MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this discussion in conjunction with our consolidated financial statements, and related notes and the other financial information included in our audited financial statements. Our financial statements are prepared in accordance with IFRS. The IFRS include all the effective International Accounting Standards ("IAS"), and the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), including those issued previously by the Standing Interpretations Committee ("SIC").

The Company changed its accounting policies from Mexican Financial Reporting Standards ("MFRS") to comply with IFRS as of January 1, 2012. The transition from MFRS to IFRS has been registered in accordance with IFRS 1, setting January 1, 2011 as the transition date.

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may vary materially from those discussed in the forward-looking statements as a result of various factors.

Overview

We are a producer, marketer and distributor of quality branded foods, including processed meats, cheese, yogurt and other refrigerated foods, throughout Mexico, the United States, Europe, Central America, the Dominican Republic, Peru and Ecuador

Our portfolio of brands, range of innovative products, focus on production and distribution processes and technology, and distribution network have allowed us to continue to grow net sales and cash flow. We generated consolidated net sales of Ps. 48,989 million and Adjusted EBITDA of Ps. 6,710 million for 2013; and consolidated net sales of Ps. 71,465 million and Adjusted EBITDA of Ps. 8,495 million for 2014.

Factors Affecting Our Results of Operations

Net Sales

Our net sales consist principally of revenue generated from sales of processed meats, dairy products and other refrigerated products and are a function of sales volumes, price (after reduction from rebates and invoice discounts) and product mix. The principal drivers of sales volumes of our products include:

- available production capacity, including through the acquisition of new production facilities or the expansion of existing plant capacity (see "—Effect of Acquisitions, Capacity Expansion and Production Efficiencies" below);
- our capacity utilization rate and the existence or absence of operational disruptions;
- demand for processed meats, dairy products and other refrigerated foods, as well as economic growth or contraction and resilience to adverse economic scenarios in the countries in which we participate;
- competition from substitute products; including those outside the categories in which we participate;
- our ability to develop new products and product characteristics that meet consumers' changing needs and preferences.

The principal factors affecting the pricing of our products include:

- market conditions and the supply and demand for processed meats, dairy products and other refrigerated food products;
- the pricing strategies of our principal competitors;

- our product mix, ranging from premium to economic brands;
- changes in raw material prices and in other costs; and
- changes in the exchange rate of local currencies of the countries in which Sigma operates.

Cost of Sales

Our cost of sales consists primarily of raw materials, particularly poultry, pork and fluid and dry milk, energy, including natural gas, motor fuel and electricity, labor costs, transportation costs and depreciation and amortization of our plant and equipment. The principal factors that affect our cost of sales include:

- raw material prices, particularly for pork and poultry, which are closely related to the cost of grains, such as corn, that comprise the majority of the cost of raising such animals, as well as for fluid and dry milk;
- changes in the price of imported raw materials, due to changes in the exchange rate against the local currencies of the countries in which Sigma operates;
- sales volumes;
- our product mix;
- our ability to streamline or create efficiencies in our production processes; and
- energy costs.

Gross Margin

Gross margin is defined as net sales less cost of sales. Gross margin as a percentage of net sales is not a meaningful measure of our financial performance.

Operating Expenses

Our operating expenses consist principally of selling expenses, including salaries and commissions paid to our sales force, as well as distribution, marketing and administrative expenses, including some corporate services paid to Alfa’s affiliates.

Comprehensive Financing Expense, Net

The components of comprehensive financing expense, net are comprised of:

- financial expense, including fixed and variable interest expense, which is primarily a function of the principal amount of debt outstanding and the interest rates in effect;
- financial income, which includes interest income earned on cash and cash equivalents;
- exchange loss (gain), net, which includes net gains or losses relating to foreign currency exchange rate movements, as further described below under “—Effects of Foreign Currency Exchange Rate Fluctuations”;
- valuation of derivative financial instruments, when used, which reflects changes in the fair value of derivative financial instruments designated as held for trading because they do not satisfy the accounting requirements for hedge accounting, including instruments with respect to exchange rates, interest rates and natural gas prices and, if applicable, the ineffective portion of instruments qualified as hedge accounting; and changes in the fair value of our derivative financial instruments are recognized in comprehensive financing expense, except when designated as hedge accounting. Their designation as hedge accounting is documented at the inception of the transaction, specifying the related objective, initial position, risk to be hedged, type of relationship, characteristics, accounting recognition and how their effectiveness will be assessed.

Currently, we do not have derivative financial instruments outstanding. Sigma has used derivative financial instruments to manage the risk profile associated with interest rates and currency exposure, reduce financing costs and hedge some of our commodity and financial market risks. We have as policy not to enter into derivative financial instruments for speculative purposes; however, we may enter into derivative financial instruments as an economic hedge against certain business risks, even if these instruments do not qualify for hedge accounting under IFRS. In addition, we may be required to record fair value losses in the future that could be material. The fair value accounting for derivative financial instruments is reflected in our income statement and has resulted in volatility in our earnings.

Effect of Acquisitions, Capacity Expansion and Production Efficiencies

Our financial results for the periods presented below were materially affected by acquisitions, and efficiency improvements.

In September 2010, we acquired Bar-S, a Delaware corporation based in Phoenix, Arizona, which operates three processed meats production plants in Oklahoma. Some synergy benefits have been achieved since the acquisition including some in 2012.

In July 2012, we acquired Empacadora Supremo de Monterrey, S.A. de C.V., a processed meat and dairy products company located primarily in the north of Mexico.

In the last quarter of 2012, we acquired Empacadora de Carnes Frías Hidalmex, S.A. de C.V., a processed meat company, which imports, exports, produces and sells its products primarily in Valle de Mexico.

In April 2013, we acquired Corporación de Empresas Monteverde S.A. and subsidiaries, a cheese producer in Costa Rica which operated three plants in that country. This acquisition will allow Sigma to enhance its product and brand portfolio, strengthening its presence in Central America.

In May 2013, Sigma acquired Comercial Norteamericana, S. de R.L. de C. V., a producer, marketer and distributor of value added meat which includes beef, poultry and pork for the foodservice market. This acquisition will allow Sigma to enhance its product portfolio and reinforce its market position in the foodservice segment.

In November 2013, Sigma acquired 45% of the shares of Campofrío of Spain and in December 2013, signed an agreement according to which WH Group (formerly Shuanghui International Holdings), which owns 37% of Campofrío, will join Sigma in the proposed cash tender offer for shares of Campofrío that will allow Sigma to increase its stake on Campofrío up to 63%. At the end of 2014, both Companies had control of approximately 99% of Campofrio, 62% corresponds to Sigma and 37% to WH Group. On September 2014, Campofrio was delisted from Madrid and Barcelona Stock Exchanges. Campofrío is the leader in the European luncheon meats market, with well recognized brands and plants in six European countries and one in the U.S. WH Group is the world's largest pork processor.

In April 2014, Sigma acquired Savi San José de Alajuela SA and Inversiones Arhuaco J&K SA, both companies, located in Costa Rica, produce processed meats. This acquisition will strengthen Sigma's presence in Central America.

In November 2014, Sigma acquired Fabrica Juris Compañía Limitada, a pioneer company in the production of processed meats, which sells under the Juris brand. The company is based in Quito, Ecuador and has more than 80 years of existence.

Effects of Foreign Currency Exchange Rate Fluctuations on Operating Margins

Because we operate in several countries, we are exposed to foreign exchange rate risk when we translate sales and expenses from foreign currencies. In order to report consolidated financial statements, we must effectively convert multiple currencies into a single reporting currency. As such, fluctuations in currency rates could affect our income statement, even if local currency results remain the same.

Limited Seasonality

Our operating results are not materially affected by seasonality, although we generally experience higher sales of our products during the year-end holiday season and in the case of Bar-S, higher sales during the summer months.

Key Drivers of Profitability

The key drivers of our profitability include:

- ***Our ability to respond to economic conditions in our markets.*** In periods of recession when the GDP declines in any or all of our markets, consumers may switch from high to lower cost products. In order to maintain our profitability, we must continue to offer our broad portfolio of brands across the diverse consumer base we serve. In periods of economic growth, consumers are more willing to purchase premium or higher-end branded products and our challenge in such periods is to encourage consumers, through marketing and other initiatives, to switch to those products.

- ***Our ability to understand and attend to consumer needs through innovation.*** We believe that enlarging our sales volume is critical for our profitability. By focusing our R&D activities on tailoring our products to the preferences and needs of consumers, we believe that we will increase sales volumes and improve profitability.

- ***Our ability to achieve efficiencies and economies of scale.*** The ability to grow our sales volume while maintaining our current cost structure is essential in order to achieve profitable results. In order to increase our productivity, we need to efficiently use our production and distribution facilities and control variable costs and expenses. In addition, within fixed costs and expenses we need to achieve economies of scale as we intend to increase our sales volumes without using increasingly more resources.

Critical Accounting Policies

We have identified certain key accounting estimates on which our consolidated financial condition and results of operations are dependent. These key accounting estimates most often involve complex matters or are based on subjective judgments or decisions that require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience, where applicable and other assumptions that we believe are reasonable under the circumstances.

Actual results may differ from our estimates under different assumptions or conditions. In addition, estimates routinely require adjustments based on changing circumstances and the receipt of new or better information. In the opinion of our management, our most critical accounting estimates under IFRS are those that require management to make estimates and assumptions that affect the reported amounts related to the accounting for fair value for financial instruments, goodwill and other indefinite-lived intangible assets and deferred taxes. For a full description of all of our accounting policies, see our annual consolidated financial statements and the notes thereto included.

There are certain critical estimates that we believe require significant judgment in the preparation of our consolidated financial statements. We consider an accounting estimate to be critical if:

- it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making the estimate; and

- changes in the estimate or different estimates that we could have selected would have had a material impact on our financial condition or results of operations.

Financial Instruments Measured at Fair Value

Financial Assets

The Company classifies its financial assets in the following categories: at fair value through loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the settlement date. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership and the control of the financial asset.

Financial liabilities

Financial liabilities that are not derivatives are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities if expected to be settled within the next 12 months; otherwise, they are classified as non-current. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently recognized at amortized cost, any difference between the amounts received (net of transaction costs) and the settlement value is recognized in the income statement over the term of the loan using the effective interest method.

Impairment of financial instruments

Assets carried at amortized cost:

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Based on the aspects mentioned above, the Company assesses if objective evidence of impairment exists. For loans and receivables category, if impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Alternatively, the Company may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Goodwill and Other Indefinite-Life Intangible Assets

We assess our goodwill and other indefinite-lived intangible assets for impairment on an annual basis, using fair value measurement techniques under IFRS, which requires a direct comparison of fair value to carrying value in a one-step assessment process.

The identification and measurement of impairment to goodwill and intangible assets with indefinite lives involves the estimation of fair values. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. We perform valuation analyses with the assistance of third parties and consider relevant internal data, as well as other market information, that is publicly available. Estimates of fair value are primarily determined using discounted cash flows and market comparisons.

These approaches use significant estimates and assumptions including projected future cash flows (including timing), discount rate reflecting the risk inherent in future cash flows, perpetual growth rate, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Inherent in these estimates and assumptions is a certain level of risk, which we believe we have considered in our valuations. Nevertheless, if future actual results differ from estimates, a possible impairment charge may be recognized in future periods related to the write-down of the carrying value of goodwill and other intangibles in addition to the amounts recognized previously.

Deferred Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as allowance for doubtful accounts, deferred assets, inventories, property, machinery and equipment, accrued expenses and tax loss carryforwards, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered and to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in the statement of operations.

Results of Operations

Results of Operations for 2013 and 2014

The following financial information has been derived from our audited consolidated financial statements:

	Year Ended December 31,				Percentage Change
	2013	Percent of Net Sales	2014	Percent of Net Sales	2014 vs. 2013
	(in thousands of pesos, except percentages)				
Net sales	48,988,770	100.0%	71,464,799	100.0%	45.9
Cost of sales	-32,630,469	-66.6	-50,434,517	-70.6	54.6
Gross margin	16,358,301	33.4	21,030,282	29.4	28.6
Selling expenses	-8,995,927	-18.4	-11,561,739	-16.2	28.5
Administrative expenses	-1,940,954	-4.0	-2,822,788	-3.9	45.4
Other income (expenses), net	-144,475	-0.3	-209,381	-0.3	44.9
Operating income	5,276,945	10.8	6,436,374	9.0	22.0
Comprehensive financing expense, net:					
Financial income	305,656	0.6	789,024	1.1	158.1
Financial expenses	-1,344,537	-2.7	-5,412,496	-7.6	302.6
Total comprehensive financing expense, net	-1,038,881	-2.1	-4,623,472	-6.5	345.0
Share of losses of investments accounted for using the equity method	-4,363	0.0	-249,040	0.3	5,608
Profit before income tax	4,233,701	8.6	1,563,862	2.2	-63.1
Provision for income tax	-1,378,779	-2.8	-922,538	-1.3	-33.1
Consolidated net income (loss)	2,854,922	5.8	641,324	0.9	-77.5
Adjusted EBITDA	6,709,826	13.7	8,494,867	11.9	26.6

The following table provides a breakdown of net sales by product line for 2013 and 2014:

	Year Ended December 31,				Percentage Change
	2013	Percent of Net Sales	2014	Percent of Net Sales	2014 vs.2013
	(in thousands of pesos, except percentages)				
Product lines:					
Processed meats	31,672,331	64.7	52,141,740	73.0	64.6
Dairy products	14,269,969	29.1	15,444,672	21.6	8.2
Other refrigerated products	3,046,470	6.2	3,878,387	5.4	27.3
Total	48,988,770	100.0	71,464,799	100.0	45.9

The following table provides a breakdown of net sales by geographic region for 2013 and 2014:

	Year Ended December 31,				Percentage Change
	2013	Percent of Net Sales	2014	Percent of Net Sales	2014 vs.2013
	(in thousands of pesos, except percentages)				
Geographic region:					
México………………………………………….	33,708,247	68.8	37,386,561	52.3	10.9
International…………………………………….	15,280,523	31.2	34,078,238	47.7	123.0
Total …………………………………	48,988,770	100.0	71,464,799	100.0	45.9

2014 compared with 2013

Net Sales by Product Line

Net sales of processed meats for 2014 were Ps. 52,142 million, an increase of 65% from the Ps. 31,672 million reported for 2013. This increase was primarily due to the consolidation of Campofrio results.

Net sales of dairy products for 2014 were Ps. 15,445 million, an increase of 8% from Ps. 14,270 million for 2013. This increase was primarily due to higher average prices and a slight increase in sales volume.

Net sales of other refrigerated products for 2014 were Ps. 3,878 million, an increase of 27% from Ps. 3,046 million for 2013. This increase was primarily due to an increase in sales volume and higher average prices

Net Sales by Geographic Region

Net sales in Mexico for 2014 were Ps. 37,387 million, an increase of 11% from Ps. 33,708 million for 2013. This increase was primarily due to increases in sales volume of our principal product lines and higher average prices.

Net sales outside of Mexico for 2014 were Ps. 34,078 million, an increase of 123% from Ps. 15,281 million for 2013. This increase was primarily due to the consolidation of Campofrio.

General

Net sales for 2014 were Ps. 71,465 million, an increase of 46% from Ps. 48,989 million for 2013. This increase was primarily due to the consolidation of Campofrio results in the second half of 2014. Excluding Campofrio, net sales increased 10%. Our 2014 sales volume was 21% higher than in 2013, reflecting both organic and the acquisition of Campofrio. During 2014, international sales constituted 48% of total net sales an increase from the 31% that constituted in 2013.

Cost of sales for 2014 was Ps. 50,435 million, an increase of 55% from Ps. 32,630 million for 2013. This increase was primarily due to the consolidation of Campofrio results.

Gross margin, defined as the difference between net sales and cost of sales, was Ps. 21,030 million for 2014, an increase of 29% from Ps. 16,358 million for 2013. This increase was also primarily due to the consolidation of Campofrio results.

Operating expenses for 2014 were Ps. 14,594 million, an increase of 32% from Ps. 11,081 million for 2013. This increase was also primarily due to the consolidation of Campofrio results.

Operating income for 2014 was Ps. 6,436 million, an increase of 22% from Ps. 5,277 million for 2013.

Comprehensive financing expense, net for 2014 had a loss of Ps. 4,623 million, compared with the loss of Ps. 1,039 million for 2013. This was primarily due to peso depreciation against the US dollar.

Income tax for 2014 was a tax expense of Ps. 922 million, a decrease from a tax expense of Ps. 1,379 million for 2013. This increase was primarily due to a decrease in taxable income.

Consolidated net income for 2014 was Ps. 641 million, a decrease from Ps. 2,855 million for 2013, due to the factors discussed above.

New Accounting Policies

New pronouncements and amendments issued but not yet effective for periods starting January 1, 2015 and have not been adopted by the company. Management does not believe that these IFRS will substantially affect the financial information presented by the Company.

IFRS 15, Revenue from contracts with customers

IFRS 15 was issued in May 2014. The basic principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This basic principle is delivered in a framework of a five-step model: (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. The application of this approach will depend on the facts and circumstances present in a contract with a client and requires the exercise of judgment. The standard should be applied in the IFRS financial statements of the entity for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company is in the process of assessing the impact on the financial statements.

IFRS 9 - "Financial instruments ", addresses the classification, measurement and recognition of financial assets and liabilities.

The complete version of the IFRS 9 was issued in July 2014. It replaces the guidelines of IAS 39 related to the classification and measurement of financial instruments. IFRS 9 keeps but simplifies the mixed measurement model and establishes three main measurement categories for financial assets: those measured at fair value with changes in the income statement, fair value with changes in other comprehensive income and those measured at amortized cost. The classification depends on the business model of the entity and the contractual characteristics of the cash flow of financial assets. Investments in equity instruments are measured at fair value with changes to income with the irrevocable option at the beginning of presenting changes in fair values in other comprehensive income without recycling. There is now a new model of expected credit losses replacing the model of impairment of losses incurred used in the IAS 39. For financial liabilities there are no changes regarding the classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities classified at fair value with changes in income. IFRS 9 reduces the requirements for hedging effectiveness of effective ranges. It requires an economic relation between the hedged item and the hedging instrument and the ‘hedging ratio’ that should be equal to that used by management for risk management purposes. The present documentation is still required but it

differs from the documentation currently prepared under IAS 39. The standard is effective for periods starting in or after January 1, 2018. Its early adoption is permitted. The Company is in the process of assessing the effects of IFRS 9.

There are no additional standards, amendments or interpretations issued but not effective that could have a significant effect on the company.

Liquidity and Capital Resources

Overview

Historically, we have generated and expect to continue to generate positive cash flow from operations. Cash flow from operations primarily represents inflows from net earnings (adjusted for depreciation and other non-cash items) and outflows from increases in working capital needed to grow our business. Cash flow used in investing activities represents our investment in property and capital equipment required for our growth, as well as our acquisition activity. Cash flow from financing activities is primarily related to changes in indebtedness borrowed to grow the business or indebtedness repaid with cash from operations or refinancing transactions as well as dividends paid.

Our principal capital needs are for working capital, capital expenditures related to maintenance, expansion and acquisitions and debt service. Our ability to fund our capital needs depends on our ongoing ability to generate cash from operations, overall capacity and terms of financing arrangements and our access to the capital markets. We believe that our future cash from operations together with our access to funds available under such financing arrangements and the capital markets will provide adequate resources to fund both short-term and long-term operating requirements, capital expenditures, acquisitions and new business development activities.

Liquidity

We are a holding company and, as such, have no operations of our own. Our ability to meet our obligations is primarily dependent on the earnings and cash flows of our subsidiaries and the ability of those subsidiaries to pay us interest or principal payments on intercompany loans, dividends or other amounts or to make intercompany loans to us.

The following table provides the generation and use of cash in 2013 and 2014:

	Year Ended December 31,	
	2013	2014
	(in thousands of pesos)	
Net cash flows from operating activities…………………	4,986,720	8,263,817
Net cash flows from investing activities………………….	(8,684,487)	(1,918,911)
Net cash flows from financing activities………………….	3,258,552	(3,591,584)
Certain specific uses:		
Payment of debt and bank loans………………………….	(1,294,286)	(5,161,509)
Incurrence of debt…………………………………………	6,629,718	5,306,179
Dividends paid…………………………………………….	(1,040,199)	(695,155)
Other[(1)] …………………………………………………….	(1,036,681)	(3,041,099)

(1) Other includes changes in minority stockholder’s equity and increases in capital.

Net cash flows from operating activities were Ps. 8,264 million in 2014 compared to Ps. 4,987 million in 2013.

As of December 31, 2014, cash and cash equivalents totaled Ps. 4,912 million on a consolidated basis. On December 31, 2013, cash and cash equivalents totaled Ps. 2,059 million on a consolidated basis.

In 2014 net cash flows from investing activities totaled Ps. (1,918) million, used primarily for the maintenance and replacement of productive assets, the acquisition of "Fábrica Juris, CIA, LTDA" and "SAVI San José de Alajuela, S.A.". In 2013, net cash flows from investing activities of Ps. (8,684) million, were primarily affected by the acquisition of shares of "Campofrio Food Group, S.A.", "Comercial Norteamericana, S. de R.L. de C.V." and "Corporación de Empresas Monteverde, S.A.".

In 2014, net cash flows from financing activities were Ps. (3,592) million, a decrease from Ps. 3,259 million in 2013. In 2014, dividends were paid to Alfa of Ps. 695 million and Ps. 1,040 million in 2013.

As a holding company, we finance the operations of our subsidiaries through our normal internal cash management and treasury functions. To the extent our subsidiaries are not able to satisfy their financing needs through internal cash generations, we provide centralized financing through intercompany loans.

Capital Resources

Existing Indebtedness

At December 31, 2014, we had total indebtedness of Ps. 32,194 million (US$2,187 million), of which Ps. 1,654 million (US$112 million) was denominated in pesos (including UDIs), Ps. 20,456 million (US$1,390 million) was denominated in U.S. dollars, Ps. 10,040 million (US$682 million) was denominated in Euros and Ps. 43 million (US$3 million) was denominated in Peruvian soles. Of this total amount, Ps. 280 million (US$19 million) constituted short-term debt and Ps. 31,914 million (US$2,168 million) constituted long-term debt. The primary use of our debt has been to fund acquisitions and capital expenditures. As of December 31, 2014, we had committed credit facilities available for an amount of Ps. 5,625 million for working capital and other requirements. UDIs (Unidades de Inversión) are instruments denominated in pesos that automatically adjust the principal amount of an obligation to the inflation rate officially recognized by Banco de México.

Capital Expenditures

In 2013 and 2014, we made capital expenditures (other than in connection with acquisitions) of Ps. 1,522 million and Ps. 1,871 million, respectively. These capital expenditures include the consolidation of Campofrio results in the second half of 2014 and were primarily used for maintenance and replacement of productive assets, such as maintenance of production facilities and replacement of delivery vehicles.

Tabular Disclosure of Contractual Obligations

The following is a summary of our contractual obligations (other than operating leases) as of December 31, 2014:

	Payments Due By Period				
	Total	Less than 1 year	1-2 years	3-5 years	More than 5 years
			(in thousands of pesos)		
Contractual Obligations:					
Short-term debt obligations	280,457	280,457	-	-	-
Long-term debt obligations	31,784,398	860,051	9,862,627	21,061,719	-
Capital lease obligations	129,183	-	39,461	89,722	-
Total	32,194,037	1,140,508	9,902,088	21,151,441	-

Quantitative and Qualitative Disclosures about Market Risk

Derivative Financial Instruments

Because we obtain part of our financing in pesos, we have entered in the past, into foreign exchange rate and interest rate derivatives for purposes of reducing the overall cost of such financing and the volatility associated with interest rates. In addition, due to our consumption of energy, we have entered in the past into hedging contracts covering natural gas.

In accordance with our policy, the derivatives that we enter into are for non-speculative purposes in the ordinary course of business. From an economic point of view, these derivatives entered into for hedging purposes; however, for accounting purposes, some of our derivative financial instruments may not been designated as hedges if they do not meet all the accounting requirements established by IFRS and, therefore, may be classified as trading instruments. Derivative financial instruments employed by us are contracted in the over-the-counter market with international financial institutions. The main characteristics of the transactions refer to the obligation to buy or sell a certain underlying asset given certain criteria.

As of December, 31, 2014, we did not have derivative financial instruments outstanding.

Internal Control Procedures to Manage Liquidity and Market Risk Exposure

All of our derivative financial transactions are subject to guidelines set forth by Alfa's Board of Directors in collaboration with Alfa's Planning, Finance and Audit Committees, and must be authorized by Alfa's Risk Management Committee.

We maintain a system of internal control over derivative financial instruments. The negotiation, authorization, contracting, operating, monitoring and recording of derivative financial instruments are subject to internal control procedures variously overseen by our treasury, legal, accounting and auditing departments.

Risk Committee

Alfa's management has a Risk Management Committee, which supervises each hedging and derivative transaction proposed to be entered into by Alfa's subsidiaries, with a notional amount or maximum risk exposure in excess of US$1 million. This committee reports directly to Alfa's Chairman and Chief Executive Officer. All new hedging and derivative transactions into which we propose to enter into, as well as the renewal or cancellation of existing hedging and derivative arrangements, are required to be approved by both Sigma's and Alfa's senior management, including Alfa's Chairman and President. Proposed transactions must satisfy certain criteria, including that they be entered into for non-speculative purposes in the ordinary course of business, that they be based on fundamental analysis and that a sensitivity analysis and other risk analysis have been performed before the transaction is entered into.