foregoing and on the provisions of the Sole Circular, Fourth Title, Article 33, Section I, paragraph a) point 3, with respect to the information that must be submitted before the National Banking and Securities Commission, to the Stock Markets and the investors at large, we inform the following of this company:
>
> VITRO, S.A.B. de C.V.
>
> The undersigned state under oath that within the scope of our corresponding duties, we prepared the information with respect to the issuer included in the annual financial statements which, to our knowledge, reasonably shows its situation. Likewise w estate that we have no knowledge of relevant information that has been omitted or distorted in this financial statement or that the latter include information that may mislead the investors.

The financial statements of the Company were audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu, independent public accountants; their audit was carried out pursuant to the International Audit Standards. For more details on this Report, this document includes the complete report of the external auditors.

The Auditing Committee of our Board of Directors, among other duties, makes sure that the Administration meets the applicable laws for the correct record and disclosure of the transactions it executes.

The Auditing Committee regularly meets with the Administration, with the internal and external auditors.

The Auditing Committee selects, authorizes the compensation and monitors the work of the firm auditing our financial statements. Also, such Committee is the only one with capacity to authorize the engagement of the independent auditor for any service different or additional to the auditing works.

The external and internal auditors have total and free access to the Auditing Committee and they meet to discuss their duties, internal controls and matters related with the financial reports.

Adrían Sada Cueva
Chief Executive Officer

Claudio L. Del Valle Cabello
Chief Financial and Administrative Officer

March 4, 2016

Consolidated Financial Statements

Content

Deloitte.

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Independent Auditors' Report

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

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

Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board, and for such internal controls as management deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Independent 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 the 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 evidence supporting 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 Company'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 Company'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 Vitro, S. A. B. de C. V. and Subsidiaries as of December 31, 2014 and 2015, and their financial performance and their cash flows for the years then ended, in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board.

Sale of the food and beverages glass containers business

As mentioned in Note 2j) of these consolidated financial statements, on September 1, 2015, the Company concluded the sale of the food and beverages glass container business for a transaction price of US$2,150 million, cash and debt free. The transaction included five food and beverages glass container manufacturing plants in Mexico, one plant in Bolivia, and the distribution of such products in the United States of America, excluding the assets related to glass containers for cosmetics, fragrances and pharmaceutical markets, as well as the machinery and equipment business and the Company's share in Empresas Comegua, S.A. ("Comegua"). Additionally, the proceeds of the transaction were used to prepay the 2018 Notes for US$800 million, the Fintech Note of US$200 million and the credit agreement with Credit Agricole Corporate and Investment Bank ("CACIB") for US$22 million, including the accrued interest as of the payment date.

Arithmetical translation of the consolidated financial statements from Mexican pesos into United States of America (U.S.) dollars for the year ended December 31, 2015

Our audit included a review of the arithmetical translation of the amounts in Mexican pesos into U.S. dollars and, in our opinion, was performed in conformity with the basis established in Note 3 c) to the consolidated financial statements for the year ended December 31, 2015. The amounts in U.S. dollars are presented solely for the convenience of the user.

Convenience translation of the consolidated financial statements into English

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

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

Fernando Nogueda Conde, C.P.C.

March 4, 2016

Consolidated Statements of Financial Position

As of December 31, 2014 and 2015
(Millions of Mexican pesos)

	Note	December 31, 2014	December 31, 2015	Translation into millions of U.S. dollars December 31, 2015
Assets				
Cash and cash equivalents	16	$ 2,471	$ 7,137	US$ 414
Trade accounts receivable, net	6, 16	3,174	2,399	139
Recoverable taxes	16	193	184	11
Other current assets	5	764	357	20
Inventories, net	7	3,576	2,217	128
Current assets		10,178	12,294	712
Investment in associated companies	8	1,136	1,409	82
Investment properties	10	352	355	20
Lands and buildings	9	5,434	4,787	278
Machinery and equipment	9	8,182	3,665	212
Investments in process	9	1,044	929	53
Deferred income taxes	24	8,330	3,609	209
Employee benefits	15	-	428	25
Intangibles and other long-term assets	11	401	256	15
Long-term assets		24,879	15,438	894
Total assets		**$ 35,057**	**$ 27,732**	**US$ 1,606**

Adrián Sada Cueva
Chief Executive Officer

Claudio L. Del Valle Cabello
Chief Financial and Administrative Officer

See accompanying notes to consolidated financial statements.

				Translation into millions of U.S. dollars
		December 31,		December 31,
	Note	2014	2015	2015
Liabilities				
Bank loans	12, 16	$ 201	$ 2	US$ -
Short-term maturity of long-term debt	13, 16	963	13	1
Trade accounts payable	16	1,718	1,057	61
Accrued expenses and provisions	14, 16	1,196	1,041	60
Derivative financial instruments	16	157	132	8
Interest payable	16	328	-	-
Other short-term liabilities	5, 16	1,187	1,452	84
Short-term liability		5,750	3,697	214
Long-term debt	13	16,351	-	-
Employee benefits	15	889	-	-
Taxes payable	16	3,956	3,851	223
Other liabilities		38	40	2
Long-term liability		21,234	3,891	225
Total liabilities		26,984	7,588	439
Stockholders' equity				
Capital stock	19	4,687	4,687	272
Repurchased shares	19	(3)	(3)	-
Additional paid-in capital	19	3,082	3,245	188
Other comprehensive income	19	(327)	158	9
Accumulated earnings (losses)	19	(691)	10,605	614
Controlling interest		6,748	18,692	1,083
Non-controlling interest	19	1,325	1,452	84
Stockholders' equity		8,073	20,144	1,167
Liabilities and Stockholders' equity		**$ 35,057**	**$ 27,732**	**US$ 1,606**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the years ended December 31, 2014 and 2015
(Millions of Mexican pesos, except the amounts per share)

	Note	Year ended December 31, 2014	Year ended December 31, 2015	Translation into millions of U.S. dollars, except the amounts per share 2015
Continuing operations:				
Revenues		$ 11,145	$ 14,127	US$ 819
Cost of sales		8,054	9,449	548
Gross profit		3,091	4,678	271
Administrative expenses		1,405	1,352	78
Distribution and sale expenses		916	1,063	62
Income before other (expenses) income, net		770	2,263	131
Other (expenses) income, net	22	154	(7)	-
Operating income		924	2,256	131
Financial cost, net	23	3,104	2,711	157
Equity in income of associated companies	8	104	114	7
Loss before income taxes		2,076	341	19
Income taxes expense (benefit)	24	(805)	271	16
Loss from continuing operations		1,271	612	35
Discontinued operations:				
Income from discontinued operations, net of taxes	20	1,232	24,800	1,438
Income (loss) of the year		$ (39)	$ 24,188	US$ 1,403
Other components of comprehensive income:	19			
Items that will not be reclassified to profit or loss:				
Actuarial remeasurements of the defined benefit obligation, net of taxes	15	$ (75)	$ 514	US$ 29
Total items that will not be reclassified to profit or loss		$ (75)	$ 514	US$ 29

See accompanying notes to consolidated financial statements.

	Note	Year ended December 31, 2014	2015	Translation into millions of U.S. dollars, except the amounts per share 2015
Items that can be reclassified to profit or loss:				
Differences from cumulative translation adjustments	19	$ 165	$ 214	US$ 12
Total items that can be reclassified to profit or loss		165	214	12
Total other components of comprehensive income		90	728	41
Total comprehensive income of the year		**$ 51**	**$ 24,916**	**US$ 1,444**
Total income (loss) of the year attributable to:				
Controlling interest	19	$ (57)	$ 23,600	US$ 1,369
Non-controlling interest	19	18	588	34
Total income (loss) of the year		**$ (39)**	**$ 24,188**	**US$ 1,403**
Total comprehensive income of the year attributable to:				
Controlling interest	19	$ 14	$ 24,085	US$ 1,396
Non-controlling interest	19	37	831	48
Total comprehensive income of the year		**$ 51**	**$ 24,916**	**US$ 1,444**
Earnings (loss) per common share arising from continuing operations and discontinued operations:				
Basic and diluted earnings (loss) per share		$ (0.12)	$ 48.85	US$ 2.84
Loss per common share arising from continuing operations:				
Basic and diluted loss per share		$ 2.67	$ 2.48	US$ 0.14
Earnings per common share arising from discontinued operations:				
Basic and diluted earnings per share		$ 2.55	$ 51.33	US$ 2.98

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2015
(Millions of Mexican pesos)

	Note	Year ended December 31, 2014	Year ended December 31, 2015	Translation into millions of U.S. dollars 2015
Cash flows in operating activities:				
Loss before income taxes		$ (2,076)	$ (341)	US$ (19)
Adjustments for:				
Depreciation and amortization	9	823	775	45
Results on sale of assets	22	20	109	6
Loss from impairment of long-lived assets	9d, 22	173	-	-
Reversal of impairment loss	22	(409)	(56)	(3)
Financial products	23	(202)	(81)	(5)
Equity in income of associated companies	8	(104)	(114)	(7)
Derivative financial instruments	23	71	162	9
Foreign exchange loss and other		1,612	1,574	91
Interest payable		1,622	1,324	77
		1,530	3,352	194
Changes in working capital:				
Trade accounts receivable		(3)	(793)	(46)
Inventories		(284)	(188)	(11)
Suppliers		84	378	22
Other short-term operating assets and liabilities		(14)	533	31
Employee benefits		(528)	184	11
		(745)	114	7
Income taxes		(323)	(335)	(19)
Discontinued operation	20	3,330	1,976	115
Cash flows provided by operating activities		3,792	5,107	297

See accompanying notes to consolidated financial statements.

	Note	Year ended December 31, 2014	2015	Translation into millions of U.S. dollars 2015
Cash flows in investing activities:				
Purchase of machinery and equipment	9	(457)	(1,373)	(80)
Sale of property, machinery and equipment		105	33	2
Sale of subsidiaries' equity		-	35,068	2,033
Restricted cash		127	176	10
Intangibles and other assets		9	(24)	(1)
Interest collected		140	78	5
Discontinued operation	20	(1,040)	(848)	(49)
Cash flows (used in) provided by investing activities		(1,116)	33,110	1,920
Cash flows in financing activities:				
Interest paid		(1,571)	(1,230)	(71)
Dividends paid		-	(12,828)	(744)
Long-term loans obtained		301	-	-
Payment of loans		(1,213)	(19,320)	(1,121)
Derivative financial instruments		-	(188)	(11)
Discontinued operation	20	78	(17)	(1)
Cash flows used in financing activities		(2,405)	(33,583)	(1,948)
Net increase in cash and cash equivalents:		271	4,634	269
Cash and cash equivalents as of January 1,		2,199	2,471	143
Effect of exchange fluctuations		1	32	2
Cash and cash equivalents as of December 31,	**16**	**$ 2,471**	**$ 7,137**	**US$ 414**

Consolidated Statements of Changes in Stockholders´ Equity

For the years ended December 31, 2014 and 2015
(Millions of Mexican pesos)

	Capital stock	Repurchased shares and additional paid-in capital
Balances as of January 1, 2014	$ 4,590	$ 1,541
Capital increase (note 19a)	97	1,538
Comprehensive income (loss):		
Other components of comprehensive income of the year		
Net consolidated (loss) income of the year		
Comprehensive income (loss) of the year	-	-
Balance as of December 31, 2014	4,687	3,079
Application to accumulated earnings (losses) (note 19b)		(541)
Dividends declared (note 19d)		
Purchase of non-controlling interest (note 19c)		704
Comprehensive income (loss):		
Other components of comprehensive income of the year		
Discontinued operations (note 20)		
Net consolidated (loss) income of the year		
Comprehensive income of the year	-	-
Balances as of December 31, 2015	**$ 4,687**	**$ 3,242**

See accompanying notes to consolidated financial statements.

Cumulative translation adjustments	Actuarial remeasurements	Accumulated earnings (losses)	Controlling interest	Non-controlling interest	Total stockholders' equity
$ 67	$ (465)	$ (634)	$ 5,099	$ 1,288	$ 6,387
			1,635		1,635
146	(75)		71	19	90
		(57)	(57)	18	(39)
146	(75)	(57)	14	37	51
213	(540)	(691)	6,748	1,325	8,073
		541			
		(12,845)	(12,845)		(12,845)
			704	(704)	
59	502		561	243	804
(88)	12	24,800	24,724		24,724
		(1,200)	(1,200)	588	(612)
(29)	514	23,600	24,085	831	24,916
$ 184	**$ (26)**	**$ 10,605**	**$ 18,692**	**$ 1,452**	**$ 20,144**

1. The Company's activity

Vitro, S.A.B. de C.V. ("Vitro" and jointly with its subsidiaries the "Company") is mainly engaged in the manufacture and commercialization of glass products for local and foreign markets; moreover, Vitro is a holding company whose subsidiaries are engaged in the manufacture of glass and offer products to satisfy the needs of two types of business: glass containers and flat glass. Vitro and its subsidiaries process, distribute and commercialize a broad range of glass containers for cosmetics and pharmaceutical markets; flat glass goods for architectural and automotive use; similarly, they are engaged in the manufacture of Soda Ash and other by products related, equipment and capital goods for industrial use. Vitro's corporate offices are located at Keramos #225 poniente, Colonia Del Prado, Monterrey, Nuevo Leon, Mexico 64410.

2. Significant events

a) Merger of companies and capital increase

Originated in the final stages of the Voluntary Bankruptcy Lawsuit process in Mexico with a previous restructuring plan ("Bankruptcy Plan") brought by the Company, and an agreement entered into with Fintech Investments Limited ("Fintech") FIC Regiomontano, S.A.P.I. de C.V. ("FIC", Vitro's subsidiary) acting as principal of Vitro and the guarantor subsidiaries of the Bankruptcy Plan, would pay to Fintech US$360 through the issuance of a note in the amount of US$235 (notes 2h and 2j) and will capitalize the remaining balance resulting that Fintech will be the owner of up to 13% of FIC's outstanding shares.

At a General Extraordinary Stockholders' Meeting held on September 5, 2013, and ratified on December 11, 2013, the merger of FIC and Compañía Vidriera, S.A. de C.V. ("COVISA"), as merged companies, with Vitro as the holding company, was approved (the "Merger"), considering that the Merger will take full effect on January 1, 2014.

On January 1, 2014, Fintech executed the capitalization in FIC; that same day the Merger of FIC and COVISA with Vitro took full effect. From this date, FIC and COVISA ceased to exist as independent companies.

Derived from the aforementioned capitalization, Vitro issued 96,714,286 common shares, without par value, representing Vitro's variable capital. As of January 1, 2014, the Company's capital stock, after the issuance of shares, amounts to 483,571,429 shares (nota 19a).

b) Entering into a derivative financial instruments

During July and December 2014, the Company entered into a derivative financial instrument contract ("DFI") with Macquarie Bank Limited ("Macquarie") associated with 9,600,000 million of British Thermal Units ("MMBTU") at an average fare of US$3.89 in order to continue hedging its needs for natural gas in its production processes for the year ending December 31, 2015. Likewise, during November and December 2014, the Company entered into a new DFI with the same counterparty to hedge its needs for natural gas for the year ending December 31, 2016, on a contract associated with 5,400,000 MMBTU at an average fare of US$3.91 (note 16v).

c) Involuntary bankruptcy process under Chapter 11

On February 21, 2014, the Bankruptcy Court for the Northern District of the State of Texas ordered the formal completion of the bankruptcy processes of the subsidiaries in the USA, which resorted to Chapter 11 of the Bankruptcy Law of that country, as the requirements of the restructuring plan approved by the creditors were fulfilled. Accordingly, the subsidiaries Vitro Asset Corp., with Vitro Chemicals, Fibers Mining, LLC, Troper Services, Inc., Amsilco Holdings, Inc., B.B.O. Holdings, Inc., Binswanger Glass Company, Crisa Corporation, V-MX Holdings, LLC and Vitro Packaging, LLC., concluded the bankruptcy process initiated on November 17, 2010.

d) Consensual agreement to end litigations

On May 27, 2014, the Company and Credit Agricole Corporate and Investment Bank ("CACIB") entered into an agreement to put an end to a series of outstanding lawsuits in both Mexico and the USA, including one that involves Fintech Group and some of its affiliates. The terms of the agreement establish the issuance of a note for US$58.5 maturing in 2016 in favor of CACIB, accruing variable interest equivalent to the London Interbank Offered Rate ("LIBOR") (3 month) plus 4.25%. In addition to the aforementioned note, after signing the agreement with CACIB, Vitro made a payment of US$15 (notes 12 and 13).

e) Subsidiary debt refinancing

On July 1, 2014, the Company completed a bank debt refinancing for $298 of its subsidiary Industria del Álcali, S.A de C.V., whose maturity changed from December 2014 to June 2018, while its interest rate showed an improvement by changing from interbank equilibrium interest rate ("TIIE" for its acronym in Spanish) plus 3.25% to TIIE plus 2.75%.

f) Investment in new facility

On August 14, 2014, the Company announced that it will invest in the construction of a new plant to manufacture glass containers in Brazil and serve the cosmetics, fragrances, and specialty segments. This investment will be nearly US$90.

g) New contract with Constellation Brands

On August 14, 2014, the Company announced that it signed a new contract with his client Constellation Brands for a seven-year period, triplicating the current volume of Vitro's production for the beer market. As a result, the Company will invest about US$100 for the construction of a new furnace at its Monterrey plant, which commence its operations by the end of 2015 and beginning of 2016. This contract is part of the sale agreement of the food and beverage containers business (note 2j).

h) Partial prepayment of US$235 Note

On December 15, 2014, the Company made a partial prepayment of US$35 to the US$235 Note, extending its maturity to January 23, 2016. The outstanding balance after this prepayment is US$200 and it will accrue an annual fixed interest rate of 8%.

i) Consent solicitation to waive certain covenants in its Senior Notes

On January 16, 2015, the Company commenced a process soliciting consents from holders of the Credit Linked Notes maturing on December 20, 2018, with respect to proposed waivers to certain covenants in the Company's 8.000% Senior Notes due December 15, 2018. The purpose of the proposed waivers with respect to the Senior Notes relates to Vitro's ability to incur or permit liens, debt and capital expenditures and enter into certain hedging agreements. The proposed waivers would align the Senior Notes with three business expansion projects that are expected to be implemented in the near future. Such consent solicitation concluded successfully on January 30, 2015 (note 13).

j) Sale of the food and beverages glass containers business

On May 12, 2015, the Company signed an agreement with Owens-Illinois, Inc. ("O-I") accepting a bid to sell its food and beverages glass containers business. The transaction is valued, cash and debt free, at US$2,150, and included the sale are five food and beverages glass container manufacturing plants in Mexico, one plant in Bolivia, and the distribution of such products in the USA, excluding the cosmetic business, the machinery and equipment business, the chemical business, and Vitro´s participation in Empresas Comegua, S.A. and Subsidiaries ("Comegua"). This agreement was approved by Vitro's stockholders at an Ordinary General Stockholders' Meeting held on July 7, 2015.

On September 1, 2015, the food and beverages glass container transaction concluded successfully. The transaction was approved by the governing bodies of both entities and by the relevant regulatory authorities in Mexico and the USA. This completes the transfer of the food and beverages glass containers business from Vitro to O-I. Part of the proceeds of the transaction were used to prepay practically all the Company's debt, including the 2018 Notes (US$800, note 2i and 13), the Fintech Note (US$200, note 2h) and the credit agreement with Credit Agricole Corporate and Investment Bank ("CACIB") (US$22, note 13) as well as accrued interest.

As explained in note 20, the operations held subject to this transaction, as of the date of its conclusion, are presented as discontinued, and its profit or loss, and cash flows are presented separately in these consolidated financial statements.

k) Expansion of production capacity for flat glass

On August 17, 2015, the Company announced the expansion of its production capacity of flat glass, through the construction of a new float glass furnace in Mexico, which it is estimated to become operational in 2017. In addition to this expansion, the float glass furnace operating in Mexicali, will enter a repairing phase in mid-2016 that will also be used to expand its production capacity. Net investment for the capacity expansion will be approximately US$85, given that the Company will utilize some equipment in good condition from its float glass furnace that was closed in Mexico City in 2006.

l) Prepayment of collection right securitization program

On August 27, 2015, the Company prepaid the Stock Exchange Trust Certificates issued on November 2013 for $1,200 along with accrued interest at such date. This transaction was performed through a bridge loan, which was liquidated with part of the proceeds of the sale of the food and beverages glass containers business (note 2j and 13).

m) Exercise of stock option related to industrial lands

On August 28, 2015 Mr. David Martinez Guzman acquired 93,099,849 representative shares of the capital stock of Vitro through the exercise of a purchase option granted under an option agreement signed on December 15, 2009 (note 9c). In consideration for the exercise of this option, Mr. David Martinez Guzman granted Vitro and the Trust No. 428-09 the rights over certain land in which five Vitro manufacturing plants are located, which are part of the assets included in the sale of the food and beverage glass container business (note 2j).

n) Dividends declared

At an Ordinary General Stockholders' Meeting held on September 18, 2015, stockholders agreed to declare and pay dividends at a rate of US$1.5542 per share (note 19d).

3. Basis of preparation and consolidation

a) Basis of preparation

The consolidated financial statements as of December 31, 2014 and 2015 and for the years then ended, were prepared based on International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The accompanying consolidated financial statements were prepared based on historical costs, which includes the disclosure of the deemed cost, except for certain financial instruments which are recorded based on their amortized cost or fair value, and investment properties which are recorded at fair value. The historical cost is generally based on the fair value of the consideration granted in exchange of the assets.

i. New IFRS's issued but not yet effective

The Company has not applied the following new and revised IFRS that have been issued, but that are not yet effective for periods beginning January 1, 2015.

IFRS 9, *Financial Instruments*

IFRS 9, "Financial Instruments" issued in July 2014, is the replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018, with early adoption being permitted. IFRS 9 (2014) does not replace the requirements for portfolio fair value hedge accounting for interest rate risk since this face of the project was separated from the IFRS 9 project.

IFRS 9 (2014) is a complete standard that includes the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. More specifically, the new impairment model is based on expected credit losses rather than incurred losses, and will apply to debt instruments measured at amortized cost or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. Regarding the new measurement category of FVTOCI, it will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

The Company is in the process of assessing the potential impacts from the adoption of this standard in their consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15, "Revenue from Contracts with Customers" was issued in May 2014 and applies to annual reporting periods beginning on or after 1 January 2018, earlier application is permitted. Revenue is recognized as control is passed, either over time or at a point in time. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In applying the revenue model to contracts within its scope, an entity will: 1) Identify the contract(s) with a customer ; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; 5) Recognize revenue when (or as) the entity satisfies a performance obligation. Also, an entity needs to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company is in the process of assessing the potential impacts from the adoption of this standard in their consolidated financial statements.

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 1 January 2019, with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied.

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

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

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

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

The Company is in the process of assessing the potential impacts from the adoption of this standard in their consolidated financial statements.

Amendments to IAS 12, *Income Taxes*

Amendments to IAS 12, "Income Taxes" clarify that unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. Additionally, they specify that the carrying amount of an asset does not limit the estimation of probable future taxable profits and when comparing deductible temporary differences with future taxable profits, these exclude tax deductions resulting from the reversal of those deductible temporary differences. These amendments are effective for annual periods beginning on January 1, 2017 with retrospective application, although earlier application is permitted.

The Company is in the process of assessing the potential impacts from the adoption of this standard in their consolidated financial statements.

Amendments to IAS 7, *"Statement of Cash Flows"* (disclosure initiative)

The amendments to IAS 7, "Statement of Cash Flows" require that the following changes in liabilities arising from financing activities are disclosed separately from changes in other assets and liabilities: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. The new disclosure requirements also relate to changes in financial assets if they meet the same definition.

These amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted, and entities need not provide comparative information when they first apply them.

The Company is in the process of assessing the potential impacts from the adoption of this standard in their consolidated financial statements.

b) Basis of consolidation of financial statements

The consolidated financial statements include those of Vitro, S.A.B. de C. V. and of subsidiaries and special-purpose entities ("SPE") on which it has control. Control is achieved when the Company: 1) has the power over the entity; 2) it is exposed, or has rights to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. Power is the actual ability to direct relevant activities of an entity. Intercompany balances and transactions have been eliminated in these consolidated financial statements. Investments in unconsolidated associates where there is material influence are accounted for using the equity method (note 8).

As of December 31, 2014 and 2015, the main Mexican entities, except otherwise indicated, controlled by Vitro are as follows:

Flat Glass	Viméxico, S.A. de C.V.	91.80%	Cristales Automotrices, S.A. de C.V.	46.81%
	Distribuidora Álcali, S.A. de C.V. (previously Vitro Envases Norteamérica, S.A. de C.V.)	100.00%	Productos de Valor Agregado en Cristal, S.A. de C.V.	100.00%
	Comercializadora Álcali, S.A. de C.V.	100.00%	Industria del Álcali, S.A. de C.V.	100.00%
	Vidrio y Cristal del Noroeste, S.A. de C.V.	91.80%	Vitro Colombia, S.A. [1]	91.80%
	Vitro Flotado Cubiertas, S.A. de C.V.	91.80%	Vitro Automotriz, S.A. de C.V.	99.92%
	Vidrio Plano de México, S.A. de C.V.	91.80%	Vitro Vidrio y Cristal, S.A. de C.V.	99.99%
	Vitro Flex, S.A. de C.V.	91.80%		
Containers	Fabricación de Máquinas, S.A. de C.V.	100.00%	Vitro Packaging de México, S. A. de C.V.	100.00%
	Compañía Vidriera, S.A. de C.V. [4]	100.00%	Vidrio Lux, S.A [3] [5]	100.00%
	Vidriera Monterrey, S.A. de C.V.	100.00%	Especialidades Operativas de las Américas, S.de R.L. de C.V. [5]	100.00%
	Vidriera Guadalajara, S.A. de C.V.	100.00%	Envases de Vidrio de las Américas, S. de R.L. de C.V. (previously Clínica Vitro, A.C.) [5]	100.00%
	Vidriera Los Reyes, S.A. de C.V.	100.00%	Vitro Vimosa, S.de R.L. de C.V. [5]	100.00%
	Vidriera Querétaro, S.A. de C.V.	100.00%	Vitro Vigusa, S.de R.L. de C.V. [5]	100.00%
	Vidriera Toluca, S.A. de C.V.	100.00%	Vitro Virreyes, S.de R.L. de C.V. [5]	100.00%
	Vitro Packaging, LLC. [2]	100.00%	Vitro Viquesa, S.de R.L. de C.V. [5]	100.00%
	BBO Glass Solutions, LLC [2] [5]	100.00%	Vitro Vitolsa, S.de R.L. de C.V. [5]	100.00%
	Vitro América, S. de R.L. de C.V. [5]	100.00%		
Corporate	FIC Regiomontano, S.A.P.I., de C.V. [4]	100.00%		
	Aerovitro, S.A. de C.V.	100.00%		
	Vitro Assets Corp. [2]	100.00%		

(1) Company with operations in Colombia.
(2) Company with operations in USA.
(3) Company with operations in Bolivia.
(4) Companies merged into Vitro beginning on January 1, 2014 (notes 2a and 19a).
(5) Companies divested as of August 31, 2015, as part of the transaction of the food and beverages glass containers business (notes 2j y 20).

The Company's proportion of voting rights in entities on which it has control is similar to its shareholding.

Special purpose entities
As mentioned on note 2l, until August 27, 2015, the Company maintained SPE through which it securitized the accounts receivable of some of its subsidiaries through the issuance of debt certificates. On such date, the Company prepaid the Stock Exchange Trust Certificates issued on November 2013 for $1,200, as well as the accrued interest at the payment date. The Company did not have equity holding in the SPE; however, it was consolidated based on the control exercised on such entity.

c) Functional and reporting currency
The accompanying consolidated financial statements are presented in Mexican pesos (“Mx. peso”).

The recording and functional currencies of foreign transactions are as follows:

Companies in:	Local Currency	Functional Currency
Mexico	Mx. peso	Mx. peso
USA	U.S. dollar	U.S. dollar
Europe	Euro	Euro
Central America and South America	Local	Local

In addition, only for the ease of the user, the consolidated financial statements for the year ended December 31, 2015 were translated into U.S. dollars at the exchange rate of $17.2487 Mx. pesos per U.S. dollar, determined by Banco de México to be used on December 31, 2015. This arithmetical translation should not be considered as a statement that the amounts expressed in Mx. pesos can be translated into U.S. dollars at that or any other exchange rate.

When these consolidated financial statements and notes thereto refer to Mexican pesos or “$”, they refer to millions of Mexican pesos, and when they refer to U.S. dollars or “US$,” they refer to millions of United States of America dollars.

d) Use of estimates and judgments
The accompanying consolidated financial statements have been prepared in conformity with IFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures. The Company’s management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances; however, actual results may differ from such estimates.

The related estimates and assumptions are reviewed continuously. Changes to accounting estimates are recognized in the period in which the estimate is changed if the change affects solely that period, or the current period and future periods if the review affects both current and future periods.

Critical accounting judgments and key uncertainty sources, when applying the estimates performed as of the date of the consolidated financial statements, and that have a significant risk of resulting in an adjustment to the carrying amount of assets and liabilities during the following financial period are as follows:

i. Evaluations to determine the recoverability of accounts receivable
The Company performs an allowance for doubtful accounts, considering its internal control process and factors such as the customers’ financial and operating situation, and the economic conditions of the country. Such allowance is reviewed periodically and the condition of accounts due is determined considering terms and conditions set forth in the agreements.

ii. Evaluations to determine obsolete and slow-moving inventories
The Company performs a reserve for obsolete and/or slow-moving inventories, considering its internal control process and operating and market factors of its products. This reserve is reviewed periodically and is determined considering the turnover and consumption of raw materials, work-in-process and finished goods, which are affected by changes in production process and by changes in the market conditions in which the Company operates.

iii. Evaluations to determine recoverability of deferred tax assets
As part of the tax analysis carried out by the Company, the projected tax result is determined annually based on the judgments and estimates of future transactions to conclude on the likelihood of recoverability of deferred tax assets.

iv. Useful lives of intangible assets and land and buildings and machinery and equipment

Useful lives of intangible assets and of land and buildings and machinery and equipment are used to determine the amortization and depreciation of assets and are defined according to the analysis by internal and external specialists. Useful lives are periodically reviewed, at least once a year, and are based on the current conditions of assets and the estimate of the period during which they will continue to generate economic benefits to the Company. If there are changes in the estimate of useful lives, the carrying amount of assets is affected prospectively, as well as the amortization or depreciation expense, as applicable.

v. Impairment of long-lived assets

The carrying amount of long-lived assets is reviewed for impairment in case that situations or changes in the circumstances indicate that it is not recoverable. If there are impairment indicators, a review is carried out to determine whether the carrying amount exceeds is recoverability value and whether it is impaired. In the impairment evaluation, assets are grouped in the cash generating unit to which they belong. The recoverable amount of the cash generating unit is calculated as the present value of future cash flows that the assets are expected to produce. There will be impairment if the recoverable value is less than the carrying amount.

The Company defines the cash generating units and also estimates the periodicity and cash flows that it should generate. Subsequent changes in grouping cash generating units, or changes in the assumptions underlying the estimate of cash flows or the discount rate, could impact the carrying amounts of the respective assets.

The value-in-use calculations require the Company to determine future cash flows generated by cash generating units and an appropriate discount rate to calculate the present value thereof. The Company uses income cash flows projections using market condition estimates, future pricing determination of its products and volumes of production and sales. In addition, for the purposes of the discount and perpetuity growth rate, the Company uses market risk premium indicators and long-term growth expectations in the market it operates.

The Company estimates a discount rate before taxes for the purposes of the goodwill impairment test, which reflects current evaluations of the time value of money and the specific risks to the asset for which estimates of future cash flows have not been adjusted. The discount rate estimated by the Company is based on the weighted average cost of capital of similar entities. In addition, the discount rate estimated by the Company reflects the return that investors would require if they had to take an investment decision on an equivalent asset in generation of cash flows, time and risk profile.

The Company annually reviews the circumstances that give rise to an impairment loss to determine whether such circumstances have changed or have generated reversal conditions. If affirmative, the recoverable value is calculated and, if applicable, the reversal of the impairment previously recognized.

Internal and external indicators are subject to evaluation annually.

vi. Employee benefits from retirement

The Company uses assumptions to determine the best estimate for these benefits. Assumptions and estimates are established in conjunction with independent actuaries. These assumptions include demographic hypothesis, discount rates and expected increases in remunerations and future permanence, among others. Although the assumptions are deemed appropriate, a change in such assumptions could affect the value of the employee benefit liability and the results of the period in which it occurs.

vii. Functional currency

In order to determine the functional currency of the Company, management evaluates the economic environment in which primarily generates and expends cash. Therefore, factors related to sales, costs, funding sources and cash flows generated from operations are considered.

viii. Contingencies

Due to their nature, contingencies can solely be solved when they occur, or one or more future events or one or more uncertain events that are not entirely controlled by the Company do not occur. The evaluation of such contingencies significantly requires exercising judgments and estimates on the possible result of such future events. The Company evaluates the possibility of losing lawsuits and contingencies according to estimates carried out by its legal advisors. These estimates are reconsidered periodically.

e) Classification of costs and expenses

Costs and expenses presented in the consolidated statements of profit or loss and other comprehensive income were classified according to their function.

4. Summary of significant accounting policies

The significant accounting policies of the Company are as follows:

a) Recognition of the effects of inflation

The Company recognizes the effects of inflation in hyperinflationary economies where there are economic characteristics such as: a) the interest rates, wages and prices are linked to a price index, b) the population does not consider monetary amounts in terms of the local currency, but it does so in terms of a relatively stable foreign currency, c) the accumulated inflation rate of the past three years approximates or exceeds 100%, among others. These features are not restrictive to the analysis made by the Company to determine if the economy in which it operates is considered hyperinflationary.

The Company did not recognize inflationary effects for the years ended December 31, 2014 and 2015, given that economic conditions in which it operates do not represent those of a hyperinflationary economy.

b) Foreign currency

The individual financial statements of each of the Company's subsidiaries are presented in the currency of the primary economic environment in which the subsidiary operates (its functional currency). To consolidate the financial statements of foreign subsidiaries, they are translated from the functional currency into the reporting currency. The financial statements are translated into Mexican pesos (reporting currency), considering the following methodology:

- The transactions where the recording and functional currency is the same, translate their financial statements using the following exchange rates: (i) the closing exchange rate for assets and liabilities and (ii) the weighted average historical exchange rate for revenues, costs and expenses, as they are deemed representative of the existing conditions at the transactions date. Translation adjustments resulting from this process are recorded in other components of comprehensive income (loss). The adjustments related to goodwill and fair value generated from the acquisition of a foreign transaction are deemed assets and liabilities of such transaction and are translated at the exchange rate in effect at yearend.
- Non-monetary items recorded at fair value denominated in foreign currency, are reconverted to the exchange rates in effect at the date the fair value was determined. Non-monetary items calculated in terms of historical cost, in foreign currency, are not reconverted.
- Foreign currency transactions are recorded at the exchange rate in effect at the applicable translation date. Monetary assets and liabilities denominated in foreign currency are stated at the exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded in the consolidated statements of profit or loss and other comprehensive income.

Net investment hedging in a foreign business

The Company applies hedge accounting to foreign currency differences arising between the functional currency of the foreign subsidiary and the functional currency of the parent company (Mexican pesos), regardless of whether the net investment is maintained directly or through a sub-parent company.

During the current year, the Company designated certain debt agreements in foreign currency as a hedge of the following net investments abroad:

- American Assets Holding Co.
- Vitro Packaging Inc.
- Vitro Chemical Fiber and Mining
- VVP Europa Holdings, B.V.
- Empresas Comegua, S.A. and subsidiaries

Foreign currency differences arising from the conversion of a financial liability designated as hedging of a net investment in a foreign business are recognized in other components of comprehensive income, in the effects of conversion caption, to the extent the hedging is effective. To the extent the hedging is not effective such differences are recognized in earnings. Where a portion of the hedge of a net investment is eliminated, the amount corresponding to the translation adjustments is transferred to profit or loss as part of the income or loss from elimination. The hedge accounting resulted in a net charge, net of taxes, directly in the stockholders' equity as of December 31, 2014 and 2015 for $235 and $343, respectively.

c) Cash and cash equivalents

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments in securities, highly liquid and easily convertible into cash in a period no longer than three months. Cash is stated at nominal value and cash equivalents are valued at fair value. Any cash equivalent which liquidity is longer than three months is presented on the other current assets line item. Any cash equivalent that cannot be disposed of is classified as restricted cash.

d) Financial instruments

Financial assets and liabilities are measured at fair value. The costs of the transaction that are directly attributable to the acquisition or issuance of a financial asset or liability (different from financial assets and liabilities recognized at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and liabilities at their initial recognition. The costs of the transaction directly attributable to the acquisition of financial assets or liabilities that are recognized at fair value through profit or loss are recognized immediately in the income or loss of the year.

Financial assets

All financial assets are recognized and written off at the trade date, where a purchase or sale of a financial asset is under an agreement, which terms require the delivery of the asset within a term that is generally established by the corresponding market, and are initially valued at fair value, plus the transaction costs, except for those financial assets classified as at fair value with changes through profit or loss, which are initially valued at fair value, without including the transaction costs.

Financial assets are classified within the following specific categories: “financial assets valued at fair value through profit or loss,” “financial assets held to maturity,” “loans and accounts receivable,” “financial assets available for sale” and “other”. The classification depends on the nature and purpose of the financial assets and is determined upon initial recognition.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial situation when, and solely when, the Company has the legal right to offset the amounts and intends to either settle on a net basis, or realize the asset and settle the liability simultaneously.

i. Financial assets valued at fair value through profit or loss

A financial asset is presented at fair value through profit or loss if it is classified as held for trading purposes or if it is designated as such at its initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and make purchase and sale decisions based on their fair value and according to the Company’s investment or risk management. In the initial recognition, the costs attributable to the transaction are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are valued at fair value, and changes in fair value are recognized in profit or loss.

ii. Financial assets held to maturity

If the Company intends and is able to hold to maturity debt instruments that are traded in an active market, then such financial assets are classified as held to maturity. Financial assets held to maturity are initially recognized at fair value plus costs directly attributable to the transaction. Subsequent to the initial recognition, the financial assets held to maturity are valued at amortized cost using the effective interest method, less impairment losses.

iii. Loans and accounts receivable

Loans and accounts receivable are financial assets with fixed or determined payments, which are not traded in an active market. Such assets are initially recognized at fair value plus costs directly attributable to the transaction. Subsequent to the initial recognition, the loans and accounts receivable are measured at amortized cost using the effective interest method, less impairment losses. Interest income is recognized applying the effective interest rate, except for short-term accounts receivable, in case interest recognition is insignificant.

iv. Financial assets available for sale

Financial assets available for sale are non-derivative financial assets designated as held for sale and that are not classified in any of the aforementioned categories, such as equity instruments and certain debt instruments. Such assets are initially recognized at fair value plus the costs directly attributable to the transaction. After the initial recognition, they are valued at fair value and changes other than impairment losses or exchange differences in equity instruments available for sale are recognized in comprehensive income within stockholders' equity. When an investment is written off or it is impaired, the accumulated loss or gain of the comprehensive income account is transferred to profit or loss.

v. Other

Investment in equity instruments that are not traded in any stock exchange are valued mainly using valuation techniques such as analysis of discounted cash flows, option price setting models and comparisons to other transactions and instruments that are substantially equal. In cases where fair value cannot be measured reliably, investments are recorded at cost less impairment losses.

Impairment of financial assets

Financial assets other than the financial assets valued at fair value through profit or loss are subject to impairment tests at the end of each reporting period. Financial assets are deemed impaired when there is objective evidence that, as a consequence of one or more events occurring after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For traded equity instruments classified as held for sale, a significant or extended fall of the fair value of values below their cost is deemed objective impairment evidence.

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

– Significant financial difficulties of the issuer or counterpart,
– Default on payment of interest or principal, or
– It is probable that the borrower will go bankrupt or have a financial reorganization.

For certain categories of financial assets, such as trade accounts receivable, the assets that have been subject to impairment tests and have not been impaired individually, are included in the impairment evaluation on a collective basis. Within the objective evidence that an account receivable portfolio could be impaired, the Company's past experience with respect to collection, an increase in the number of late payments that exceed the average loan period, and the changes observed in the international and local economic conditions correlated to the default on payments, could be included.

For financial assets recorded at amortized cost, the amount of impairment loss recognized is the difference between the carrying amount of the asset and the present value of future collections, discounted at the original effective interest rate of the financial asset. The carrying amount of the financial asset is reduced for the impairment loss for all financial assets, except for trade accounts receivable, where the carrying amount is reduced through an account for allowance doubtful accounts. When a doubtful account is deemed uncollectible, it is eliminated against the allowance. The subsequent recovery of the previously eliminated amounts is converted to credits against the allowance. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When a financial asset deemed held for sale is impaired, the accumulated gains or losses previously recognized in other comprehensive income are reclassified to current earnings. Except for equity instruments held for sale, if in a subsequent period, the amount of impairment loss is decreased and such decrease can be objectively related to an event occurring after the recognition of the impairment, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment was reversed does not exceed the amortized cost that would result if the impairment had not been recognized.

With respect to equity instruments held for sale, impairment losses previously recognized in profit or loss are not reversed through them. Any increase in the fair value after the recognition of the impairment loss is recognized in other comprehensive income.

Financial liabilities

Financial liabilities at fair value with changes through profit or loss

A financial liability at fair value with changes through profit or loss is a financial liability classified as held for trade purposes or is designated as at fair value with changes through profit or loss.

A financial liability is classified as held for trade purposes if:

- It is acquired mainly in order to repurchase it in the near future; or
- It is part of an identified financial instruments portfolio managed jointly, and for which there is evidence of a recent pattern of taking short-term profits; or
- It is a derivative that has not been designated as a hedging instrument or does not meet the conditions to be effective.

A financial liability that is not a financial liability held for trade purposes could be designated as a financial liability at fair value with changes through profit or loss at the initial recognition time if:

- Thereby any inconsistency in the valuation or in the recognition that otherwise would arise from its valuation on different basis is significantly eliminated or reduced; or
- The return from financial liabilities or a group of assets and financial liabilities are managed and assessed based on their fair value, according to an investment or risk management strategy that the entity has documented, and information is internally provided on that group, based on its value; or
- It is part of an agreement that includes one or more embedded derivative instruments, and IAS 39 "Financial Instruments: Recognition and Measurement" allows that the entire hybrid agreement (asset or liability) is designated as at fair value with changes through profit or loss.

Financial liabilities at fair value with changes through profit or loss are recorded at fair value, recognizing any gain or loss arising from the remeasurement in the consolidated statements of profit or loss and other comprehensive income.

Other financial liabilities

Other financial liabilities, including loans, are initially valued at fair value, net of costs of the transaction, and are subsequently valued at amortized cost using the effective interest method, and interest expenses are recognized on an effective return base.

The effective interest rate method is a method for the calculation of the amortized cost of a financial liability and of the assignment of the financial expense along the period concerned. The effective interest rate is the rate that exactly discounts the estimated cash payments along the expected life of the financial liability (or, where adequate, in a shorter period) which represents the net amount in books of the financial liability at its initial recognition.

Derecognition of financial liabilities

The Company writes off financial liabilities if, and solely if, the obligations are met, cancelled or expired.

e) Inventories

Inventories are valued at the average purchase price or average production cost, provided they do not exceed the net realizable value. Cost of sales is determined applying these averages upon sale.

Net realizable value is the sale value estimated during the regular course of business, less estimated termination costs and sale costs.

The Company uses the absorption cost system to determine the cost of inventories of production-in-progress and finished goods, which includes both direct costs and those indirect costs and expenses related to production processes.

f) Assets available for sale

Long-term assets are classified as available for sale if their carrying amount will be recovered through a sale transaction and not though their continuous use. This condition is deemed met solely when the sale is highly probable and the asset (or group of assets for sale) is available for immediate sale in its current condition. They are presented in the consolidated statements of financial position as short term, according to the realization plans, and they are recorded at the lessor of their carrying amount or fair value less costs of sale.

g) Discontinued operations

A discontinued operation is a Company's business component that represents a significant business line or a separate operational geographical area that has been sold, is available for sale or has been abandoned, or is a subsidiary acquired exclusively for re-sale. The classification as a discontinued operation takes place upon sale or liquidation, or when the operation meets the criteria for its classification as available for sale, whichever occurs first. When an operation is classified as a discontinued operation, the consolidated statements of comprehensive income and cash flows are restructured as if the operation had been discontinued from the beginning of the comparative period.

h) Investment in associated companies

An associated company is a company in which the Company has significant influence. Significant influence is the power to participate in the definition of financial and operating policies of an entity, but it does not have control or joint control on such policies.

The results, assets and liabilities of the associated company are incorporated in the Company's consolidated financial statements under the equity method, except when the investment is classified as available for sale, in which case its value is recognized according to subsection g) above. Under the equity method, an investment in an associated company is recognized in the consolidated statements of financial position at cost and is adjusted through the recognition of its comprehensive income or loss in proportion to the Company's shareholding in such associated company. When the comprehensive loss of an investment in an associated company exceeds the Company's equity in its capital, the Company discontinues the recognition of such losses. Additional losses are recognized up to the amount of the Company's obligations and legal commitments for its equity such associated company.

Any excess of acquisition cost of the Company's equity in an associated company on the net fair value of identifiable assets, liabilities and contingent liabilities of such associated company is recognized as goodwill, which is included at the carrying amount of such investment. Any excess of net fair value of the identifiable assets, liabilities and contingent liabilities on the acquisition cost of an associated company is recognized in current earnings.

i) Lands and buildings, machinery and equipment

Lands, buildings, machinery and equipment held for use in production for rendering services or for administrative purposes are recognized in the consolidated statement of financial position at historical costs, less accumulated depreciation or accumulated impairment losses.

Depreciation is recorded in earnings and is calculated using the straight-line method based on the remaining useful lives of the assets, which are reviewed every year jointly with the residual values, and the effect of any change in the recorded estimate is recognized on a prospective basis. The assets related to finance leases are depreciated in the shorter period between the lease and their useful lives, unless it is reasonably certain that the Company will obtain the ownership at the end of the lease period.

The estimated useful lives for the main classes of fixed assets that correspond to current and comparative periods are as follows:

	Years
Buildings	15 to 50
Machinery and equipment	3 to 30

When components of a building, machinery and/or equipment have different useful lives, they are recorded as separate items (significant components) of buildings, machinery and equipment.

Gains or losses from the sale of a land, building, machinery and equipment item are determined comparing the gain or loss obtained from the sale to the carrying amount of such item; such gain or loss is recognized net within other (income) expenses in the consolidated statements of profit or loss and other comprehensive income.

Investments in process are recorded at cost less any impairment loss recognized. The cost of assets constructed by the own entity include the cost of materials and direct labor, any other cost directly attributable to the process of making to asset be suitable for the use foreseen, as well as the cost for dismantling, removing items, restoring the place where they are located, and the costs for capitalized loans, according to the Company's policy. The depreciation of these assets, as in other properties, commences when the assets are ready for use in the place and conditions necessary to be able to operate in the way intended by the Company's management.

j) Investment properties

Investment properties are those held to obtain rents and increase in value (including investment properties in construction for such purposes) and are initially valued at acquisition cost, including the costs incurred in the related transactions. After the initial recognition, investment properties are valued at fair value. The fair value of the investment properties is determined annually through appraisals performed by an expert appraiser, who uses different valuation techniques such as observable markets, amortized costs, among others. Gains or losses arising from changes in the fair value of the investment properties are included in other (income) expenses in the consolidated statements of comprehensive income in the period in which they arise.

An investment property is eliminated upon disposal or when it is permanently retired from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between net income from disposal and the carrying amount of the asset) is recognized in earnings in the consolidated statements of comprehensive income in the period in which the property is derecognized.

k) Leases

Leases are classified as finance leases when the terms of the lease substantially transfer to the lessee all the risks and benefits inherent to the property. All the other leases are classified as operating leases.

Assets under finance leases are recognized as assets at fair value at the beginning of the lease, or at present value of the minimum lease payments, the least. The liability corresponding to the lessor is included in the consolidated statements of financial situation as part of long-term debt.

Lease payments are distributed between the financial costs and the reduction of the lease obligation so as to achieve a constant rate on the remaining balance of the liability. Financial expenses are expensed directly, unless they are directly attributable to qualifying assets, in which case are capitalized in accordance with the Company's policy for costs on loans.

Payments for operating lease rents are expenses using the straight-line method during the lease term, unless another systematic sharing basis results more representative to reflect more adequately the pattern of lease benefits to the user.

The Company does not maintain significant leases acting as a lessor.

l) Borrowing costs

The costs for loans directly attributable to the acquisition, construction or production of qualifying assets, which are assets that require a substantial period until they are ready to use, are added to the cost of those assets. Capitalization of costs for loan ceases at the time that the assets are available for use. Exchange rate fluctuations arising from the procurement of funds in foreign currency are capitalized to the extent that they are deemed adjustment to the interest cost. The income obtained from the temporary investment of specific loans outstanding to be used in qualifying assets, is deducted for costs for loans eligible for capitalization. All other borrowing costs are recognized in earnings in the period they are incurred.

m) Intangible assets

Intangible assets with finite lives

Intangible assets that are acquired by the Company, and which have finite useful lives, are recorded at cost less accumulated amortization and accumulated impairment losses; they are mainly included in the cost of software for administrative use. The estimated useful lives and amortization method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized prospectively.

n) Impairment of tangible and intangible assets

The Company reviews the book values of its tangible and intangible assets to determine if there is any indicator that those assets have suffered any impairment loss. If there is any indicator, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which such asset belongs. When you can identify a reasonable and consistent basis of distribution, corporate assets are also assigned to the individual cash generating units, or otherwise, are assigned to the smallest group of cash generating units for which a reasonable and sound distribution base can be identified. The intangible assets that have an indefinite useful life are subject to impairment tests at least annually, and whenever there is an indicator that the asset may have been impaired.

The recoverable amount is the higher between the fair value less cost to sell it and the value in use. In assessing value in use, estimated future cash flows are discounted at their present value using a discount rate before taxes that reflects the current market assessment with respect to the time value of money and the specific risks of the asset for which future cash flows estimates have not been adjusted.

If it is estimated that the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized in earnings.

When an impairment loss is reversed subsequently, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined if an impairment loss had not been recognized for such asset (or cash-generating unit) in prior years.

o) Derivative financial instruments and hedging operations

The Company's activities expose it to a variety of financial risks, including: foreign exchange risk, interest rates and price risk, such as generic goods, mainly that of natural gas.

The Company's policy is to contract derivative ("DFI's") and non- derivative financial instruments in order to mitigate and cover the exposure to which it is exposed, given its productive and financial transactions. The Company designates these instruments either as fair value hedges, cash flow hedges or hedges of a net investment in a foreign operation.

There is a Risk Committee which is responsible for enforcing risk management policies, as well as for monitoring the proper use of financial instruments contracted by the Company. The Committee is composed by several of the Company's officials.

The Company recognizes all derivative financial instruments in the statement of financial position at fair value, regardless of the intention of its holding. In the case of hedging derivatives, the accounting treatment depends on whether the hedging is of fair value or cash flow. DFI's negotiations may include considerations agreements, in which case, the resulting amounts are presented on a net basis.

The fair value of financial instruments is determined by recognized market prices and when instruments are not traded in a market; it is determined by technical valuation models recognized in the financial field using inputs such as price, interest rate and exchange rate curves, which are obtained from different sources of reliable information.

When derivatives are contracted in order to cover risks and comply with all the hedge accounting requirements, their designations are documented describing the purpose, features, accounting recognition and how the measurement of effectiveness will be carried out.

The designated hedging derivative recognizes changes in fair value as follows: (1) in fair value, the fluctuations both of the derivative and the hedged item are valued against profit or loss, (2) in cash flows, they are temporarily recognized in comprehensive income and are reclassified to profit or loss when the hedged item affects them, (3) when the hedge is an investment in a foreign subsidiary, the effective portion is recognized in comprehensive income (loss) as part of an adjustment for conversion. The ineffective portion of the change in fair value is recognized in the profit or loss of the period, within the net financial cost if it is a derivative financial instrument and, if it is not, it is recognized in comprehensive income (loss) until the investment is sold or transferred.

Derivative financial instruments, which the Company maintains, have not been designated as a hedge for accounting purposes. The fluctuation in the fair value of these derivative financial instruments is recognized in current earnings within net financial cost.

As detailed in subsection b) herein, the Company applies hedge accounting to foreign currency differences arising between the foreign currency for its foreign transactions and the holding entity's functional currency, regardless of whether the net investment is held directly or through a sub-holding.

p) Provisions

Provisions are recognized for current obligations that arise from a past event, that will probably result in the use of economic resources, and that can be reasonably estimated. For the purpose of accounting records, provisions are discounted to present value when the discount effect is material. Provisions are classified as current or non-current according to the estimated time period to meet the obligations that are covered. When the recovery of a third of some or all the economic benefits required to settle a provision is expected, an account receivable is recognized as an asset, if it is virtually certain that the payment will be received and the amount of the account receivable can be valued reliably.

q) Income tax

Current taxes and deferred taxes are recognized in earnings, except when they are related to a business combination, or items recognized directly in stockholders' equity, or in the comprehensive income account.

Current income tax is the tax expected to be paid or received. The income tax payable in the fiscal year is determined according to the legal and tax requirements, applying tax rates enacted or substantially enacted as of the report date, and any adjustment to the tax payable with respect to prior years.

Deferred income tax is recorded using the assets and liabilities method, which compares the accounting and tax values of the Company's assets and liabilities and deferred taxes are recognized with respect to the temporary differences between such values. No deferred taxes are recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction other than a business acquisition and that does not affect the accounting or tax result, and differences related to investments in subsidiaries and joint ventures to the extent it is probable that they will not be reversed in a foreseeable future. In addition, deferred taxes for taxable temporary differences arising from the initial recognition of goodwill are not recognized. Deferred taxes are calculated using rates that are expected to apply to temporary differences when they are reversed, based on enacted laws or which have been substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they correspond to the income tax levied by the same tax authority and to the same tax entity, or on different tax entities, but intend to settle the current tax assets and liabilities caused on a net basis or their tax assets and liabilities are simultaneously materialized.

A deferred asset is recognized for tax loss carryforwards, tax credits and deductible temporary differences, to the extent that it is probable that there is taxable income to which they can be applied. Deferred assets are reviewed at the reporting date and are reduced to the extent the realization of the corresponding tax benefit is no longer likely.

r) Employee benefits

i. Defined benefit plans

A defined benefit plan is a benefit plan at the end of a labor relationship different from one of defined contributions. The Company's net obligations with respect to the defined-benefit pension plans are calculated separately for each plan, estimating the amount of future benefit accrued by employees in return for their services in ongoing and past periods; that benefit is discounted to determine its present value, and the costs for the services that have not been recognized and the fair value of the plan assets are deducted. The discount rate is the yield at the reporting date of the government bonds that have maturity dates approximate to the maturities of the Company's obligations which are denominated in the same currency in which benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit for the Company, the recognized asset is limited to the net total of unrecognized past service costs and the present value of the economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan plus the plan assets. To calculate the present value of the economic benefits, the minimum funding requirements applicable to the Company's plan are considered. An economic benefit is available to the Company if it can be realized during the life of the plan, or upon settlement of the plan obligations.

When the benefits of a plan are improved, the portion of the improved benefits relating to past services by employees is recognized in profit or loss using the straight-line method over the average period until it acquires the right to the benefits. In so far as the right of benefits takes place, the expense is recognized in profit or loss.

The Company recognizes actuarial remeasurements derived from defined benefit plans in the comprehensive income account, in the period in which they occur, and they are never recycled to profit or loss.

ii. Termination benefits

Termination benefits are recognized as an expense when the Company commitment can be evidenced, without real possibility of reversing, with a detailed formal plan either to terminate employment before the normal retirement date, or else, to provide benefits for termination as a result of an offer that is made to encourage voluntary retirement. The benefits from termination in cases of voluntary retirement are recognized as an expense, solely if the Company has made an offer of voluntary retirement, the offer is likely to be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable no later than 12 months after the reporting period, then they are discounted at present value.

iii. Short-term benefits

Short-term employee benefit obligations are not discounted and are expensed as services are rendered.

A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a legal or assumed obligation to pay these amounts as a result of past services provided by the employee and the obligation can be estimated reliably.

s) Statutory employee profit sharing (“PTU”)

PTU is recognized in the earnings of the fiscal year in which it is incurred and is presented within operating income.

t) Revenue recognition

Revenues and related costs are recognized in the period in which: i) the risks and rewards are transferred to customers, which generally coincides with the delivery of products to customers in satisfaction of orders; ii) there is no ownership or effective control on the goods sold; iii) revenues and related costs can be measured reliably and iv) the economic benefits to the Company are probable.

u) Financial income and costs

Financial income includes income interest on invested funds, changes in the fair value of financial assets at fair value through profit or loss, and exchange gains. Interest income is recognized in income as earned, using the effective interest method.

Financing costs include interest expenses on loans, effect of the discount by the passage of time on provisions, exchange losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. The borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset, are recognized in earnings using the effective interest method.

Exchange gains and losses are reported on a net basis.

v) Earnings per share

The Company presents information about basic and diluted earnings per share (“EPS”) corresponding to its common stock. The basic EPS is calculated by dividing the earning or loss attributable to stockholders that hold Company’s common stock by the weighted average outstanding common stock during the period, adjusted for the own shares held. The diluted EPS are calculated by adjusting the earning or loss attributable to stockholders that hold common shares and the weighted average number of outstanding shares, adjusted for the own shares held, for the effect of the dilution potential of all common shares, which include convertible instruments and options on shares granted to employees. During the fiscal years ended December 31, 2014 and 2015, the Company has no dilutive effects.

w) Government grants

Government grants, subsidies, incentives or concessions are not recognized until there is reasonable assurance that the Company will comply with the conditions related to them and that the grant will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grant, subsidy, incentive or concession is intended to compensate, or subsequently if the reasonable assurance of receiving such benefit is not confirmed in the moment the expense is incurred.

Government grants, subsidies, incentives or concessions whose purpose is to compensate previously incurred costs or expenses, or those whose purpose is to financially support the Company through pardoning costs or expenses, are recognized in profit or loss of the fiscal year of the transaction, net of the expense that gave rise to such benefit.

During the fiscal year ended December 31, 2014, the Company applied the decree whereby different income tax, rights and enjoyment benefits are granted. These benefits were recognized within operating income. During the fiscal year ended December 31, 2015, the Company did not have government grants.

5. Other current assets and other short-term liabilities

The balances of other current assets as of December 31, 2014 and 2015 are as follows:

	December 31,			
		2014		2015
Sundry debtors	$	266	$	82
Prepayments		115		126
Prepayment of inventories		174		128
Restricted cash		176		-
Assets held for sale		33		21
Total other current assets	**$**	**764**	**$**	**357**

Restricted cash is as follows:

	December 31,			
		2014		2015
Land lease guarantee (note 9c)	$	85	$	-
Accounts receivable financing programs		54		-
Other		37		-
Total restricted cash	**$**	**176**	**$**	**-**

The balances of other short – term liabilities as of December 31, 2014 and 2015 are as follows:

	December 31,			
		2014		2015
Taxes payable	$	456	$	402
Sundry creditors		528		757
Contributions payable		203		293
Total other short-term liabilities	**$**	**1,187**	**$**	**1,452**

6. Trade accounts receivable

Trade accounts receivable consists of the following:

	December 31,			
		2014		2015
Customers (1)	$	3,257	$	2,569
Less allowance for doubtful accounts and others		(83)		(170)
	$	**3,174**	**$**	**2,399**

(1) Includes $2,206 as of December 31, 2014 that was contributed to a trust as a guarantee for the accounts receivable financing programs and that although they are included in the consolidation, they are legally independent; as of December 31, 2015, the account receivable financing program no longer exists because it was prepaid (notes 2l and 3b).

7. Inventories

Inventories consist of the following:

	December 31, 2014	December 31, 2015
Work in process and finished goods	$ 2,520	$ 1,526
Raw materials	460	414
Packing material	101	34
Spare parts	174	135
Refractories	142	1
Inventory-in-transit and others	179	107
	$ 3,576	**$ 2,217**

Due to inventory obsolescence and slow movement, as of December 31, 2014 and 2015, inventories are reduced to their net realizable value by $117 and $165, respectively; this reserve mainly decreases the finished goods, refractories and raw materials line items.

8. Investment in associated companies

The Company has an investment in Empresas Comegua, S.A. and subsidiaries ("Comegua"), an entity engaged in the production of glass containers, and whose operations are held primarily in Guatemala, Nicaragua and Costa Rica. The amount of this investment as of December 31, 2014 and 2015 is $1,136 and $1,409, respectively; furthermore, the shareholding of the Company is 49.72% at both dates.

The condensed statements of financial position and condensed statements of profit or loss of Comegua as of December 31, 2014 and 2015 and for the years then ended are:

Condensed statements of financial position:	December 31, 2014	December 31, 2015
Assets		
Current assets	$ 1,475	$ 1,613
Long-term assets	2,305	3,217
Total assets	**$ 3,780**	**$ 4,830**
Liabilities		
Current liabilities	$ 777	$ 872
Non-current liabilities	717	1,124
Total liabilities	**$ 1,494**	**$ 1,996**

Condensed statements of profit or loss:	Year ended December 31, 2014	Year ended December 31, 2015
Net sales	$ 2,696	$ 3,394
Costs and expenses	2,419	3,072
Income taxes	67	93
Net and comprehensive income	**$ 210**	**$ 229**
Company's equity	**$ 104**	**$ 114**

9. Land and buildings, machinery and equipment and investments in process

Below is a summary of the composition of these items:

	December 31, 2014	December 31, 2015
Land	$ 2,269	$ 2,670
Buildings	10,925	6,653
Accumulated depreciation	(7,760)	(4,536)
	5,434	4,787
Machinery and equipment	29,994	16,676
Accumulated depreciation	(21,812)	(13,011)
	8,182	3,665
Investments in process	1,044	929
	$ 14,660	**$ 9,381**

Cost or valuation	Land	Buildings	Machinery and equipment	Investments in process	Final balance
Balance as of January 1, 2014	$ 2,203	$ 10,797	$ 30,176	$ 972	$ 44,148
Additions	42	59	388	75	564
Disposals	-	(36)	(641)	-	(677)
Capitalized borrowing cost	-	-	-	8	8
Impairment loss	-	-	(88)	-	(88)
Discontinued operations (note 20)	1	22	265	(12)	276
Reclassifications	24	95	(86)	-	33
Translation adjustment	(1)	(12)	(20)	1	(32)
Balance as of December 31, 2014	2,269	10,925	29,994	1,044	44,232
Additions	609	79	425	467	1,580
Disposals	-	(11)	(506)	-	(517)
Capitalized borrowing cost	-	-	-	3	3
Discontinued operations (note 20)	(207)	(4,328)	(13,217)	(586)	(18,338)
Translation adjustment	(1)	(12)	(20)	1	(32)
Balance as of December 31, 2015	**$ 2,670**	**$ 6,653**	**$ 16,676**	**$ 929**	**$ 26,928**

Accumulated depreciation and impairment	Land	Buildings	Machinery and equipment	Investments in process	Final balance
Balance as of January 1, 2014	$ -	$ 7,653	$ 22,050	$ -	$ 29,703
Depreciation of the year	-	139	621	-	760
Impairment loss	-	-	85	-	85
Reversal of impairment loss	-	(151)	(258)	-	(409)
Disposals	-	(36)	(640)	-	(676)
Discontinued operations (note 20)	-	91	75	-	166
Reclassifications	-	74	(113)	-	(39)
Translation adjustment	-	(10)	(8)	-	(18)
Balance as of December 31, 2014	-	7,760	21,812	-	29,572
Depreciation of the year	-	143	590	-	733
Reversal of impairment loss	-	-	(56)	-	(56)
Disposals	-	(3)	(425)	-	(428)
Discontinued operations (note 20)	-	(3,354)	(8,898)	-	(12,252)
Translation adjustment	-	(10)	(12)	-	(22)
Balance as of December 31, 2015	**$ -**	**$ 4,536**	**$ 13,011**	**$ -**	**$ 17,547**

a) Capitalized borrowing cost

During fiscal years 2014 and 2015, the Company capitalized interest on loans as a supplement to the cost of machinery and equipment of $8 and $3, respectively. The interest capitalization rates used for fiscal years 2014 and 2015 were 7.57% and 7.79%, respectively, which correspond to the corporate average rates considered as generic loans. The Company did not capitalize any amount corresponding to exchange fluctuations as an adjustment to interest rates during the fiscal years ended December 31, 2014 and 2015.

b) Transactions that did not require cash flows

During 2014, the Company made investments of $13 in operating machinery and equipment, which were contracted as finance leases, and did not require cash disbursements. During 2015, no investments were contracted as finance leases, nor other investments in fixed assets that did not require a cash disbursement.

c) Onerous contract

In December 2009, the Company concluded a transaction of US$75 with Fintech Advisory Limited ("FAL"), through the creation of a Mexican trust ("Real Property Trust "). Vitro, S.A.B. de C.V. and its subsidiaries, Industria del Álcali, S.A. de C.V., Vidriera Guadalajara, S.A. de C.V., Vidriera Monterrey, S.A. de C.V., Vidriera Querétaro, S.A. de C.V., Vidriera Los Reyes, S.A. de C.V. and Vidriera Toluca, S.A. de C.V. contributed seven real properties (industrial lands) to the Real Property Trust, receiving US$75 in cash contributed by FAL to acquire these assets. In addition, the Company entered into a 15-year lease agreement that allows it to continue to use the assets. The Company had the right to repurchase the title for these real properties in exchange for US$126 under certain circumstances (land repurchase option). If the Company failed to make any payment under the terms of the lease agreement or if other events specified in the agreement occurred, FAL would have the right to sell such assets to third parties (assuming that the Company has not repurchased the industrial lands), except to competition or creditors. If FAL exercises its right to sell or lease the real properties, this could adversely affect the Company's business. In addition, after the execution of the plan to substantially restructure the entire debt of Vitro executed in February 2012, and that the Company has not exercised the repurchase option for the aforementioned lands, FAL could exercise one of the two options to exchange the rights on the real property rights for common shares of Vitro and/or of a sub-holding subsidiary. If the related option on Vitro's common shares were exercised, it would be of up to a maximum of 93,099,849 shares, which are currently in the Pension Trust, valued according to the valuation formula set forth in the agreement, and would leave FAL with a maximum of up to 24% of Vitro's capital stock. If those common shares were not sufficient to cover the call option of US$75, the rest of the call option would be covered with a percentage of shares transferred from FIC to FAL; such percentage was estimated between 1.5% and 2.0%. If Vitro could not deliver FIC shares, the non-covered portion of the call option would have been paid in cash, based on the formula set forth in the option agreement.

As of December 31, 2014, FAL's options expired three years after the restructuring plan was executed. If FAL exercised the option relating to Vitro's common shares, an agreement between FAL and the stockholders controlling the Company would continue into effect, and would remain in force while FAL has at least 5% of the Company's equity.

The Company recognized as onerous the aforementioned agreement with FAL, where the consideration payable for the industrial lands is above its market value as of December 31, 2014 for approximately US$38. The loss related to the onerous agreement was recognized within other expenses in operating income of fiscal year 2014.

As a result of the merger of FIC and Vitro on January 1, 2014 (note 19a), during the third quarter of 2015 FAL and Vitro entered into an arrangement in which the non-covered portion of the call option would be covered with the delivery of another Vitro's sub-holding subsidiary shares, for an equivalent value that FIC's shares have had.

On August 28, 2015, FAL acquired 93,099,849 representative shares of the capital stock of Vitro and the 3.2% of a sub-holding subsidiary, through the exercise of a purchase option entered into in August 2015 described above. In consideration for the exercise of this option, FAL granted Vitro and the Pension Trust the rights over certain land in which five Vitro manufacturing plants are located, which are part of the assets included in the sale of the food and beverage glass container business (note 2j and 20). Additionally, and simultaneously, FAL granted the rights associated with the purchase option exertion as well as the 3.2% of the aforementioned sub-holding subsidiary to Mr. David Martinez Guzman, subject to a Vitro's repurchase option, which was exercised on September 21, 2015. Derived from the aforementioned transaction, Vitro has recognized an impact in the stockholders' equity for the repurchase of the minority interest originated between FAL's option exertion date and Vitro's repurchase exertion date. The impacts for the onerous contract provision, along with the effects derived by the repurchase of the sub-holding subsidiary shares, were recognized as discontinued operations (note 20).

d) Impairment

Year 2014

During fiscal year 2014, due to improvements in market expectations for the Flat Glass segment and its impact on cash flows, the Company reviewed the recoverable amount of its productive fixed assets. Such analysis resulted in the recognition of a reversal of the impairment recognized over certain assets in that segment for $409. Additionally, the analysis resulted in the recognition of an impairment loss in other productive assets in the Flat Glass segment for $88.

On the other hand, the Company's management made the decision to impair certain permanent idle assets. The amount of impaired assets in the segments of Flat Glass and Containers, was $57 and $28, respectively, and correspond to assets related to production processes.

Except for the impairment recognized in permanent idle assets, the recoverable amount of the assessed cash generating units was determined based on its value in use. The discount rates used in the calculation of the value in use of impaired units of the Flat Glass segment were 8.81% and 9.15% for 2014.

Year 2015

During fiscal year 2015, the Company reviewed the recoverable amount of its productive fixed assets throughout the analysis of the value in use of its cash generating units. Such analysis resulted in the recognition of a reversal of the impairment recognized over certain assets in Flat Glass segment for $56. The discount rates used in the calculation of the value in use of impaired units of the Flat Glass segment were 8.64% and 9.56% for 2015.

The Company's management made the decision to impair certain permanent idle assets. The amount of impaired assets in the Glass Containers segment was $61, and corresponds to assets related to production processes.

Impairment losses and reversals were recognized in the other expenses, net line item for the years ended December 31, 2014 and 2015.

10. Investment properties

As of December 31, 2014 and 2015, the investment properties amount to $352 and $355, respectively; such assets are mainly composed of lands and buildings. The fair value of investment properties was calculated based on Level 2 of the fair value hierarchy (note 16iv).

During the fiscal year ended December 31, 2014, changes to fair value of investment properties showed an increase of $43, which was recognized in other expenses, net. On the other hand, during the fiscal year ended December 31, 2015, there were no significant changes in the fair value of investment properties.

11. Intangibles and other long-term assets

The balances as of December 31, 2014 and 2015 for $401 and $256, respectively, are mainly composed of administrative software and fixed asset advances. Derived from the sale of the food and beverages glass containers business (note 20), the Company transferred $44 of intangible assets net of its related cumulative amortization, which mainly correspond to administrative software.

During the years ended December 31, 2014 and 2015, the amortizations related to intangible assets and other assets were recorded within cost of sales and operating expenses; such amortizations amounted $63 and $42, respectively.

12. Bank loans

As of December 31, 2014 and 2015, bank loans amounted to $201 and $2, respectively. These loans are composed of debt payable in U.S. dollars at different interest rates. As of December 31, 2014 and 2015, the Company's average weighted rates for short-term loans were 13.54% and 9.74%, respectively.

13. Long-term debt

Long-term debt consists of the following:

		December 31,	
		2014	2015
I.	***Vitro and Mexican Subsidiaries (payable in U.S. dollars):***		
	Finance lease with a fixed interest rate of 10.7494%, maturing at different dates through 2016.	26	11
	Debt secured by subsidiaries with a variable interest rate of LIBOR + 4.25%, maturing at different dates through 2016.	647	-
	Sundry leases with different interest rates, maturing at different dates through 2015..	46	-
	Bonds secured by subsidiaries with an interest rate of 8%, maturing in 2018.	12,009	-
	Secured notes at a fixed interest rate of 5.75% for a period of eighteen months, and from the nineteen month, at a variable rate based on the Reference Rate ("RR"), plus a surcharge of 5.75%, maturing on different dates through 2023.	177	-
	Bonds guaranteed by capital stock subsidiaries at an interest rate of 8%, maturing in 2016.	2,948	-
II.	***Vitro and Mexican Subsidiaries (payable in Mexican pesos):***		
	Sundry leases with different interest rates, maturing at different dates through 2016.	-	2
	Secured notes with a variable interest rate based on TIIE, plus a surcharge of 2.75%, maturing at different dates through 2018.	261	-
	Accounts receivable financing program. Note guaranteed by accounts receivable at TIIE + 1.7%, maturing in 2016	1,200	-
	Unsecured debt and variable interest rate between 9.05% and 9.25%, with different maturities through 2016.	16	-
	Debt issuance costs	(16)	-
	Total long-term debt	17,314	13
	Less short-term maturities	963	13
	Long-term debt, excluding current maturities	**$ 16,351**	**$ -**

Voluntary bankruptcy request

Originated in the final stages of the Voluntary Bankruptcy Lawsuit process in Mexico with a previous restructuring plan ("Bankruptcy Plan") brought by the Company, and an agreement entered into with Fintech, FIC acting as principal of Vitro and the guarantor subsidiaries of the Bankruptcy Plan, would pay to Fintech US$360 through the issuance of a note in the amount of US$235 (notes 2h) and will capitalize the remaining balance resulting that Fintech will be the owner of up to 13% of FIC's outstanding shares.

Pursuant to the Stockholders' Meetings in September and December 2013, an agreement with Fintech to merge FIC with Vitro (note 19a) was approved and ratified, which results in an exchange of Fintech's shares in FIC for 20% of Vitro's shares. This merger took place on January 1, 2014.

In the agreements of the 2018 Notes, the Company undertakes certain restrictions to do or not to do; in addition, if certain financial ratios are not met on a consolidated basis, its ability to pay dividends and invest in fixed assets, among others, is limited. Under the restrictions in such agreements, during 2014 the Company was limited to pay dividends. In addition, for 2014, the Company was limited to a basket of US$100 of additional debt and an annual maximum of US$120 of investments in fixed assets. In the event that this amount of investment was not dispensed, it could be used in the two subsequent years. In addition, such agreements requested certain calculations primarily based on the Company's cash movements, which could result in the prepayment of all or part of the aforementioned 2018 Notes 2018. As of December 31, 2014, the results of such calculations determined an advanced payment of $48, which is presented in the consolidated statements of financial position under the short-term maturity of long-term debt line item. Financing agreements do not restrict the Company's ability of debt refinancing.

On January 16, 2015, the Company commenced a process soliciting consents from holders of the Credit Linked Notes maturing on December 20, 2018, with respect to proposed waivers to certain covenants in the Company's 8.000% Senior Notes due on December 15, 2018. The purpose of the proposed waivers with respect to the Senior Notes relates to Vitro's ability to incur or permit liens, debt and capital expenditures and enter into certain hedging agreements. The proposed waivers would align the Senior Notes with three business expansion projects that are expected to be implemented in the near future. Such consent solicitation concluded successfully on January 30, 2015.

Refinancing and debt prepayment

On July 1, 2014, the Company completed a bank debt refinancing for $298 of its subsidiary Industria del Álcali, S.A de C.V., whose maturity changed from December 2014 to June 2018, while its interest rate showed an improvement by changing from interbank equilibrium interest rate ("TIIE" for its acronym in Spanish) plus 3.25% to TIIE plus 2.75%.

On December 15, 2014, the Company made a partial prepayment of US$35 to the US$235 Note, extending its maturity to January 23, 2016. The outstanding balance after this prepayment is US$200, and it will accrue an annual fixed interest rate of 8%.

On May 12, 2015, the Company signed an agreement with O-I accepting a bid to sell its food and beverages glass containers business. The transaction is valued, cash and debt free, at US$2,150, and included the sale are five food and beverages glass container manufacturing plants in Mexico, one plant in Bolivia, and the distribution of such products in the USA, excluding the cosmetic business, the machinery and equipment business, the chemical business, and Vitro´s participation in Comegua. This agreement was approved by Vitro's stockholders at an Ordinary General Stockholders' Meeting held on July 7, 2015.

On August 27, 2015, the Company prepaid the Stock Exchange Trust Certificates issued on November 2013 for $1,200 along with accrued interest at such date. This transaction was performed through a bridge loan, which was liquidated with part of the proceeds of the sale of the food and beverages glass containers business.

On September 1, 2015, the food and beverages glass container transaction concluded successfully. The transaction was approved by the governing bodies of both companies and by the relevant regulatory authorities in Mexico and the USA. This completes the transfer of the food and beverages glass containers business from Vitro to O-I. Part of the proceeds of the transaction were used to prepay practically all the Company's debt, including the 2018 Notes (US$800, note 2j), the Fintech Note (US$200, note 2h) and the credit agreement with CACIB (US$22) as well as accrued interest.

Derived from the above, as of December 31, 2015, the Company has no financial restrictions that limit its ability to invest, pay dividends, buy or dispose assets, among others.

14. Accrued expenses and provisions

As December 31, 2014 and 2015, accrued expenses and provisions were as follows:

	December 31,	
	2014	2015
Onerous agreement provision (note 9c)	$ 568	$ -
Wages and benefits payable	122	155
Services and other accounts payable	101	95
Other expenses payable	405	791
	$ 1,196	**$ 1,041**

15. Employee benefits

a) Defined benefits plan

The Company has a defined benefits pension plan covering staff which consists of a single payment or a monthly pension, calculated based on the sum of a basic pension, an additional factor by seniority and an additional factor for income equal to or less than the maximum limit used for the Mexican Social Security Institute.

The retirement ages are:

– Normal.- 65 year old employees with 20 years or more of service.
– Anticipated.- 60 year old employees with a minimum of 20 years of service, reducing the pension to a percentage per each year earlier than 65 years.
– Early.- 50 year old employees with a minimum of 10 years of service, reducing the pension to a percentage according to their age at retirement.
– Sum 100.- With the approval of the Technical Committee, employees that complete 100 years by the sum of the age and the years of service.
- Deferred.- Employees that do not accept the retirement when reaching 65 years old lose any right to receive a pension plan.

The Company's plan also covers seniority premiums which consist of a lump sum payment of 12 day's wage for each year worked, calculated using the most recent salary, not to exceed twice the legal minimum wage established by law. The related liability and annual cost of such benefits are calculated with the assistance of an independent actuary on the basis of formulas defined in the plans using the projected unit credit method.

The Company is not exposed to unusual risks related to the plan assets.

b) The present values of these obligations and rates used for their calculation are:

	December 31,	
	2014	2015
Defined benefit obligation	$ 4,327	$ 3,945
Plan assets	(3,438)	(4,373)
Net projected (asset) liability	**$ 889**	**$ (428)**

As of December 31, 2014 and 2015, the main actuarial hypotheses used were as follows:

	December 31,	
	2014	2015
Discount rate	7.00%	7.00%
Expected rate of return of asset *	7.00%	7.00%
Salary increase rate **	3.75%	4.00%

* Calculated using the effect of the rate of return applied to the fund value without considering the investment strategy thereof.
** The salary increase rate is equivalent to the expected inflationary increase.

The average duration of defined benefit obligations is approximately 10 years.

The following table shows future cash flows for benefits expected to be paid in the following ten years:

Payments expected in the years:	Amount
2016	$ 356
2017	351
2018	350
2019	314
2020	312
2021 to 2025	1,437
	$ 3,120

These amounts are based on current data and reflect future services expected, as the case may be. Benefit payments are based on the assumptions that inactive participants retire at 65 years old, and other actuarial hypothesis, that they do it along a 10-year period.

c) Movements in defined benefit obligations during the year are as follows:

	Year ended December 31,	
	2014	2015
Defined benefit obligations as of January 1,	$ 3,995	$ 4,327
Discontinued operations (note 20)	-	(601)
Service cost	77	51
Interest cost	263	250
Actuarial remeasurements	247	283
Benefits paid	(384)	(380)
Other	129	15
Defined benefit obligations as of December 31,	**$ 4,327**	**$ 3,945**

The amounts recognized in current earnings and in other comprehensive income are as follows:

	Year ended December 31, 2014	Year ended December 31, 2015
Amount recognized in earnings	**$ 281**	**$ 93**
Amount recognized in comprehensive income	**$ 107**	**$ (600)**

d) Changes in the fair value of the plan assets:

	Year ended December 31, 2014	Year ended December 31, 2015
Fair value of the plan assets as of January 1,	$ 2,820	$ 3,438
Discontinued operations (note 20)	-	(168)
Expected yield	188	207
Actuarial remeasurements	149	882
Company contributions	395	14
Benefits paid	(114)	-
Fair value of the plan assets as of December 31,	**$ 3,438**	**$ 4,373**

The categories of the plan assets as of December 31, 2014 and 2015 are as follows:

	Actual yield rate		Fair value of plan assets	
	2014	2015	2014	2015
Equity instruments	9.08%	43.92%	$ 2,090	$ 2,253
Debt instruments	10.89%	13.21%	1,348	2,120
			$ 3,438	**$ 4,373**

The return rate on plan assets is determined based on a composition of 52% of Vitro's shares and 48% in investments in securities. As of December 31, 2014 and 2015, the plan assets include 110,724,019 and 41,987,287 Vitro's shares, respectively, whose fair values amount to $2,090 and $2,253, respectively. As of December 31, 2014, 84% of Vitro's shares are valued at contract value (note 9c), and the other shares are valued at market value.

e) The determination of the defined benefits obligation is carried out using actuarial hypotheses such as discount rates and wage increases. The sensitivity analysis shown below was developed based on the reasonableness of possible changes with respect to the actuarial hypotheses as of December 31, 2015, maintaining the other used hypotheses constant.

The amounts included in the following table represent increase or (decrease) in the net projected liability, as the case may be.

	Liability
Increase in discount rate of 1%	$ (241)
Decrease in discount rate of 1%	274
Wage increase of 1%	51

The sensitivity analysis shown above may not represent actual changes in defined benefits obligations, as actuarial hypotheses are correlated to each other, and they are not likely to vary in an isolated manner.

16. Financial instruments

The Company has identified the following financial instruments:

	December 31, 2014	December 31, 2015
Financial assets		
Cash and cash equivalents	$ 2,471	$ 7,137
Restricted cash	176	-
Accounts receivable and other financial assets	3,678	2,717
Financial liabilities		
Measured at amortized cost	25,369	7,456
Derivative financial instruments	157	132

The Company is exposed to market risks (interest rate risk and foreign exchange risk), credit risk and liquidity risk, which are managed in a centralized manner. The Board of Directors establishes and monitors the policies and procedures to measure and manage these risks, which are described below.

i. ***Market risk***

Market risk is the risk of changes in market prices, such as exchange rates, interest rates, commodities and equity instruments. The objective of market risk management is to manage and control exposures to market risks within acceptable parameters, at the same time that yields are optimized.

Interest rate risk

As described in note 13, until September 1, 2015, the Company had assumed debt obligations which accrued interest primarily at a fixed rate and to a lesser extent based on the TIIE or LIBOR rate. As a result of the prepayment, of practically all the Company's debt, as of December 31, 2015, the interest rate risk is not significant.

Foreign exchange risk

The Company conducts transactions in foreign currency, similarly, most of the contracted debt is denominated in U.S. dollars, and consequently, exposure to exchange risk arises. This exposure can result from changes in the economic, monetary and/or tax policies, liquidity in global markets, international and local political events, among others.

Until September 1, 2015, most of the Company's contracted debt (note 13) was denominated in US dollars. This debt was fully paid with the proceeds of the sale of the containers business, as mentioned in note 2j; therefore, the foreign exchange risk exposure was significantly reduced as of December 31, 2015.

As mentioned in note 4b, the Company's management designated certain liabilities as economic hedges of investments in foreign companies; therefore, the corresponding exchange fluctuation is directly recorded in stockholders' equity up to the amount in which the contracted funding covers the investment.

The financial assets and liabilities denominated in millions of U.S. dollars as of December 31, 2014 and 2015 are as follows:

	December 31, 2014	December 31, 2015
Current assets	US$ 108	US$ 425
Non-current assets	1	-
Current liabilities	233	113
Non-current liabilities	1,008	2
(Asset) liability position, net	**US$ 1,132**	**US$ (310)**

As of December 31, 2014 and 2015, the Company considers the assets and liabilities denominated in other foreign currencies other than U.S. dollar are not material.

The exchange rates of the Mexican peso with respect to the U.S. dollar, used to prepare these consolidated financial statements, were as follows:

	U.S. dollar
December 31, 2014	$ 14.7414
December 31, 2015	17.2487

As of March 4, 2016, date of issuance of the consolidated financial statements, the exchange rate of the Mexican peso with respect to the U.S. dollar was $17.8971.

Sensitivity analysis to foreign exchange risk

The following table shows the sensitivity analysis carried out by the Company, considering strengthening or weakening by 1% of the U.S. dollar against the Mexican peso and their effects on the results of the fiscal year. The percentage used to analyze the sensitivity to foreign exchange risk is the scenario that represents the Management's evaluation of the fairness of possible variations in the currency exchange rate.

The amounts included in the following table represent income (expense).

	Results
Strengthening of Mx. peso by 1% of U.S. dollar	$ 53
Weakening of Mx. peso by 1% of U.S. dollar	(53)

ii. Credit risk

Credit risk refers to the risk that a customer or counterpart breaches its contractual obligations resulting in financial loss to the Company and arises mainly from trade accounts receivable and investments in the Company's securities.

Trade accounts receivable and other accounts receivable

The Company continuously performs credit evaluations to its clients and adjusts the limits of credit based on the credit history and current creditworthiness. Also, it monitors the collections and payments from customers, and has an allowance for doubtful accounts based on historical experience and on some specific aspect that has been identified. While these allowances for doubtful accounts have historically been within the Company's expectations and within the established allowance, there is no guarantee that it will continue to have the same level of allowances for doubtful accounts that it has had in the past. An important variation in the experience of the Company's allowances for doubtful accounts could have a significant impact on the consolidated results of operations and therefore on the consolidated financial position.

The Company's exposure to credit risk is affected mainly by the individual characteristics of each customer. However, the Company's management also believes the demographics of its customer base, which includes the risk of non-compliance of the industry and country in which customers operate, as these factors can influence the credit risk, particularly in deteriorated economic circumstances.

As of December 31, 2015, the maximum exposure to credit risk is $2,399. In addition, the Company has guarantees on certain balances of trade accounts receivable whose performance does not fully meet Management's expectations.

The Company has no concentration credit risk, as consolidated sales to a single customer were not superior to 10% with respect to total sales.

Below is the classification of trade accounts receivable overdue and impaired, according to their age at the date of the report:

	December 31, 2014		December 31, 2015	
Balance	Gross	Impaired	Gross	Impaired
0 to 90 days	$ 434	$ -	$ 375	$ 30
Over 90 days	79	74	75	75
	$ 513	**$ 74**	**$ 450**	**$ 105**

iii. Liquidity risk

Liquidity risk represents the possibility that the Company has difficulties to comply with its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to manage its liquidity risk is to ensure, to the extent possible, always having enough liquidity to meet its obligations when they fall due, without affecting the performance of the business or damage the image and reputation of Vitro.

The Company's Board of Directors is responsible for establishing an appropriate framework of liquidity risk management according to the Company's needs. The Company manages its liquidity risk by maintaining bank reserves and through a constant monitoring of cash flows.

In previous years, the Company's main source of liquidity has been predominantly cash generated from operating activities in each one of the business units and sale of certain assets. In addition, the Company has designated certain assets as available for sale, which also support the reduction of this risk.

As explained in the Notes 2j, 2l, and 13, the Company prepaid its long-term debt with the flow from the sale of the transactions of the Packaging segment, specifically 2018 Notes (US800), the Fintech Note (US200) and a loan with CACIB (US22), jointly with interest accrued to the payment date; therefore, as of December 31, 2015, exposure to the liquidity risk held by the Company is almost non-existent.

Based on the above, as of December 31, 2015, the Company has no long-term bank debt, and that in the short term is not significant; on the other hand, the rest of the financial liabilities, as mentioned in the categories of financial instruments in this note, keep maturities of less than 12 months, and the Company has an amount of cash significantly greater than these liabilities.

iv. Fair value of financial instruments

The fair value of financial instruments that are presented below has been determined by the Company using the information available in the market or other valuation techniques which require judgment to develop and interpret the estimates of fair values. It also uses assumptions that are based on market conditions existing at each of the balance sheet dates. Consequently, the estimated amounts presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The levels that cover 1 to 3, based on the degree to which the financial instruments fair value is observed, are:

- Level 1 are those derived from quoted prices (not adjusted) in active markets for identical assets or liabilities;
- Level 2 are those derived from indicators other than quoted prices included within Level 1, but which include indicators that are observable for an asset or liability, either directly to prices quoted or indirectly; i.e. derived from these prices; and
- Level 3 are those derived from valuation techniques that include indicators for assets and liabilities, which are not based on observable market information (non-observable indicators).

The Company's amounts of cash and cash equivalents, as well as accounts receivable and payable to third parties and related parties, and the current portion of bank loans and long-term debt approach their fair value, as they have short term maturities. The Company's long-term debt is recorded at amortized cost and consists of debt that bears interest at fixed and variable rates which are related to market indicators. To obtain and disclose the fair value of long-term debt, different sources and methodologies are used such as: market quotation prices or quotations of agents for similar instruments; other valuation techniques for the cases of those liabilities that have no price in the market and is not feasible to find quotes of agents for similar instruments.

Below are the fair values of the debt, together with the carrying amount that are shown in the consolidated statement of financial position:

	December 31, 2014		December 31, 2015	
Debt (recorded at amortized cost):	Carrying amount	Fair value	Carrying amount	Fair value
Debt and bank loans	$ 17,515	$ 17,163	$ 15	$ 15

The fair value of derivative financial instruments was calculated based on Level 2 of the fair value hierarchy. During the fiscal years ended December 31, 2014 and 2015, there were no transfers between Level 1 and 2 inputs.

v. ***Other market price risks***

In the ordinary course of business, the Company has historically contracted swaps and other derivative instruments in order to mitigate and to cover its exposure to fluctuations in the price of natural gas. The percentage of covered estimated fuel consumption has varied from 10% to 100%. The percentage of consumption covered and covered prices constantly change according to the conditions of the market based on the Company's needs and to the use of alternative fuels in their production processes.

DFI's that the Company maintained placed during fiscal year 2015 were swaps, which were acquired by the need to economically cover the fluctuation in the price of natural gas that the Company's plants use. These DFI's were not designated as a hedge for accounting purposes; therefore, fluctuations in fair value are recognized in current earnings within net financial cost.

During 2014, the Company did not have any active instruments, however, it entered into certain DFI's to hedge its natural gas needs for fiscal years 2015 and 2016 (note 2b).

The following table shows the active positions and their characteristics for the years ended December 31, 2014 and 2015:

Type of Instrument	Type of Underlying	Annual Notional in MMBTUs	Average Price	Initial Date	Maturity Date
Swap	Natural gas	9,600,000	US$ 3.89	01-01-15	12-31-15
Swap	Natural gas	5,400,000	US$ 3.91	01-01-16	12-31-16

The effects of the aforementioned DFI's in profit and loss of fiscal years ended December 31, 2014 and 2015 are described in note 23.

Sensitivity analysis to DFI

The Company carried out a sensitivity analysis considering an increase or decrease by 10% of the purchase price of natural gas, and their effects on the results of the fiscal year. The percentage used to analyze the sensitivity to this price risk is the scenario that best represents Management's assessment of the fairness of possible variations in the price of this underlying.

The amounts included in the following table represent income or (expense) as correspond:

	Results
Underlying increase by 10%	$ 23
Underlying decrease by 10%	(23)

17. Contingency

During April 2009, Mr. Amir Kfir filed an ordinary commercial action for breach of agreement against Vitro, Vimécxico, S.A. de C.V. ("Viméxico") and Distribuidora Álcali, S.A. de C.V. ("Distribuidora Álcali"), claiming an estimated payment of US$4, plus payment of fees that allegedly were not paid, payment of default interest, damages and lost profits and court costs.

After multiple instances, on August 18, 2014, a final sentence was issued whereby Vitro was sentenced to pay the benefits demanded by Amir Kfir. According to its calculations, Amir Kfir is demanding approximately US$7. According to Vitro's calculations, the payment should have been US$5. Any resulting amount should be reduced by 38%; that is, according to Vitro Bankruptcy, the amount demanded is limited by the sentence of the Bankruptcy, where creditors who did not consent through the process stages were paid $0.62 pesos of the account receivable recognized in the sentence of Recognition, Ranking of Claims and Priority of Payments.

Distribuidora Álcali and Viméxico (defendant companies as well) won the lawsuit and were exempt from paying the benefits demanded of them; in addition, Amir Kfir was sentenced to pay judicial costs for these processes. These companies handed over their legal costs rights in favor of Vitro. The estimated legal costs could reach $20, which would be offset by any sentence issued by the District Judge as a consequence of this process. The Judge decided to grant the benefit claimed by these companies in the amount of $10; such decision was appealed by the Company.

After a series of negotiations, on November 11, 2015, an agreement was reached with Mr. Amir Kfir to resolve the lawsuit against Vitro. The amount agreed to solve the issue was US2.5 in exchange for the withdrawals of existing trials and by signing a transactional agreement solving the differences; this amount includes any reduction related to the insolvency and the processes related to costs and expenses in favour of Vitro.

18. Commitments

The Company entered into various operating lease agreements relating mainly to the lease of warehouses and equipment which represented charges to the profit or loss of 2014 and 2015 for $209 and $230, respectively. Certain lease agreements have purchase and/or renewal options at market value at the end of their term, which exercise is not certain at the reporting date.

The estimated future obligations derived from these agreements are as follows:

	Amount
2016	$ 83
2017	43
2018	20
2019	11
2020	8
2021 and thereafter	49

Power purchase

In October 2000, some of the Vitro subsidiaries with plants around Monterrey, Mexico and the area of Mexico City, Guadalajara and Queretaro entered into a power-purchase agreement for 15 years, for approximately 90 Megawatts of electricity and 1.3 million tons of steam per year, with Tractebel Energy of Monterrey, S. de R.L. de C.V. and whose supply started in March 2003.

Likewise, in August 2015, some of the Vitro subsidiaries, with plants around Monterrey, entered into a power-purchase agreement for 15 years with the same counterparty, whose supply begins in 2018. This agreement contains power purchase obligations for approximately 69 Megawatts of electricity per year and is subject to certain conditions established in the covenant.

19. Capital and reserves

Capital management

The Company's objective on managing its capital structure is to safeguard its ability to continue as a going concern, and at the same time maximize the return to its stockholders through a proper balance in their funding sources. In order to maintain this structure, the Company carries out various actions such as: efficiently managing working capital, adjusting the dividends paid to stockholders according to free cash flows generated, cancelling and/or issuing new shares and/or debt, or the investment or disinvestment in assets.

The Company, through the Board of Directors, permanently assesses the cost and risks associated with its capital structure. This assessment is primarily based on the proportions of debt, debt to EBITDA of the past 12 months, and interest coverage. The proportion of debt represents the debt ratio to total assets; the EBITDA is calculated based on the income before other income and expenses and adding the virtual items reflected in the statement of comprehensive income, within the cost of sales and operating expenses, mainly depreciations, amortizations and the seniority premium and pension plan reserves. Lastly, the interest coverage is calculated by dividing the EBITDA by the interest expense of the last twelve months interest expense of the analyzed period. Vitro has a long-term goal of maintaining financial ratios 0.5 times, less than 3 times, and greater than 3 times for its indebtedness ratios, debt to EBITDA and interest coverage, respectively.

Common stock structure

a) Originated in the final stages of the Voluntary Bankruptcy Lawsuit process in Mexico with a previous restructuring plan ("Bankruptcy Plan") brought by the Company, and an agreement entered into with Fintech, FIC acting as principal of Vitro and the guarantor subsidiaries of the Bankruptcy Plan, would pay to Fintech US$360 through the issuance of a note in the amount of US$235 (notes 2h) and will capitalize the remaining balance resulting that Fintech will be the owner of up to 13% of FIC's outstanding shares.

At a General Extraordinary Stockholders' Meeting held on September 5, 2013, and ratified on December 11, 2013, the merger of FIC and COVISA, as merged companies, with Vitro as the holding company, was approved; this merger took effect on January 1, 2014.

On January 1, 2014, Fintech executed the capitalization in FIC; that same day the Merger of FIC and COVISA with Vitro took full effect. From this date, FIC and COVISA ceased to exist as independent companies.

Derived from the aforementioned capitalization, Vitro issued 96,714,286 common shares, without par value, representing Vitro's variable capital. As of January 1, 2014, the Company's capital stock, after the issuance of shares, amounts to 483,571,429 shares.

b) 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.

At an Ordinary General Stockholders' Meeting held on April 30, 2015, the application to accumulated results for $541, arising from additional paid in capital, was approved.

c) c) Stockholders' equity, except for 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 tax of the year in which the tax on dividends is paid and the following two fiscal years.

Balances of the controlling interests in the tax accounts of the stockholders' equity corresponding to the capital contribution account and the net taxable income account amounted to $45,836 and $32,288 as of December 31, 2014, and $46,812 and $20,084 as of December 31, 2015, respectively.

d) At an Ordinary General Stockholders' Meeting held on September 18, 2015, stockholders agreed to declare and pay dividends at a rate of US$1.5542 per share. As of December 31, 2015, declared dividends were already paid. During fiscal year ended December 31, 2014, no dividends were declared.

e) Other components of comprehensive income

Cumulative translation adjustments

The movement of the period is recorded when translating the financial statements from the functional currency to the reporting currency. During the period, and derived from the transaction described in notes 2j and 20, the Company recycled to profit or loss the cumulative translation adjustment balance recognized in stockholder's equity, attributable to such operations.

Actuarial remeasurements

Actuarial remeasurements are recognized as other components of comprehensive income. During the period, the actuarial remeasurements corresponded solely to variations in actuarial assumptions for both the labor liability and the plan assets and are presented net of income taxes, and derived from the transaction described in notes 2j and 20, the Company reclassified to profit or loss the cumulative balance of actuarial remeasurements recognized within the stockholders' equity attributable to such operations.

Following is an analysis of the movements of the other comprehensive income accounts of the controlling interests:

	Cumulative translation adjustments	Actuarial remeasurements	Total other comprehensive income
Balance as of January 1, 2014	$ 67	$ (465)	$ (398)
Comprehensive income movement	146	(75)	71
Balance as of December 31, 2014	213	(540)	(327)
Discontinued operations (note 20)	(88)	12	(76)
Comprehensive income movement	59	502	561
Balance as of December 31, 2015	**$ 184**	**$ (26)**	**$ 158**

f) Non-controlling interest is as follows:

	December 31, 2014	December 31, 2015
Capital stock	$ 396	$ 396
Additional paid-in capital	589	(115)
Cumulative translation adjustments	218	459
Actuarial remeasurements	(6)	(4)
Retained earnings	128	716
	$ 1,325	**$ 1,452**

g) Basic and diluted earnings (loss) per share

The earnings (loss) and number of common shares used for the calculation of the basic and diluted earnings (loss) per share are as follows:

	Year ended December 31,			
		2014		2015
Loss from continuing operations attributable to controlling interest	$	1,289	$	1,200
Earnings from discontinued operations attributable to controlling interest	$	1,232	$	24,800
Weighted average of common shares for calculation of basic and diluted earnings (loss) per share		483,125,929		483,125,929
Loss per share from continuing operations	$	2.67	$	2.48
Earnings per share from discontinued operations	$	2.55	$	51.33

As of December 31, 2104 and 2015, basic and diluted earnings (loss) per share amount to the same figure as there were no dilution effects affecting the average of common shares for such calculations during the years then ended.

20. Discontinued operations

Food and beverage containers business

On August 14, 2014, the Company reported that it was exploring a potential transaction to sell its food and beverage container business, including the operations in Bolivia and product distribution of the business in the USA, and, the transaction would not include the cosmetic business, the machinery and equipment business, the chemical business, nor Vitro´s participation in its associate Empresas Comegua, S.A. and Subsidiaries. However, as of December 31, 2014, the Company classified this business as part of its continuing operations, since the sale had not been authorized by the Board of Directors and Stockholders of Vitro.

On May 12, 2015, the Company signed an agreement with Owens-Illinois, Inc. ("O-I") accepting a bid to sell its food and beverages glass containers business. The transaction is valued, cash and debt free, at US$2,150, and included the sale are five food and beverages glass container manufacturing plants in Mexico, one plant in Bolivia, and the distribution of such products in the USA, excluding the cosmetic business, the machinery and equipment business, the chemical business, and Vitro´s participation in Empresas Comegua, S.A. and Subsidiaries. This agreement was approved by Vitro's stockholders at an Ordinary General Stockholders' Meeting held on July 7, 2015.

On September 1, 2015, the food and beverages glass container transaction concluded successfully. The transaction was approved by the governing bodies of both entities and by the relevant regulatory authorities in Mexico and the USA.

The operations subject of this transaction met the required criteria of IFRS 5, "Non-current assets held for sale and discontinued operations" to be classified as discontinued, and therefore they are presented separately in the consolidated statements of profit or loss and other comprehensive income, and in the consolidated statements of cash flows.

Condensed statements of profit or loss and other comprehensive income of the discontinued operations for the year ended December 31, 2014, and for the eight-month period ended August 30, 2015:

	2014	2015
Revenues	$ 11,396	$ 8,842
Cost of sales	8,082	5,825
Gross profit	3,314	3,017
Operating expenses	1,117	840
Income before other expenses, net	2,197	2,177
Other expenses, net	250	14
Operating income	1,947	2,163
Interest cost, net	101	14
Income before income taxes	1,846	2,149
Income taxes	614	586
Income after income taxes	1,232	1,563
Gain on sale of discontinued operation (1)	-	23,237
Total income from discontinued operation	**1,232**	**24,800**

(1) The Company reclassified to profit or loss of the discontinued operation amount for $12 and $(88), from actuarial remeasurements, net of taxes, and the cumulative balance of the translation adjustment (note 19e).

Condensed statement of cash flows of the discontinued operations for the year ended December 31, 2014, and for the eight-month period ended August 30, 2015:

	2014	2015
Cash flows provided by operating activities	$ 3,330	$ 1,976
Cash flows used in investing activities	1,040	848
Cash flows provided by (used in) financing activities	78	(17)
Increase in cash and cash equivalents	**$ 2,368**	**$ 1,111**

In the determination of tax effects arising from the sale of the business of glass containers for food and beverages, the Company used tax losses from the sale of shares in prior years by $15,630, which was reserved and was not presented in the consolidated statement of financial position; likewise, tax-loss carryforwards from operation of $8,529, was used.

21. Related parties

Transactions with related parties, carried out in the ordinary course of business, were as follows:

a) *Products sold.-* The Company held operations for sales of services, technical advisory, and sales of spare parts and finished goods with Comegua, its associated company; these operations amounted approximately $23 and $53, for the years ended December 31, 2014 and 2015, respectively.

On the other hand, the Company paid rent for certain properties for $148 and $120, for the years ended December 31, 2014 and 2015, respectively (note 9c).

b) *Purchase of food coupons.-* The Company purchases food coupons for its staff from a self-service store, of which one of our advisors is a stockholder. For the years ended December 31, 2014 and 2015, the amount of those purchases was $112 and $110, respectively.

c) *Compensation to management's key personnel.-* For the years ended December 31, 2014 and 2015, the total compensation for the services provided by our advisors and directors was approximately $121 and $140, respectively. This amount includes fees, wages, variable compensation and retirement bonuses.

22. Other (expenses) income, net

The analysis of other (expenses) income, net is as follows:

	Year ended December 31, 2014	Year ended December 31, 2015
Reversal of impairment loss (note 9d)	$ 409	$ 56
Impairment of long-lived assets (note 9d)	(173)	-
Results on sale and cancelation of assets	(20)	(109)
Reorganization expenses	(38)	-
Other (expenses) income	(24)	46
	$ 154	**$ (7)**

23. Financial cost, net

Below is a breakdown of the most significant items that compose financial cost:

	Year ended December 31, 2014	Year ended December 31, 2015
Interest expenses	$ 1,353	$ 1,132
Financial products	(202)	(81)
Restatement of taxes on tax consolidation	168	93
Derivative financial transactions	71	162
Exchange loss, net	1,613	1,306
Employee benefits interest expense, net	58	49
Other financial expenses, net	43	50
	$ 3,104	**$ 2,711**

24. Income taxes

a) In Mexico, the Company is subject to ISR, which rate was 30% in 2014 and 2015, and as a result of the 2014 ISR law ("2014Tax Law"), the rate will continue at 30% in 2016 and thereafter. The Company incurred ISR on a consolidated basis through 2013 with its Mexican subsidiaries. As a result of the 2014 tax reform, the tax consolidation regime was eliminated and the Company and its subsidiaries have the obligation to pay the deferred income tax determined as of that date, which will be paid pursuant to the transitional provisions of the new Law, beginning in fiscal year 2014 to fiscal year 2023; i.e., during the following ten years.

b) Income taxes recognized in earnings are analyzed as follows:

	Year ended December 31, 2014	Year ended December 31, 2015
Current ISR	$ 22	$ 78
Deferred ISR	(827)	193
	$ (805)	**$ 271**

c) The reconciliation between the Company's actual ISR rate and that established in the Law, expressed as a percentage of income before income taxes, is analyzed as follows:

	Year ended December 31,	
	2014	2015
Actual rate	39%	(79)%
Foreign companies	-	(54)
Inflation	(9)	(23)
Valuation allowance for tax losses	(9)	183
Nondeductible expenses and others	9	3
Rate established in the Law	**30%**	**30%**

The movements of the deferred tax asset balance in the fiscal year are as follows:

	Year ended December 31,	
	2014	2015
Opening balance	$ 7,883	$ 8,330
Income tax applied to income	300	(193)
Deferred tax of discontinued operation	-	(4,288)
Actuarial remeasurements	32	(387)
Effect of hedges and restatement	115	147
	$ 8,330	**$ 3,609**

d) The main temporary differences that gave rise to deferred ISR in the consolidated statements of financial position are analyzed as follows:

	December 31,	
	2014	2015
Accounts receivable	$ 38	$ 78
Employee benefits	884	329
Tax losses carryforwards	6,061	3,064
Intangible assets	850	847
Fixed assets	(60)	(512)
Derivative financial instruments	208	39
Inventories	74	68
Other	275	(304)
	$ 8,330	**$ 3,609**

As of December 31, 2015, the Company has tax loss carryforwards of $9,169, which have the right to be applied to future income and expire as follows:

Expiration in:	Amount
2017	$ 3
2018	628
2019	46
2020	534
2021	2,514
2022	176
2023	3,109
2024	1,719
2025	440
	$ 9,169

In the determination of deferred ISR, according to the preceding subsections, the effects of tax loss carryforwards of $3,150 were included; however they were not recognized as assets because there is no high probability that they can be recovered. In addition, foreign subsidiaries have accumulated tax losses for which deferred ISR of $313 was recognized.

e) The income taxes recognized in other components of comprehensive income are analyzed as follows:

	Year ended December 31,	
	2014	2015
Hedging of foreign operations and restatement effect	$ 115	$ 147
Actuarial remeasurements of benefits plan	32	(387)
Total income taxes recognized in other components of comprehensive income	**$ 147**	**$ (240)**

25. Operating segments

An operating segment is a Company's component that is engaged in business activities for which it can earn income and incur expenses, including income and expenses relating to transactions with any of the other components of the Company. All the operation results of the operating segments are reviewed periodically by the Company's management to make decisions on the resources that must be distributed to the segment and assess their performance.

Transactions between segments are determined based on comparable prices to those that would be used with or between independent parties in comparable transactions.

The accounting, administrative and operating policies are the same as those described by Vitro. The Company evaluates the performance of its segments based on operating income. Sales and transfers between segments are recorded in each segment as if they were made to third parties; i.e. at market prices.

The segments reporting in Vitro are strategic business units that offer different products. These segments are managed separately; each requires its own system of production, technology, and marketing and distribution strategies. Each market serves to different customer bases.

The Company has two operating segments to be reported: Containers and Flat Glass. The primary products of each one of the segments are:

Segment	Primary products
Glass containers	Glass containers, precision components, as well as machinery and molds for the glass industry.
Flat glass	Flat glass for the construction and automotive industries, and carbonate and sodium bicarbonate.

Following divestiture of the food and beverages glass containers business (note 2j), the Company made some changes to the composition of its reportable segments structure. Prior to the divestiture, the chemical business was grouped within the glass containers segment. Effective during the third quarter of 2015, the chemical business became part of the flat glass segment as it more closely aligns with Vitro's new structure. Selected financial information previously reported has been reclassified in order to present comparable segment financial information accordingly with the new structure. Financial information for the fiscal year 2014 has been reclassified, in order to present comparative segment information, in accordance with the Company's new structure.

The holding, corporate and other companies are not classified as an operating segment according to IFRS 8 "Operating segments", they are classified in the "Others" column.

a) Following certain information is presented by segments:

Year ended December 31, 2014	Glass Containers	Flat Glass	Subtotal	Others and eliminations	Consolidated
Total sales	$ 2,425	$ 8,683	$ 11,108	$ 39	$ 11,147
Sales to other segments	(1)	21	20	(18)	2
Consolidated net sales	2,426	8,662	11,088	57	11,145
Income before other (expenses) income, net	360	842	1,202	(432)	770
Interest income	403	131	534	(332)	202
Interest expense	1,728	368	2,096	(474)	1,622
Equity in income of associates	104	-	104	-	104
Income (loss) before income taxes	(2,775)	631	(2,144)	68	(2,076)
Income taxes	(1,082)	168	(914)	109	(805)
Income (loss) from discontinued operation, net of taxes	923	(9)	914	318	1,232
Depreciation and amortization	255	533	788	35	823
Investment in fixed assets	180	277	457	-	457
Loss from impairment of long-lived assets	28	145	173	-	173
Reversal of impairment loss	-	(409)	(409)	-	(409)

As of December 31, 2014	Glass Containers	Flat Glass	Subtotal	Others and eliminations	Consolidated
Investment in associated	$ 12,004	$ 264	$ 12,268	$ (11,132)	$ 1,136
Total assets	48,209	21,259	69,468	(34,411)	35,057
Total liabilities	37,137	18,647	55,784	(28,800)	26,984

Year ended December 31, 2015	Glass Containers	Flat Glass	Subtotal	Others and eliminations	Consolidated
Total sales	$ 3,353	$ 10,754	$ 14,107	$ 20	$ 14,127
Sales to other segments	42	7	49	(49)	-
Consolidated net sales	3,311	10,747	14,058	69	14,127
Income before other (expenses) income, net	665	1,784	2,449	(186)	2,263
Interest income	628	785	1,413	(1,332)	81
Interest expense	2,012	827	2,839	(1,515)	1,324
Equity in income of associates	114	-	114	-	114
Income (loss) before income taxes	(2,136)	1,090	(1,046)	705	(341)
Income taxes	(617)	870	253	18	271
Income (loss) from discontinued operation, net of taxes	1,543	23,032	24,575	225	24,800
Depreciation and amortization	219	524	743	32	775
Investment in fixed assets	627	746	1,373	-	1,373
Reversal of impairment loss	-	(56)	(56)	-	(56)

As of December 31, 2015	Glass Containers	Flat Glass	Subtotal	Others and eliminations	Consolidated
Investment in associated	$ 17,494	$ 1,618	$ 19,112	$ (17,703)	$ 1,409
Total assets	56,930	55,841	112,771	(85,039)	27,732
Total liabilities	48,407	33,196	81,603	(74,015)	7,588

b) Geographical information

Mexico export sales, substantially negotiated in U.S. dollars, are conducted mainly with the USA and Europe and were as follows:

	Year ended December 31,	
	2014	2015
Export sales in millions of U.S. dollars	US$ 237	US$ 259

Consolidated net sales conducted by the Company to a single customer in the packaging segment presented only one case of concentration of sales to a single customer, whose amount was greater than 10% for the year ended December 31, 2014. On the other hand, two cases of concentration of sales arose in the same segment, whose amounts were higher than 10% for the year ended December 31, 2015.

In addition, in the segment of flat glass, there is a single case of concentration of sales to a single customer, whose amounts were greater than 10% for the fiscal years ended December 31, 2014 and 2015.

Certain geographical information regarding the Company's transactions is summarized as follows:

	Year ended December 31,	
	2014	2015
Net sales to customers [(1)] in:		
Mexico	$ 7,538	$ 9,588
Abroad, mainly to the USA	3,607	4,539

(1) According to the country where the Company is located.

The geographic information of land and buildings, machinery and equipment, and investments in process is summarized as follows:

	December 31,	
	2014	2015
Lands and buildings, machinery and equipment and investments in process:		
Mexico	$ 8,005	$ 8,376
Abroad	113	97

The other non-current assets other than monetary items are summarized as follows:

	December 31,	
	2014	2015
Intangible asset:		
Mexico	$ 82	$ 48
Abroad	15	9

26. Authorization to issue the financial statements

On March 4, 2016, the issuance of the accompanying consolidated financial statements and notes thereto was authorized by Adrián Sada Cueva, Chief Executive Officer, and Claudio L. Del Valle Cabello, Chief Financial and Administrative Officer.

These consolidated financial statements are subject to the approval at the ordinary stockholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

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Dividend Policy

Resolutions regarding the declaration, amount, and payment of dividends are determined by the majority of the voting shares at the Ordinary Shareholders' Meeting. Generally this decision is based on the recommendation of the Board of Directors. The terms and conditions of payment of the dividends approved by the corresponding Ordinary Shareholders' Meeting, are generally proposed by the Board of Directors, whose objective as to dividends is concerned, will maintain a sound financial structure that allows the Company to pay dividends consistently.

The Glass Company

www.vitro.com