

**Alpek, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Alfa, S. A. B. de C. V.)**

Consolidated Financial Statements as of
and for the Years Ended December 31,
2023, 2022 and 2021, and Independent
Auditors' Report Dated January 31, 2024



Alpek, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Alfa, S. A. B. de C. V.)

Independent Auditors' Report and Consolidated Financial Statements as of and for the Years Ended December 31, 2023, 2022 and 2021

Table of Contents	Page
Independent Auditors' Report	1
Consolidated Statements of Financial Position	5
Consolidated Statements of Income	6
Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Changes in Stockholders' Equity	8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10



Independent Auditors' Report to the Board of Directors and Stockholders of Alpek, S. A. B. de C. V. and Subsidiaries

(Figures in millions of Mexican pesos "\$" and millions of U.S. dollars "US\$")

Opinion

We have audited the consolidated financial statements of Alpek, S. A. B. de C. V. and Subsidiaries ("Alpek" or the "Company"), which comprise the consolidated statements of financial position as of December 31, 2023, 2022 and 2021, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alpek, as of December 31, 2023, 2022 and 2021, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the Code of Ethics issued by the Mexican Institute of Public Accountants ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The accompanying consolidated financial statements have been translated from Spanish to English for the convenience of readers.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matter described below is the key audit matter that should be reported in our report.

Impairment Assessment - Investment in Corpus Christi Polymers LLC Project Shares

As mentioned in Note 3 b) v. to the accompanying consolidated financial statements, the Company evaluates at each reporting date whether there is objective evidence that the joint ventures are impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable value of the joint venture and its carrying amount, and recognizes it in the consolidated income statement.



As mentioned in Note 2d. to the accompanying consolidated financial statements, on September 27, 2023, the Company and its Corpus Christi Polymers, LLC ("CCP") joint venture partners announced their decision to temporarily pause construction of their integrated PTA-PET plant in Texas, due to high inflation rates and other factors, construction and labor costs have exceeded initial expectations. The Company and its partners have decided to evaluate options to optimize project costs and schedule, as well as properly preserve the site so that construction can resume at a later date. As a result, the Company's Management considered this event as an indicator of impairment and estimated the recoverable value of the joint venture in accordance with the requirements of IAS 36, *Impairment of Assets*, using the "discounted cash flows" ("DCF") valuation methodology, under the revenue approach. As a result, the Company recognized in the consolidated statement of income for the year ended December 31, 2023, an impairment expense of \$9,591 (US\$557).

Due to the significant judgments used by Management in the valuation model for determining the recoverable value of the investment, we believe that it represents a key issue of our audit.

How our audit addressed this key audit issue:

To carry out audit procedures that mitigate the identified risk in a reasonable manner, we involve a team of valuation experts to evaluate the premises and criteria used by Management, which include, among others, the following procedures:

- We tested the design and implementation of controls on the determination of the recoverable value and the assumptions used.
- We reviewed the contractual agreements and of the Board of Directors of the Company.
- We verified that the methodology and model used by Management so that the determination of the recoverable values were those used and recognized to value assets with similar characteristics.
- We challenge Management's financial projections and compare them with similar business performance indicators.
- We review the most relevant valuation assumptions (discount rate and projected operating margin).
- Reviewed compliance with the presentation and disclosure requirements set forth in IAS 1, *Presentation of Financial Statements*, IAS 28, *Investments in Associates and Joint Ventures*, and IAS 36.

The results of our procedures were satisfactory.

Emphasis Paragraph

As mentioned in Note 2 e. to the accompanying consolidated financial statements, derived from the acquisition of Octal, Alpek assumed control on June 1, 2022, consolidating its operations as of that date, therefore, the consolidated financial statements to and for the years ended December 31, 2023, 2022 and 2021 are not comparable each other. Our opinion is not modified by what is mentioned in this paragraph.

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

The Company's Management is responsible for the additional information presented. Additional information includes: i) the information that will be incorporated in the Annual Report that the Company is required to prepare in accordance with Article 33, section I, subsection b) of Title Four, Chapter One of the General Provisions Applicable to Issuers and other Participants of the Stock Market in México and the Instructions that accompany these provisions (the "Provisions"), which is expected that the Annual Stock Exchange Filing and the Annual Report to be available for reading after the date of this audit report; and ii) other additional information, which is a measure that is not required by IFRS, and has been incorporated for the purpose of providing additional explanation to its investors and main readers of its consolidated financial statements to evaluate the performance of each of the operating segments and other indicators on the capacity to meet obligations regarding the earnings before interest, taxes, depreciation, amortization and non-current asset impairment ("adjusted EBITDA") of the Company; this information is presented in Note 29.

Our opinion of the consolidated financial statements will not cover the additional information and we will not express any form of assurance about it.



In connection with our audit of the consolidated financial statements, our responsibility will be to read the additional information, when it becomes available, and when we do so, to consider whether the additional information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or appears to contain a material misstatement. When we read the Annual Report, we will issue the declaration on its reading, required in Article 33, Section I, subsection b) number 1.2 of the Provisions. Also, and in connection with our audit of the consolidated financial statements, our responsibility is to read and recalculate the additional information, which in this case is the measure not required by IFRS, and in doing so, consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the additional information; we would be required to report that fact. As of the date of this report, we have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Company's governance are responsible for overseeing the Company's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



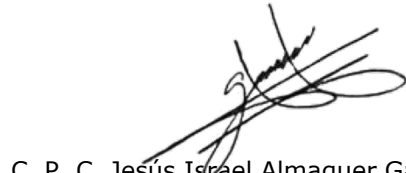
- Evaluate the overall presentation structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements of the Company. We remain solely responsible for our audit opinion.

We communicate with those charged with governance in the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance in the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance in the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Affiliate of a member firm of Deloitte Touche Tohmatsu Limited



C. P. C. Jesús Israel Almaguer Gámez
Monterrey, Nuevo León, México
January 31, 2024



Alpek, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Alfa, S. A. B. de C. V.)

Consolidated Statements of Financial Position

As of December 31, 2023, 2022 and 2021

In millions of Mexican pesos

	Note	2023	2022	2021
Assets				
Current assets:				
Cash and cash equivalents	6	\$ 7,391	\$ 6,319	\$ 10,541
Restricted cash	6	8	193	13
Trade and other accounts receivable, net	7	17,473	23,248	24,502
Inventories	8	23,322	33,893	25,705
Derivative financial instruments	4	86	7	333
Prepayments	9	744	765	686
Total current assets		49,024	64,425	61,780
Non-current assets:				
Restricted cash	6	314	360	-
Property, plant and equipment, net	10	40,952	48,451	39,405
Right-of-use asset, net	11	3,170	3,452	3,554
Goodwill and intangible assets, net	12	3,494	4,425	3,348
Deferred income taxes	20	1,334	1,709	1,630
Derivative financial instruments	4	9	3	18
Prepayments	9	6	7	31
Investments accounted for using the equity method and other non-current assets	13	4,381	13,987	14,179
Total non-current assets		53,660	72,394	62,165
Total assets		\$ 102,684	\$ 136,819	\$ 123,945
Liabilities and Stockholders' Equity				
Current liabilities:				
Debt	16	\$ 689	\$ 7,712	\$ 2,660
Lease liability	17	701	821	733
Trade and other accounts payable	15	27,129	31,985	29,853
Income taxes payable	20	390	1,410	1,630
Derivative financial instruments	4	253	1,220	248
Provisions	18	749	794	546
Total current liabilities		29,911	43,942	35,670
Non-current liabilities:				
Debt	16	32,648	31,369	29,333
Lease liability	17	2,755	2,803	2,875
Derivative financial instruments	4	12	21	6
Provisions	18	739	1,060	835
Deferred income taxes	20	2,024	3,845	4,124
Income taxes payable	20	-	-	241
Employee benefits	19	880	1,025	1,029
Other non-current liabilities	21	493	560	246
Total non-current liabilities		39,551	40,683	38,689
Total liabilities		69,462	84,625	74,359
Stockholders' equity				
Controlling interest:				
Capital stock	22	6,019	6,021	6,028
Share premium		8,909	8,917	8,976
Retained earnings		17,298	31,032	24,591
Other reserves		(3,534)	933	4,121
Total controlling interest		28,692	46,903	43,716
Non-controlling interest	14	4,530	5,291	5,870
Total stockholders' equity		33,222	52,194	49,586
Total liabilities and stockholders' equity		\$ 102,684	\$ 136,819	\$ 123,945

The accompanying notes are an integral part of these consolidated financial statements.



Alpek, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Alfa, S. A. B. de C. V.)

Consolidated Statements of Income

For the years ended December 31, 2023, 2022 and 2021

In millions of Mexican pesos, except for earnings (losses) per share amounts

	Note	2023	2022	2021
Revenues	29	\$138,159	\$212,435	\$156,224
Cost of sales	24	<u>(127,863)</u>	<u>(181,401)</u>	<u>(131,537)</u>
Gross profit		10,296	31,034	24,687
Selling expenses	24	(2,132)	(3,144)	(2,570)
Administrative expenses	24	(3,718)	(3,799)	(3,466)
Other (loss) income, net	25	<u>(10,883)</u>	<u>448</u>	<u>(1,157)</u>
Operating (loss) income		(6,437)	24,539	17,494
Financial income	26	1,317	922	590
Financial expenses	26	(3,982)	(3,224)	(3,082)
Loss due to exchange fluctuation, net	26	<u>(3)</u>	<u>(695)</u>	<u>(652)</u>
Financial result, net		(2,668)	(2,997)	(3,144)
Equity in loss of associates and joint ventures recognized using the equity method		<u>(201)</u>	<u>(67)</u>	<u>(39)</u>
(Loss) income before taxes		(9,306)	21,475	14,311
Income taxes	20	<u>(727)</u>	<u>(5,509)</u>	<u>(4,115)</u>
Net consolidated (loss) income		<u><u>\$(10,033)</u></u>	<u><u>\$ 15,966</u></u>	<u><u>\$ 10,196</u></u>
(Loss) income attributable to:				
Controlling interest		<u>\$(10,914)</u>	<u>\$ 13,744</u>	<u>\$ 7,756</u>
Non-controlling interest		<u>881</u>	<u>2,222</u>	<u>2,440</u>
		<u><u>\$(10,033)</u></u>	<u><u>\$ 15,966</u></u>	<u><u>\$ 10,196</u></u>
(Losses) earnings per basic and diluted share, in Mexican pesos		<u><u>\$ (5.18)</u></u>	<u><u>\$ 6.52</u></u>	<u><u>\$ 3.67</u></u>
Weighted average outstanding shares (millions of shares)		<u><u>2,107</u></u>	<u><u>2,108</u></u>	<u><u>2,111</u></u>

The accompanying notes are an integral part of these consolidated financial statements.



Alpek, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Alfa, S. A. B. de C. V.)

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023, 2022 and 2021

In millions of Mexican pesos

	Note	2023	2022	2021
Net consolidated (loss) income		\$(10,033)	\$15,966	\$ 10,196
Other comprehensive (loss) income for the year:				
<i>Items that will not be reclassified to the statement of income:</i>				
Remeasurement of employee benefit obligations, net of taxes	19, 20	5	(19)	344
<i>Items that will be reclassified to the statement of income:</i>				
Equity in other comprehensive income of associates and joint ventures recognized through the equity method		(1)	1	(1)
Effect of derivative financial instruments designated as cash flow hedges, net of taxes	4, 20	765	(855)	(431)
Translation effect of foreign entities	4, 20	<u>(5,923)</u>	<u>(2,652)</u>	<u>110</u>
Total other comprehensive (loss) income for the year		<u>(5,154)</u>	<u>(3,525)</u>	<u>22</u>
Consolidated comprehensive (loss) income		<u>\$(15,187)</u>	<u>\$12,441</u>	<u>\$ 10,218</u>
Attributable to:				
Controlling interest		\$(15,381)	\$10,556	\$ 7,586
Non-controlling interest		<u>194</u>	<u>1,885</u>	<u>2,632</u>
Comprehensive (loss) income for the year		<u>\$(15,187)</u>	<u>\$12,441</u>	<u>\$ 10,218</u>

The accompanying notes are an integral part of these consolidated financial statements.



Alpek, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Alfa, S. A. B. de C. V.)

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2023, 2022 and 2021

In millions of Mexican pesos

	Capital stock	Share premium	Retained earnings	Other reserves	Total controlling interest	Non- controlling interest	Total stockholders' equity
Balance as of January 1, 2021	\$ 6,035	\$ 9,025	\$ 21,035	\$ 4,291	\$ 40,386	\$ 5,126	\$ 45,512
Net income	-	-	7,756	-	7,756	2,440	10,196
Total other comprehensive loss for the year	-	-	-	(170)	(170)	192	22
Comprehensive income	-	-	7,756	(170)	7,586	2,632	10,218
Dividends declared	-	-	(3,806)	-	(3,806)	(1,889)	(5,695)
Reissuance of shares	30	206	-	-	236	-	236
Repurchase of shares	(37)	(255)	-	-	(292)	-	(292)
Other	-	-	(394)	-	(394)	1	(393)
Balance as of December 31, 2021	6,028	8,976	24,591	4,121	43,716	5,870	49,586
Net income	-	-	13,744	-	13,744	2,222	15,966
Total other comprehensive loss for the year	-	-	-	(3,188)	(3,188)	(337)	(3,525)
Comprehensive income	-	-	13,744	(3,188)	10,556	1,885	12,441
Dividends declared	-	-	(7,515)	-	(7,515)	(2,464)	(9,979)
Reissuance of shares	19	161	-	-	180	-	180
Repurchase of shares	(26)	(220)	-	-	(246)	-	(246)
Other	-	-	212	-	212	-	212
Balance as of December 31, 2022	6,021	8,917	31,032	933	46,903	5,291	52,194
Net loss	-	-	(10,914)	-	(10,914)	881	(10,033)
Total other comprehensive loss for the year	-	-	-	(4,467)	(4,467)	(687)	(5,154)
Comprehensive loss	-	-	(10,914)	(4,467)	(15,381)	194	(15,187)
Dividends declared	-	-	(2,866)	-	(2,866)	(955)	(3,821)
Reissuance of shares	36	176	-	-	212	-	212
Repurchase of shares	(38)	(184)	-	-	(222)	-	(222)
Other	-	-	46	-	46	-	46
Balance as of December 31, 2023	\$ 6,019	\$ 8,909	\$ 17,298	\$ (3,534)	\$ 28,692	\$ 4,530	\$ 33,222

The accompanying notes are an integral part of these consolidated financial statements.



Alpek, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Alfa, S. A. B. de C. V.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2023, 2022 and 2021

In millions of Mexican pesos

	2023	2022	2021
Cash flows from operating activities			
(Loss) income before income taxes	\$ (9,306)	\$ 21,475	\$ 14,311
Depreciation and amortization	4,619	4,639	4,280
Impairment of long-lived assets	11,078	246	1,460
Allowance for doubtful accounts	(101)	(163)	25
Financial result, net	2,007	2,699	2,951
Gain on business combinations	-	(425)	(29)
Loss on sale of property, plant and equipment	66	74	29
Statutory employee profit sharing, provisions and other items	2,247	764	302
Subtotal	10,610	29,309	23,329
Movements in working capital			
(Increase) decrease in trade receivables and other assets	(2,107)	365	(8,159)
Decrease (increase) in inventories	6,623	(5,525)	(8,994)
Increase (decrease) in trade and other accounts payable	4,296	(3,218)	9,448
Income taxes paid	(4,398)	(5,721)	(2,394)
Net cash flows generated from operating activities	15,024	15,210	13,230
Cash flows from investing activities			
Interest collected	1,258	511	322
Cash flows in acquisition of property, plant and equipment	(2,501)	(3,068)	(4,418)
Cash flows in sale of property, plant and equipment	13	93	5
Cash flows in acquisition of intangible assets	(40)	(11)	(18)
Cash flows in business acquisition, net of cash acquired	(512)	(10,198)	78
Cash flows paid in investment in associates and joint ventures	(1,925)	(831)	(227)
Loans granted to related parties	(65)	-	-
Notes receivable	-	(35)	-
Collection of notes	273	883	398
Restricted cash	179	(252)	-
Net cash flows used in investing activities	(3,320)	(12,908)	(3,860)
Cash flows from financing activities			
Proceeds from debt	36,732	15,600	13,038
Payments of debt	(37,104)	(7,474)	(12,708)
Lease payments	(1,170)	(1,109)	(1,049)
Interest paid	(3,059)	(2,541)	(2,566)
Dividends paid by Alpek, S. A. B. de C. V.	(2,966)	(7,443)	(3,710)
Dividends paid by subsidiaries to non-controlling interest	(955)	(2,464)	(1,889)
Repurchase of shares	(222)	(246)	(292)
Reissuance of shares	212	180	236
Loan payments to related parties and others	-	(118)	(46)
Net cash flows used in financing activities	(8,532)	(5,615)	(8,986)
Increase (decrease) in cash and cash equivalents	3,172	(3,313)	384
Effect of changes in exchange rates	(2,100)	(909)	13
Cash and cash equivalents at the beginning of the year	6,319	10,541	10,144
Cash and cash equivalents at the end of the year	\$ 7,391	\$ 6,319	\$ 10,541

The accompanying notes are an integral part of these consolidated financial statements.



Alpek, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Alfa, S. A. B. de C. V.)

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2023, 2022 and 2021

Millions of Mexican pesos, except where otherwise indicated

1. General information

Alpek, S. A. B. de C. V. and Subsidiaries ("Alpek" or the "Company") is a petrochemical company with operations through two major business segments: "Polyester" and "Plastics and Chemicals". The Polyester segment comprises the production of purified terephthalic acid ("PTA"), polyethylene terephthalate ("PET"), recycled PET ("rPET"), and polyester fibers, which are mainly used for food and beverage packaging, textile and industrial filament markets. The Plastics & Chemicals business segment comprises the production of polypropylene ("PP"), expandable styrene ("EPS" and "Arcel®"), fertilizers and other chemicals, which serves a wide range of markets, including the consumer goods, automotive, construction, agriculture, pharmaceutical and other markets.

Alpek is one of the largest petrochemical companies in México and the second largest in Latin America. Additionally, it is the main integrated producer of polyester and one of the main producers of rPET in America. It operates the largest EPS plant in the continent, and one of the largest PP plants in North America.

When reference is made to the controlling entity Alpek, S.A.B. of C.V. as an individual legal entity, it will be referred to as "Alpek SAB".

The shares of Alpek SAB are traded on the Mexican Stock Exchange ("MSE") and has Alfa, S. A. B. de C. V. ("Alfa") as its main holding company. As of December 31, 2023, 2022 and 2021, the percentage of shares that traded on the MSE was 17.37%, 17.39%, and 17.51%, respectively.

Alpek SAB is located at Avenida Gómez Morín Sur No. 1111, Col. Carrizalejo, San Pedro Garza García, Nuevo León, México and operates productive plants located in México, the United States of America, Oman, Saudi Arabia, Canada, Argentina, Chile, Brazil and United Kingdom.

In the following notes to the financial statements when referring to pesos or "\$", it means millions of Mexican pesos. When referring to dollars or "US\$", it means millions of dollars from the United States of America. When referring to Euros or "€" it means millions of Euros.

2. Significant events

2023

a. Interruption for an indefinite term of Cooper River's PET resin production

On March 1, 2023, the Company announced the indefinite interruption of PET resin production at its Cooper River plant, located in Charleston, South Carolina. The plant had an installed capacity of 170,000 tons of PET resin.

The Company started the process of decommissioning and dismantling of assets, as well as environmental cleanup and remediation, which is why, the Company registered provisions for these concepts for \$379 (US\$20.8). Additionally, the Company had other direct costs attributable to the closure, mainly for severance pay and cancellation of contracts for \$169 (US\$9.1).

Derived from the interruption in production, the Company performed impairment tests on the fixed assets associated with the plant and recorded an impairment charge related to these assets of \$950 (US\$51.9). Additionally, it recognized and inventory impairment of \$63 (US\$3.4).



b. *US\$200 million loan linked to sustainability*

On August 3, 2023, Alpek announced that it refinanced the outstanding balance of the bond due in August 2023, with bank debt that includes a US\$200 Sustainability Linked Credit maturing in 2028.

The loan incorporates a pricing mechanism that incentivizes progress on two of the Company's ESG objectives:

- Reduction in carbon emissions Scope 1, 2 and 3.
- Reduction in its incidence rate for its employees and contractors.

c. *Closure of the filament production plant*

On August 18, 2023, the Company announced the closure of its textile and industrial fiber production plant located in Monterrey. Alpek made the decision to close operations at these facilities and not replace their production because the excess production experienced worldwide in recent years has represented a significant reduction in its profitability for the filament industry and it is not expected that this situation will change in the near future.

The Company recognized an impairment of inventories and fixed assets for \$121 (US\$7) and \$409 (US\$23.7), respectively, for the year ended December 31, 2023. Additionally, it had impacts due to employee terminations for \$193 (US\$11.1).

d. *Corpus Christi Polymers construction pause*

On September 27, 2023, Alpek announced that Corpus Christi Polymers ("CCP") temporarily paused construction of the integrated PTA-PET plant in Corpus Christi, Texas. The partners decided to pause it because high inflation rates and other factors caused construction and labor costs to exceed initial expectations. Options will also be evaluated to optimize the project's costs and schedule. This site will be adequately preserved so that construction can resume in the future.

Based on the requirements of IAS 28 and IAS 36, the Company identified that the pause in construction of the plant generated signs of impairment on its investment in the joint venture. Alpek determined through the discounted cash flow model and considering the decisions of its Board of Directors, to recognize an impairment of its investment in the joint venture of \$9,591 (US\$557) for the year ended December 31, 2023.

2022

e. *OCTAL Acquisition*

On January 31, 2022, a subsidiary of Alpek signed an agreement to acquire the Octal business (see Note 3b). This acquisition represents a growth through vertical integration for Alpek into the high value PET sheet business. Octal is a major global producer of PET sheet through a strategically centered logistics position in Oman.

Alpek acquired Octal for a consideration of \$12,147 (US\$620). On June 1, 2022, Alpek assumed control of Octal's operations.

From the acquisition date, working capital and recovery of cost adjustments related to the transaction were made, and together reduced the initial consideration by \$186.1 (US\$9.5); additionally, an adjustment was made for cash surplus against debt which increased the initial consideration by \$1,782.9 (US\$91). The contract includes a contingent consideration based on future business results and other considerations, which, in compliance with the requirements of IFRS 3, *Business Combinations* ("NIIF 3"), was valued at \$914.9 (US\$46.7) and that together with the aforementioned adjustments derived in a total consideration that was equivalent to \$14,658.7 (US\$748.2).

Total cash flows paid for the acquisition amounted to \$13,397.1 (US\$682.9), which were made by wire transfer. Financing for the acquisition was through a combination of free cash flow generated from existing businesses and dedicated bank loans.

The amount pending payment as of December 31, 2022 retained by Alpek pursuant to the agreement for possible litigation is \$360.1 (US\$18.6), was deposited in a trust, and is presented within restricted cash and its corresponding liability.



The acquisition of Octal met the criteria for a business combination in accordance with the requirements of IFRS 3; therefore, the Company applied the acquisition method to measure the acquired assets and assumed liabilities in the transaction. The fair values are as follows:

Current assets ⁽¹⁾	US\$ 551.4
Non-current assets ⁽²⁾	604.8
Intangible assets ⁽³⁾	83.4
Current liabilities ⁽⁴⁾	(432.2)
Non-current liabilities ⁽⁵⁾	(37.5)
Net assets acquired	769.9
Gain on business combination	(21.7)
Final consideration	748.2
Cash surplus net of debt	(91)
Total consideration net of cash surplus	<u>US\$ 657.2</u>

(1) Current assets consist of cash, restricted cash, accounts receivable, inventories and other assets for US\$160.6, US\$14.9 US\$118.8, US\$252.7 and US\$4.4, respectively.

(2) Non-current assets consist of property, plant and equipment and right of use assets of US\$591.6 and US\$13.2, respectively.

(3) Intangible assets consist of patents.

(4) Current liabilities consist of suppliers and other accounts payable, current portion of debt, and other liabilities for US\$388.2, US\$41.0 and US\$3.0, respectively.

(5) Non-current liabilities consist of debt, lease liability and other liabilities for US\$20.6, US\$13.7 and US\$3.2, respectively.

As a result of this transaction, a gain associated with the business combination was recognized for an amount of \$425.0 (US\$21.7), recognized in 2022 in the other income (expenses), net item (see Note 25). Under the terms of IFRS 3, the gain associated with the business combination was primarily generated because the sale of the business followed the strategy maintained by the selling shareholders of taking the opportunity to exit, even sacrificing the value of the assets at that time.

Revenues and net income for the seven-month period ended December 31, 2022, contributed by Octal amounted to \$17,174 (US\$858) and \$3,013 (US\$150), respectively.

The results of the acquired operations have been included in the consolidated financial statements since the acquisition date, therefore, the consolidated financial statements as of and for the year ended December 31, 2022 are not comparable with previous years. The consolidated statement of cash flows for the year ended December 31, 2022, presents the disbursement for the acquisition of Octal in a single line within investment activities, net of the cash acquired.

If the acquisition had occurred on January 1, 2022, proforma consolidated revenues and net income for the year ended December 31, 2022, would have been \$29,317 (US\$1,455) and \$4,805 (US\$238), respectively. These amounts were calculated using the results of the subsidiary and adjusting them for the additional depreciation and amortization that would have been recognized assuming the fair value of the adjustments of property, plant and equipment and intangible assets as of January 1, 2022.

f. Corpus Christi Polymers resumes construction

On July 18, 2022, Alpek announced that the three partners of Corpus Christi Polymers LLC ("CCP") would resume the construction of the plant in August 2022 with completion expected in early 2025. The project will have a total capacity of 1.1 million tons and 1.3 million tons per year of PET and PTA, respectively, with which Alpek would have approximately 367,000 tons of PET and 433,000 tons of PTA. CCP expects to have the most competitive state-of-the-art plant in the Americas, which will use Alpek's IntegRex technology for PTA processes, among others.

During the year ended December 31, 2022 the investments made were for \$733 (US\$36.5). During the year ended December 31, 2023, construction of the plant was temporarily paused (see Note 2d).

2021

g. Debt issuance

On February 18, 2021, Alpek SAB issued Senior Notes, on the Irish Stock Exchange, to qualified institutional investors under the Rule 144A and other investors outside the United States of America under Regulation S, for an amount of US\$600, gross of issuance costs of US\$5 and discounts of US\$2. The Senior Notes have a ten-year maturity and a 3.25% coupon payable semi-annually. Proceeds from the transaction were primarily used to prepay debt including accrued and unpaid interest.



h. Acquisition of a rPET plant from CarbonLITE

On June 10, 2021, the Company acquired a PET recycling and pelletizing facility from CarbonLite Recycling LLC (“CarbonLITE”) in Reading, Pennsylvania in the United States. The plant was acquired, free of debt, for US\$96, plus working capital.

CarbonLITE Reading facility is equipped with incoming bottle handling, washing and solid-state polymerization (“SSP”) systems, which enable the production of food-grade pellets and are required for bottle-to-bottle recycling. The site has a bottle-to-flake and flake-to-*pellet* capacity of 60,000 tons and 40,000 tons of production per year, respectively.

This acquisition is in line with the objective of promoting a circular economy in accordance with the Company’s long-term strategic growth plan. Additionally, it increases Alpek’s installed rPET capacity to 160,000 tons of production per year and advance towards the Company’s goal of supplying certain customers with 25% rPET content by 2025.

The Company’s consolidated financial statements include the financial information of the acquired assets.

The Company applied the optional test established in IFRS 3, *Business Combinations*, to assess the concentration of the fair value of the acquired assets and determine whether such fair value is substantially concentrated in a group of similar identifiable assets. In line with the above, the Company determined that the transaction did not meet the criteria of a business combination, therefore it was classified as an asset acquisition. In the initial recognition of the operation, the Company identified and recognized all the assets, allocating the purchase price to the individual assets identified, on a proportional basis in relation to their fair values at the acquisition date. Consequently, the transaction did not give rise to goodwill or gain from a bargain purchase.

i. Impairment in Univex

In November 2021, the Company decided to close its caprolactam production area (raw material for the production of Nylon 6) of its Univex, S.A. de C.V. plant., subsidiary of Unimor, S.A. de C.V., as well as its affiliate Sales del Bajío, S.A. de C.V. that produces carbonates; the aforementioned, derived from the fall in the market prices and profit margins worldwide.

The Company is in process of evaluating the future use of the Univex, S.A. de C.V. facilities since they continue to be used for fertilizer production line, which continues in operation.

As a result, the Company recognized an impairment of long-lived assets for \$936, deferred income tax asset for \$257, other liabilities for \$308 and early insurance cancellation for \$8, approximately.

j. Announcement of closure of the staple fibers operations in Cooper River

On May 4, 2021, the Company through its subsidiary Dak Americas LLC, announced the closure of its polyester staple fiber operations at its Copper River site, in Charleston, SC.

As a result, the impact was \$679 (US\$33), approximately, recognized in the statement of income.

The plant ceased operations of staple fiber during the month of December 2021.

k. Adjustments from previous years in Univex

During 2021 in Univex S. A. de C. V. adjustments from previous years were identified and corrected in such subsidiary, the net effect of these adjustments is reflected in the consolidated statement of changes in stockholders' equity of Alpek in “others”.

l. Acquisition of a styrenics business from NOVA Chemicals

On October 19, 2020, the Company announced that one of its subsidiaries signed an agreement with NOVA Chemicals Corporation (“NOVA Chemicals”) for the purchase of its expanded styrenics business, through the acquisition of a 100% interest in BVPV Styrenics LLC, owner and operator of two facilities in the United States. The first facility, located in Monaca, Pennsylvania, has an annual capacity of 123,000 tons of EPS and 36,000 tons of ARCEL®, in addition to a world-class research and development (R&D) pilot plant; and a second facility located in Painesville, Ohio, with an annual capacity of 45,000 tons of EPS.

The initial value of the consideration amounted to US\$50, which was paid in cash by means of a transfer on the closing date of the transaction, which occurred on October 30, 2020, which corresponds to the date on which the Company acquired control of the business. During 2021, net working capital adjustments were made that resulted in a recovery of US\$4 on the purchase price, resulting in a final consideration of US\$46.



The acquisition of BVPV Styrenics LLC met the criteria of a business combination in accordance with the requirements of IFRS 3, *Business Combinations*; therefore, the Company applied the acquisition method to measure the acquired assets and the assumed liabilities in the transaction. The purchase price allocation was determined in 2021, and the adjustments derived from the acquisition method were not material, therefore were recognized in 2021. The fair values of the acquired assets, and assumed liabilities as a result of this acquisition are as follows:

	US\$
Current assets ⁽¹⁾	\$ 56
Non-current assets ⁽²⁾	15
Intangible assets ⁽³⁾	2
Current liabilities	(17)
Non-current liabilities	(9)
Acquired net assets	<u>47</u>
Gain from a bargain purchase	(1)
Paid consideration	<u>\$ 46</u>

⁽¹⁾ Current assets consist of accounts receivable of US\$18, inventories of US\$38

⁽²⁾ Non-current assets consist of fixed assets of US\$14 and right-of-use assets of US\$1

⁽³⁾ Intangible assets consist of trademarks for US\$1 and patents for US\$1

As a result of this transaction, a gain from a bargain purchase of \$29 (US\$1.3), was recognized in 2021 under other income, net (Note 25). In terms of IFRS 3, the gain from a bargain purchase was mainly generated because the disposal was due to strategic plans of the seller.

3. Summary of material accounting policies

The following are the material accounting policies followed by the Company and its subsidiaries, which have been consistently applied in the preparation of their financial information in the years presented, unless otherwise specified:

a) Basis of preparation

The consolidated financial statements of Alpek have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). IFRS include all International Accounting Standards ("IAS") in force and all related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

The consolidated financial statements have been prepared on a historical cost basis, except for the cash flow hedges, which are measured at fair value, and for the financial assets and liabilities at fair value through profit or loss with changes reflected in the consolidated statement of income and for financial assets available for sale.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Additionally, it requires Management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where judgments and estimates are significant to the consolidated financial statements are disclosed in Note 5.

b) Consolidation

i. Subsidiaries

The subsidiaries are all the entities over which the Company has control. The Company controls an entity when it is exposed or has the right to variable returns from its interest in the entity and it is capable of affecting the returns through its power over the entity. When the Company's participation in subsidiaries is less than 100%, the share attributed to outside stockholders is reflected as non-controlling interest. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and up to the date it loses such control.

The accounting method used by the Company for business combinations is the acquisition method. The Company defines a business combination as a transaction through which it obtains control over a business, whereby it has the power to steer and manage the relevant operations of all assets and liabilities of the business with the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors.



The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree based on the share of the non-controlling interest in the net identifiable assets of the acquired entity.

The Company accounts for business combinations of entities using the predecessor method in a jointly controlled entity. The predecessor method involves the incorporation of the carrying amounts of the acquired entity, which includes the goodwill recognized at the consolidated level with respect to the acquiree. Any difference between the carrying value of the net assets acquired at the level of the subsidiary and its carrying amount at the level of the Company is recognized in stockholders' equity.

The acquisition-related costs are recognized as expenses in the consolidated statement of income when incurred.

Goodwill is initially measured as excess of the sum of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets and liabilities assumed. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of income.

If the business combination is achieved in stages, the value in books at the acquisition date of the equity previously held by the Company in the acquired entity is remeasured at its fair value at the acquisition date. Any loss or gain resulting from such remeasurement is recorded in the consolidated income of the year.

Transactions, intercompany balances and unrealized gains on transactions between Alpek's companies are eliminated in preparing the consolidated financial statements. Alpek's subsidiaries consistently apply the accounting policies as those disclosed in these consolidated financial statements.

As of December 31, 2023, 2022 and 2021, the main companies that comprise the consolidated financial statements of the Company are as follows:

	Country ⁽¹⁾	Shareholding (%) ⁽²⁾			Functional Currency
		2023	2022	2021	
Alpek, S. A. B. de C. V. (Holding Company)					Mexican peso
Alpek Polyester, S. A. de C. V. (Holding Company) ⁽³⁾		100	100	100	US dollar
Alpek Polyester USA, LLC ⁽¹¹⁾	USA	100	100	100	US dollar
Alpek Polyester México, S.A. de C.V. ⁽¹²⁾		100	100	100	US dollar
DAK Américas Exterior, S. L. (Holding Company)	Spain	100	100	100	US dollar
Alpek Polyester Argentina S. A. ⁽⁴⁾	Argentina	100	100	100	Argentine peso
Compagnie Alpek Polyester Canada (Selenis) ^{(5) (6)}	Canada	100	100	50	US dollar
Tereftalatos Mexicanos, S. A. de C. V. (Temex)		91	91	91	US dollar
Akra Polyester, S. A. de C. V.		93	93	93	US dollar
Alpek Polyester Pernambuco S. A. ⁽⁷⁾	Brazil	100	100	100	Brazilian real
Alpek Polyester Brasil S. A. ⁽⁸⁾	Brazil	100	100	100	Brazilian real
Indelpro, S. A. de C. V. (Indelpro)		51	51	51	US dollar
Polioles, S. A. de C. V. (Polioles)		50	50	50	US dollar
Grupo Styropek, S. A. de C. V. (Holding Company)		100	100	100	Mexican peso
Styropek México, S. A. de C. V.		100	100	100	US dollar
Styropek, S. A.	Argentina	100	100	100	Argentine peso
Aislapol, S. A.	Chile	100	100	100	Chilean peso
Styropek do Brasil, LTD	Brazil	100	100	100	Brazilian real
Unimor, S. A. de C. V. (Holding Company)		100	100	100	Mexican peso
Univex, S. A.		100	100	100	Mexican peso
Alpek Polyester UK LTD	United Kingdom	100	100	100	Pound sterling
BVPV Styrenics LLC ⁽⁹⁾	USA	100	100	100	US dollar
Octa I ⁽¹⁰⁾	Oman	100	100	-	US dollar

⁽¹⁾ Companies incorporated in México, except those indicated.

⁽²⁾ Ownership percentage that Alpek has in the holding companies and ownership percentage that such holding companies have in the companies integrating the groups. Ownership percentages and the voting rights are the same.



- (3) On July 31, 2021, Grupo Petrotemex, S.A. de C.V. (Grupo Petrotemex), changed its company name to Alpek Polyester S.A. de C.V.
- (4) During 2022, DAK Américas Argentina, S. A. changed its legal name to Alpek Polyester Argentina S. A.
- (5) The sale and purchase agreement of this entity included a clause for the payment of future benefits (earn-out) for the production of PETG, which was still in force as of December 31, 2021. Under said clause, the shares not acquired for legal purposes by Alpek are deposited in favor of the selling party or to Alpek, based on results obtained from the potential production of PETG. At the end of 2021, Alpek held 50% + 1 share of the legal shareholding. On August 25, 2022, Alpek acquired the remaining 50% - 1 share of the shareholding in this entity in exchange for a consideration of \$119.6 (US\$6); derived from the negotiation for the acquisition of the remaining shares, the contingent liability that Alpek had for the earn-out for 149.5 (US\$7.5) was canceled, together with a compensation asset for \$25.9 (US\$1.3), both came from the sale and purchase agreement. The net effects of these transactions were recognized within "Other income (expenses), net" in the consolidated statement of comprehensive income for the year ended December 31, 2022.
- (6) During 2022, DAK Compagnie Selenis Canada changed its legal name to Compagnie Alpek Polyester Canada.
- (7) During 2022, Companhia Petroquímica de Pernambuco-PetroquímicaSuape changed its legal name to Alpek Polyester Pernambuco S. A.
- (8) During 2022, Companhia Integrada Têxtil de Pernambuco- CITEPE changed its legal name to Alpek Polyester Brasil S. A.
- (9) Entity acquired in 2021. (Note 2l).
- (10) Group of entities acquired in 2022 and integrates the following entities: Octal Holding UK LTD, Octal Holding SAOC, Octal SAOC FZC, Crystal Pack FZC LLC, Crystal Packing Solutions LLC, Octal DMCC, Octal Inc, Octal Extrusion Corp, Octal Saudi Arabia Plant LLC and OCTAL FINANCE BV (liquidated in 2023). (Note 2e)
- (11) During 2023, DAK Americas LLC changed its legal name to Alpek Polyester USA, LLC.
- (12) During 2023, Dak Resinas Américas México, S.A. de C.V. changed its legal name to Alpek Polyester México, S.A. de C.V.

As of December 31, 2023, 2022 and 2021, there are no significant restrictions for investment in shares of subsidiary companies mentioned above.

ii. Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries, in example, an increase or decrease in the percentage of control, is recorded in stockholders' equity, directly in retained earnings, in the period in which the transactions that cause such effects occur. The effect of absorption (dilution) of control is determined by comparing the book value of the investment before the event of dilution or absorption against the book value after the relevant event. In the case of loss of control, the dilution effect is recognized in the consolidated income.

When the Company issues purchase obligations on certain non-controlling interests in a consolidated subsidiary and non-controlling stockholders retain the risks and awards on these shares in the consolidated subsidiary, these are recognized as financial liabilities for the present value of the refundable amount of the options, initially recorded with a corresponding reduction in the stockholders' equity, and subsequently accruing through financial charges to income during the contractual period.



iii. Sale or disposal of subsidiaries

When the Company ceases to have control any retained interest in the entity is re-measured at fair value, and the change in the carrying amount is recognized in the consolidated statement of income. The fair value is the initial carrying value for the purposes of accounting for any subsequent retained interest in the associate, joint venture or financial asset. Any amount previously recognized in comprehensive income in respect of that entity is accounted for as if the Company had directly disposed of the related assets and liabilities. This results in the amounts previously recognized in the consolidated comprehensive income being reclassified to the consolidated income for the year.

iv. Associates

Associates are all entities over which the Company has significant influence but not control. Generally, an investor must hold between 20% and 50% of the voting rights in an investee for it to be an associate. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss.

If the equity in an associate is reduced but significant influence is maintained, only a portion of the amounts recognized in the consolidated comprehensive income are reclassified to the consolidated income for the year, where appropriate.

The Company's share of profits or losses of associates post-acquisition is recognized in the consolidated statement of income and its share in the consolidated other comprehensive income of associates is recognized as other consolidated comprehensive income. When the Company's share of losses in an associate, equals or exceeds its equity in the associate, including unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

The Company assesses at each reporting date whether there is objective evidence that the investment in the associate is impaired.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's equity in such gains. Unrealized losses are also eliminated unless the transaction provides evidence that the asset transferred is impaired. In order to ensure consistency with the policies adopted by the Company, the accounting policies of associates have been modified. When the Company ceases to have significant influence over an associate, any difference between the fair value of the remaining investment, including any consideration received from the partial disposal of the investment and the book value of the investment is recognized in the consolidated statement of income.

v. Joint ventures

Joint arrangements are those where there is joint control since the decisions over relevant activities require the unanimous consent of each one of the parties sharing control.

Investments in joint arrangements are classified in accordance with the contractual rights and obligations of each investor such as: joint operations or joint ventures. When the Company holds the right over assets and obligations for related assets under a joint arrangement, this is classified as a joint operation. When the company holds rights over net assets of the joint arrangement, this is classified as a joint venture. The Company has assessed the nature of its joint arrangements and classified them as joint ventures. Joint ventures are accounted for by using the equity method applied to an investment in associates.

The Company evaluates at each reporting date whether there is objective evidence that there are indications of impairment on the joint agreement. If there are indications, it determines the recoverable value based on the requirements of IAS 36 and recognizes an impairment if such recoverable value is below the carrying amount of the joint agreement.

c) **Foreign currency translation**

i. Functional and presentation currency

The amounts included in the financial statements of each of the Company's subsidiaries, associates and joint ventures should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Mexican pesos.



When there is a change in the functional currency of one of the subsidiaries, according to International Accounting Standard 21, *Effects of Changes in Foreign Exchange Rates* ("IAS 21"), this change is accounted for prospectively, translating at the date of the functional currency change, all assets, liabilities, equity, and income items at the exchange rate of that date.

ii. Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rates prevailing at the transaction date or valuation date when the amounts are re-measured. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates are recognized as foreign exchange gain or loss in the consolidated statement of income, except for those which are deferred in comprehensive income and qualify as cash flow hedges.

Changes in the fair value of securities or monetary financial assets denominated in foreign currency classified as available for sale are divided between fluctuations resulting from changes in the amortized cost of such securities and other changes in value. Subsequently, currency fluctuations are recognized in income and changes in the carrying amount arising from any other circumstances are recognized as part of comprehensive income.

iii. Translation of subsidiaries with recording currency other than the functional currency

The financial statements of foreign subsidiaries having a recording currency different from their functional currency were translated into the functional currency in accordance with the following procedure:

- a) The balances of monetary assets and liabilities denominated in the recording currency were translated at the closing exchange rate.
- b) To the historical balances of monetary assets and liabilities and stockholders' equity translated into the functional currency the movements that occurred during the period were added, which were translated at the historical exchange rates. In the case of the movements of non-monetary items recognized at fair value, which occurred during the period, stated in the recording currency, these were translated using the historical exchange rates in effect on the date when the fair value was determined.
- c) The income, costs and expenses of the periods, expressed in the recording currency, were translated at the historical exchange rate of the date they were accrued and recognized in the consolidated statement of income, except when they arose from non-monetary items, in which case the historical exchange rate of the non-monetary items was used.
- d) The exchange differences were recognized as income or expense in the consolidated statement of income in the period they arose.

iv. Translation of subsidiaries with functional currency other than the presentation currency

The results and financial position of all Company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows, depending on whether the functional currency comes from a non-hyperinflationary or hyperinflationary environment:

Non-hyperinflationary environment

- a) Assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of the statement of financial position;
- b) Stockholders' equity of each statement of financial position presented is translated at historical exchange rate;
- c) Income and expenses for each statement of income are translated at average exchange rate (when the average exchange rate is not a reasonable approximation of the cumulative effect of the rates of the transaction, the exchange rate at the date of the transaction is used); and
- d) The resulting exchange differences are recognized in the consolidated statement of other comprehensive income as translation effect.



Hyperinflationary environment

- a) Assets, liabilities and equity in the statement of financial position, as well as income and expenses in the income statement, are translated at the closing exchange rate of the statement of financial position, after being restated in its functional currency (Note 3d); and
- b) Assets, liabilities, equity, income and expenses of the comparative period, are maintained according to the amount obtained in the translation of the year in question, that is, the financial statements of the preceding period. These amounts are not adjusted to subsequent exchange rates because the Company presents its financial information in Mexican pesos, which correspond to a currency of a non-hyperinflationary environment.

The primary exchange rates in the various translation processes are listed below:

Currency	Local currency to Mexican pesos					
	Closing exchange rate at December 31,			Average annual exchange rate		
	2023	2022	2021	2023	2022	2021
US dollar	16.89	19.36	20.58	17.61	20.06	20.38
Argentine peso	0.02	0.11	0.20	0.07	0.15	0.21
Brazilian real	3.48	3.66	3.69	3.53	3.91	3.77
Chilean peso	0.02	0.02	0.02	0.02	0.02	0.03
Pound sterling	21.53	23.29	27.88	21.96	24.71	28.02

d) *Hyperinflationary effects*

As of July 1, 2018, the cumulative inflation from the prior 3 years in Argentina exceeded 100%; consequently, the Argentine peso was classified as a currency of a hyperinflationary economic environment. As a result, the financial statements of the subsidiaries located in that country, whose functional currency is the Argentine peso, have been restated and adjusted for inflation in accordance with the requirements of the International Accounting Standard 29, *Financial Information in Hyperinflationary Economies* ("IAS 29"), and have been consolidated in compliance with the requirements of IAS 21. The purpose of applying these requirements is to consider changes in the general purchasing power of the Argentine peso in order to present the financial statements in the measuring unit current at the date of the statement of financial position. The financial statements before including any inflation adjustments were prepared using the historical cost method.

The Company determined the inflation adjustments in its consolidated financial statements in the following manner:

- a. The amounts corresponding to non-monetary items of each statement of financial position, which are not measured at the date of the statement of financial position at their fair value or net realizable value, as the case may be, are restated by applying to their historical cost the change of a general price index from the date of acquisition or the date of its last measurement at fair value, to the date of the statement of financial position;
- b. The amounts corresponding to monetary items of the statement of financial position are not restated;
- c. The components of stockholders' equity of each statement of financial position are restated:
 - 1) At the beginning of the first period of application of IAS 29, except for retained earnings, by applying the change of a general price index from the dates the components were originated to the date of restatement. Restated retained earnings are derived from all the other balances in the statement of financial position;
 - 2) At the end of the first period and in subsequent periods, all components of stockholders' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.
- d. Revenues and expenses are restated by applying the change in the general price index, from the date on which the expenses and revenues were recognized, up to the reporting date.
- e. Gains or losses arising from the net monetary position are recognized in the consolidated statement of income.



The Company reflects the effects of hyperinflation on the financial information of its subsidiaries in Argentina using price indexes that are considered appropriate in accordance with Resolution JG 539/18 (the "Resolution") of the Argentine Federation of Professional Councils of Economic Sciences. This resolution establishes that a combination of price indexes should be used in the calculation of the effects of restatement of financial statements. Therefore, the Company has decided to use the Consumer Price Index ("CPI") to restate balances and transactions.

The effects of the restatement of the financial statements of the subsidiaries located in Argentina were not material and are presented under the heading of "Financial result, net" for the years ended December 31, 2023, 2022 and 2021.

e) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, bank deposits available for operations and other short-term investments of high liquidity and high credit quality with original maturities of three months or less, all of which are subject to insignificant risk of changes in value. Bank overdrafts are presented as loans as part of the current liabilities.

f) *Financial instruments*

Financial assets

The Company subsequently classifies and measures its financial assets based on the Company's business model to manage financial assets, and on the characteristics of the contractual cash flows of such assets. This way financial assets can be classified at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. Management determines the classification of its financial assets upon initial recognition. Purchases and sales of financial assets are recognized at settlement date.

Financial assets are entirely written off when the right to receive the related cash flows expires or is transferred, and the Company also has substantially transferred all the risks and rewards of its ownership, as well as the control of the financial asset.

Classes of financial assets

i. *Financial assets at amortized cost*

Financial assets at amortized cost are those that i) are held within a business model whose objective is to hold said assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount of outstanding principal.

ii. *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is mainly acquired for the purpose of being sold in the short term.

Derivatives are also classified as held for trading unless they are designated as hedges. In addition are those that do not meet the characteristics to be measured at amortized cost or fair value through other comprehensive income, since: i) they have a business model different to those that seek to collect contractual cash flows or collect contractual cash flows and sell the financial assets, or otherwise ii) the generated cash flows are not solely payments of principal and interest on the amount of outstanding principal.

Impairment of financial assets

The Company uses an impairment model based on expected credit losses rather than losses incurred, applicable to financial assets subject to such assessment (i.e. financial assets measured at amortized cost and at fair value through other comprehensive income), as well as lease receivables, contract assets, certain written loan commitments, and financial guarantee contracts. The expected credit losses on these financial assets are estimated from the initial recognition of the asset at each reporting date, using as a reference the past experience of the Company's credit losses, adjusted for factors that are specific to the debtors or groups of debtors, general economic conditions, and an assessment of both the current direction and the forecast of future conditions.



a. Trade receivables

The Company adopted the simplified expected loss calculation model, through which expected credit losses during the account receivable's lifetime are recognized.

The Company performs an analysis of its portfolio of customer receivables, in order to determine if there are significant customers for whom it requires an individual assessment; meanwhile, customers with similar characteristics that share credit risks (participation in the portfolio of accounts receivable, type of market, sector, geographic area, etc.), are grouped to be evaluated collectively.

In its impairment assessment, the Company may include indications that the debtors or a group of debtors are experiencing significant financial difficulties, and also observable data indicating that there is a significant decrease in the estimated cash flows to be received, including arrears.

For purposes of the historical estimate, the Company considers that the following constitutes an event of default, since historical experience indicates that financial assets are not recoverable when they meet any of the following criteria:

- The debtor does not fulfill its financial agreements; or
- Information obtained internally or from external sources indicates that it is unlikely that the debtor will pay its creditors, including the Company, in its entirety (without considering any guarantee held by the Company).

The Company defined the breach threshold as the period from which the recovery of the account receivable subjected to analysis is marginal, which is in line with internal risk management.

b. Other financial instruments

The Company recognizes credit losses expected during the asset's lifetime of all financial instruments for which credit risk has significantly increased since its initial recognition (assessed on a collective or individual basis), considering all the reasonable and sustainable information, including the one referring to the future. If at the presentation date, the credit risk a financial instrument has not significantly increased since its initial recognition, the Company calculates the loss allowance for that financial instrument as the amount of expected credit losses in the following 12 months.

In both cases, the Company recognizes in profit or loss of the period the decrease or increase in the expected credit loss allowance at the end of the period.

Management assesses the impairment model and the inputs used therein at least once every 3 months, in order to ensure that they remain in effect based on the current situation of the portfolio.

Financial liabilities

Non-derivative financial liabilities are initially recognized at fair value and are subsequently valued 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 or received from suppliers in the ordinary course of business. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently carried at amortized cost; any difference between the funds received (net of transaction costs) and the settlement value is recognized in the consolidated statement of income over the term of the loan using the effective interest method.

Derecognition of financial liabilities

The Company derecognizes financial liabilities if, and only if, the obligations of the Company are fulfilled, cancelled or have expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in profit or loss.

Additionally, when the Company carries out a refinancing transaction and the previous liability qualifies to be derecognized, the costs incurred in the refinancing are recognized immediately in profit or loss at the date of termination of the previous financial liability.



Offsetting financial assets and liabilities

Assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the right to offset the recognized amounts is legally enforceable and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

g) *Derivative financial instruments and hedging activities*

All derivative financial instruments are identified and classified as fair value hedges or cash flow hedges, for trading or the hedging of market risks and are recognized in the consolidated statement of financial position as assets and/or liabilities at fair value and similarly measured subsequently at fair value. The fair value is determined based on recognized market prices and its fair value is determined using valuation techniques accepted in the financial sector.

The fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Derivative financial instruments classified as hedges are contracted for risk hedging purposes and meet all hedging requirements; their designation at the beginning of the hedging operation is documented, describing the objective, primary position, risks to be hedged and the effectiveness of the hedging relationship, characteristics, accounting recognition and how the effectiveness is to be measured.

Cash flow hedges

The changes in the fair value of derivative instruments associated to cash flow hedges are recorded in stockholders' equity. The effective portion is temporarily recorded in comprehensive income, within stockholders' equity and is reclassified to profit or loss when the hedged position affects these. The ineffective portion is immediately recorded in income.

Net investment hedge in a foreign transaction

The Company applies the hedge accounting to currency risk arising from its investments in foreign transactions for variations in exchange rates arising between the functional currency of such transaction and the functional currency of the holding entity, regardless of whether the investment is maintained directly or through a sub-holding entity. Variation in exchange rates is recognized in the other items of comprehensive income as part of the translation effect, when the foreign transaction is consolidated.

To this end, the Company designates the debt denominated in a foreign currency as a hedging instrument; therefore, the exchange rate effects caused by the debt are recognized in other components of comprehensive income, on the translation effects line item, to the extent that the hedge is effective. When the hedge is not effective, exchange differences are recognized in profit or loss.

Suspension of hedge accounting

The Company suspends hedge accounting when the derivative financial instrument or the non-derivative financial instrument has expired, is cancelled or exercised, when the derivative or non-derivative financial instrument is not highly effective to offset the changes in the fair value or cash flows of the hedged item. The replacement or successive renewal of a hedging instrument for another one is not an expiration or resolution if such replacement or renewal is part of the Company's documented risk management objective, and it is consistent with this.

On suspending hedge accounting, in the case of fair value hedges, the adjustment to the carrying amount of a hedged amount for which the effective interest rate method is used, is amortized to income over the period to maturity. In the case of cash flow hedges, the amounts accumulated in equity as a part of comprehensive income remain in equity until the time when the effects of the forecasted transaction affect income. In the event the forecasted transaction is not likely to occur, the income or loss accumulated in comprehensive income are immediately recognized in the consolidated statement of income. When the hedge of a forecasted transaction appears satisfactory and subsequently does not meet the effectiveness test, the cumulative effects in comprehensive income in stockholders' equity are transferred proportionally to the consolidated statement of income, to the extent the forecasted transaction impacts it.

The fair value of derivative financial instruments reflected in the consolidated financial statements of the Company is a mathematical approximation of their fair value. It is computed using proprietary models of independent third parties using assumptions based on past and present market conditions and future expectations at the closing date.



h) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. The cost of finished goods and work-in-progress includes cost of product design, raw materials, direct labor, other direct costs and production overheads (based on normal operating capacity).

It excludes borrowing costs. The net realizable value is the estimated selling price in the normal course of business, less the applicable variable selling expenses. Costs of inventories include any gain or loss transferred from other comprehensive income corresponding to raw material purchases that qualify as cash flow hedges.

i) Property, plant and equipment

Items of property, plant and equipment are recorded at cost less the accumulated depreciation and any accrued impairment losses. The costs include expenses directly attributable to the asset acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognized. Repairs and maintenance are recognized in the consolidated statement of income during the year they are incurred. Major improvements are depreciated over the remaining useful life of the related asset.

When the Company carries out major repairs or maintenance of its property, plant and equipment assets, the cost is recognized in the book value of the corresponding asset as a replacement, provided that the recognition criteria are met. The remaining portion of any major repair or maintenance is derecognized. The Company subsequently depreciates the recognized cost in the useful life assigned to it, based on its best estimate of useful life.

Depreciation is calculated using the straight-line method, considering separately each of the asset's components, except for land, which is not subject to depreciation. The estimated useful lives of the classes of assets are as follows:

Buildings and constructions	40 to 50 years
Machinery and equipment	10 to 40 years
Vehicles	15 years
Furniture and lab and IT equipment	2 to 13 years
Other	20 years

The spare parts to be used after one year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

Borrowing costs related to financing of property, plant and equipment whose acquisition or construction requires a substantial period (nine months), are capitalized as part of the cost of acquiring such qualifying assets, up to the moment when they are suitable for their intended use or sale.

Assets classified as property, plant and equipment are subject to impairment tests when events or circumstances occur indicating that the carrying amount of the assets may not be recoverable. An impairment loss is recognized in the consolidated statement of income in other expenses, net, for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

The residual value and useful lives of assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

Gains and losses on disposal of assets are determined by comparing the sale value with the carrying amount and are recognized in other expenses, net, in the consolidated statement of income.



j) Leases

The Company as lessee

The Company evaluates whether a contract is or contains a lease agreement at inception of a contract. A lease is defined as an agreement or part of an agreement that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The Company recognizes an asset for right-of-use and the corresponding lease liability, for all lease agreements in which it acts as lessee, except in the following cases: short-term leases (defined as leases with a lease term of less than 12 months); leases of low-value assets (defined as leases of assets with an individual market value of less than US\$5,000 (five thousand dollars)); and, lease agreements whose payments are variable (without any contractually defined fixed payment). For these agreements, which exempt the recognition of an asset for right-of-use and a lease liability, the Company recognizes the rent payments as an operating expense in a straight-line method over the lease period.

The right-of-use asset comprises all lease payments discounted at present value; the direct costs to obtain a lease; the advance lease payments; and the obligations of dismantling or removal of assets. The Company depreciates the right-of-use asset over the shorter of the lease term or the useful life of the underlying asset; therefore, when the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Depreciation begins on the lease commencement date.

The lease liability is initially measured at the present value of the future minimum lease payments that have not been paid at that date, using a discount rate that reflects the cost of obtaining funds for an amount similar to the value of the lease payments, for the acquisition of the underlying asset, in the same currency and for a similar period to the corresponding contract (incremental borrowing rate). When lease payments contain non-lease components (services), the Company has chosen, for some class of assets, not to separate them and measure all payments as a single lease component; however, for the rest of the class of assets, the Company measures the lease liability only considering lease payments, while all of the services implicit in the payments, are recognized directly in the consolidated statement of income as operating expenses.

To determine the lease term, the Company considers the non-cancellable period, including the probability to exercise any right to extend and/or terminate the lease term.

Subsequently, the lease liability is measured increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

When there is a modification in future lease payments resulting from changes in an index or a rate used to determine those payments, the Company remeasures the lease liability when the adjustment to the lease payments takes effect, without reassessing the discount rate. However, if the modifications are related to the lease term or exercising a purchase option, the Company reassesses the discount rate during the liability's remeasurement. Any increase or decrease in the value of the lease liability subsequent to this remeasurement is recognized as an adjustment to the right-of-use asset to the same extent.

Finally, the lease liability is derecognized when the Company fulfills all lease payments. When the Company determines that it is probable that it will exercise an early termination of the contract that leads to a cash disbursement, such disbursement is accounted as part of the liability's remeasurement mentioned in the previous paragraph; however, in cases in which the early termination does not involve a cash disbursement, the Company cancels the lease liability and the corresponding right-of-use asset, recognizing the difference immediately in the consolidated statement of income.

k) Intangible assets

Intangible assets are recognized in the consolidated statement of financial position when they meet the following conditions: they are identifiable, provide future economic benefits and the Company has control over such benefits.

Intangible assets are classified as follows:

i. Indefinite useful life

These intangible assets are not amortized and are subject to annual impairment assessment. As of December 31, 2023, 2022 and 2021, no factors have been identified limiting the life of these intangible assets.



ii. *Finite useful life*

These assets are recognized at cost less the accumulated amortization and impairment losses recognized. They are amortized on a straight line basis over their estimated useful life, determined based on the expectation of generating future economic benefits, and are subject to impairment tests when triggering events of impairment are identified.

Development costs	15.5 years
Non-compete agreements	5 to 10 years
Customer relationships	6 to 7 years
Patents	10 years
Software and licenses	3 to 7 years
Intellectual property	20 to 25 years
Defined life brands	5 to 22 years

Development costs

Research costs are recognized in income as incurred. Expenditures for development activities are recognized as intangible assets when such costs can be reliably measured, the product or process is technically and commercially feasible, potential future economic benefits are obtained and the Company intends and also has sufficient resources to complete the development and to use or sell the asset. Their amortization is recognized in income by the straight-line method over the estimated useful life of the asset. Development expenditures that do not qualify for capitalization are recognized in income as incurred.

Licenses

Licenses acquired in a separate transaction are recorded at acquisition cost, while those acquired in a business combination are recognized at fair value at acquisition date.

Licenses that have a defined useful life are presented at cost less accumulated amortization. Amortization is recorded by the straight-line method over its estimated useful life.

The acquisition of software licenses is capitalized based on the costs incurred to acquire and use the specific software.

Software development

Costs associated with the maintenance of software are recorded as expenses as incurred.

Development costs directly related with the design and tests of unique and identifiable software products controlled by the Company are recorded as intangible assets when they fulfill the following criteria:

- Technically, it is possible to complete the intangible asset so that it may be available for its use or sale;
- The intangible asset is to be completed for use or sale;
- The ability to use or sell the intangible asset;
- The way in which the intangible asset is to generate probable future economic benefits;
- The availability of adequate technical, financial or other type of resources, to complete the development and use or sell the intangible asset; and
- The ability to reliably calculate the disbursement attributable to the intangible asset during its development.

The amount initially recognized for an intangible asset generated internally will be the sum of disbursements incurred from the moment the element fulfills the conditions for recording, as established above. When no intangible asset internally generated may be recognized, the disbursements for development are charged to income in the period they are incurred.



l) Goodwill

Goodwill represents the excess of the acquisition cost of a subsidiary over the Company's equity in the fair value of the identifiable net assets acquired, determined at the date of acquisition, and is not subject to amortization. Goodwill is shown under goodwill and intangible assets and is recognized at cost less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

m) Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not amortizable or depreciable and are subject to annual impairment tests. Assets that are subject to amortization and depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels at which separately identifiable cash flows exist (cash generating units). Non-financial long-term assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

When an impairment loss is reversed, the carrying amount of the asset or cash generating unit, is increased to the revised estimated value of its recoverable amount, in such a way that the adjusted carrying amount does not exceed the carrying amount that would have been determined if an impairment loss had not been recognized for that asset or cash generating unit in previous years. The reversal of an impairment loss is recognized immediately in the consolidated statement of income.

n) Income tax

The amount of income taxes in the consolidated statement of income represents the sum of the current and deferred income taxes.

The amount of income taxes included in the consolidated statement of income represents the current tax and the effects of deferred income tax assets determined in each subsidiary by the asset and liability method, applying the rate established by the legislation enacted or substantially enacted at the consolidated statement of financial position date, wherever the Company operates and generates taxable income. The applicable rates are applied to the total temporary differences resulting from comparing the accounting and tax bases of assets and liabilities, and that are expected to be applied when the deferred tax asset is realized or the deferred tax liability is expected to be settled, considering, when applicable, any tax-loss carryforwards, prior to the recovery analysis. The effect of the change in current tax rates is recognized in current income of the period in which the rate change is determined.

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable law is subject to interpretation. Provisions are recognized when appropriate, based on the amounts expected to be paid to the tax authorities.

Deferred tax assets are recognized only when it is probable that future taxable profits will exist against which the deductions for temporary differences can be taken.

The deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized, unless the period of reversal of temporary differences is controlled by the Company and it is probable that the temporary differences will not reverse in the near future.

Deferred tax assets and liabilities are offset when a legal right exists, and when the taxes are levied by the same tax authority.

o) Employee benefits

i. Pension plans

Defined contribution plans:

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their service in the current and past periods. The contributions are recognized as employee benefit expense on the date that is required the contribution.



Defined benefit plans:

A defined benefit plan is a plan, which specifies the amount of the pension an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates in conformity with IAS 19, *Employee Benefits*, that are denominated in the currency in which the benefits will be paid and have maturities that approximate the terms of the pension liability.

Actuarial gains and losses from adjustments and changes in actuarial assumptions are recognized directly in other items of the comprehensive income in the year they occur and will not be reclassified to the results of the period.

The Company determines the net finance expense (income) by applying the discount rate to the liabilities (assets) from net defined benefits.

Past-service costs are recognized immediately in the consolidated statement of income.

ii. *Post-employment medical benefits*

The Company provides medical benefits to retired employees after termination of employment. The right to access these benefits usually depends on the employee's having worked until retirement age and completing a minimum of years of service. The expected costs of these benefits are accrued over the period of employment using the same criteria as those described for defined benefit pension plans.

iii. *Termination benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or when an employee accepts voluntary termination of employment in exchange for these benefits. The Company recognizes termination benefits in the first of the following dates: (a) when the Company can no longer withdraw the offer of these benefits, and (b) when the Company recognizes the costs from restructuring within the scope of the IAS 37 and it involves the payment of termination benefits. If there is an offer that promotes the termination of the employment relationship voluntarily by employees, termination benefits are valued based on the number of employees expected to accept the offer. The benefits that will be paid in the long term are discounted at their present value.

iv. *Short-term benefits*

The Company grants benefits to employees in the short term, which may include wages, salaries, annual compensation and bonuses payable within 12 months. The Company recognizes an undiscounted provision when it is contractually obligated or when past practice has created an obligation.

v. *Employee participation in profit and bonuses*

The Company recognizes a liability and an expense for bonuses and employee participation in profits when it has a legal or assumed obligation to pay these benefits and determines the amount to be recognized based on the profit for the year after certain adjustments.

p) **Provisions**

Provisions represent a present legal obligation or a constructive obligation as a result of past events where an outflow of resources to meet the obligation is likely and where the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the value of money over time and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.



When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

A restructuring provision is recorded when the Company has developed a formal detailed plan for the restructure, and a valid expectation for the restructure has been created between the people affected, possibly for having started the plan implementation or for having announced its main characteristics to them.

q) *Share based payment*

The Company's compensation plans are based 50% on the market value of the shares of its holding entity and the other 50% on the market value of the shares of Alpek SAB, granted to certain senior executives of the Company and its subsidiaries. The conditions for granting such compensation to the eligible executives include compliance with certain financial metrics such as the level of profit achieved and remaining in the Company for up to 5 years, among other requirements. The Board of Directors of Alfa has appointed a technical committee to manage the plan, and it reviews the estimated cash settlement of this compensation at the end of the year. The payment plan is subject to the discretion of Alfa's senior Management. Adjustments to this estimate are charged or credited to the consolidated statement of income.

The fair value of the amount payable to employees in respect of share-based payments which are settled in cash is recognized as an expense, with a corresponding increase in liabilities, over the period of service required. The liability is included within other liabilities and is adjusted at each reporting date and the settlement date. Any change in the fair value of the liability is recognized as compensation expense in the consolidated statement of income.

r) *Capital stock*

When treasury shares are repurchased, they are converted into treasury shares and the amount is charged to stockholders' equity at their purchase price. These amounts are expressed at their historical value.

Alpek SAB's common shares are classified as capital stock within stockholders' equity. Incremental costs directly attributable to the issuance of new shares are included in equity as a reduction from the consideration received, net of tax.

s) *Revenue recognition*

Revenues comprise the fair value of the consideration received or to receive for the sale of goods and services in the ordinary course of the transactions, and are presented in the consolidated statement of income, net of the amount of variable considerations, which comprise the estimated amount of returns from customers, rebates and similar discounts and payments made to customers with the objective that goods are accommodated in attractive and favorable spaces at their facilities.

To recognize revenues from contracts with customers, the comprehensive model for revenue recognition is used, which is based on a five-step approach consisting of the following: (1) identify the contract; (2) identify performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when the Company satisfies a performance obligation.

i. Revenue from the sale of goods and products

Contracts with customers are formalized by commercial agreements complemented by purchase orders, whose costs comprise the promises to produce, distribute and deliver goods based on the contractual terms and conditions set forth, which do not imply a significant judgment to be determined. When there are payments related to obtaining contracts, they are capitalized and amortized over the term of the contract.

Performance obligations held by the Company are not separable, and are not partially satisfied, since they are satisfied at a point in time, when the customer accepts the products. Moreover, the payment terms identified in most sources of revenue are short-term, with variable considerations including discounts given to customers, without financing components or guarantees. These discounts are recognized as a reduction in revenue; therefore, the allocation of the price is directly on the performance obligations of production, distribution and delivery, including the effects of variable consideration.



The Company recognizes revenue at a point in time, when control of sold goods has been transferred to the customer, which is given upon delivery of the goods promised to the customer according to the negotiated contractual terms. The Company recognizes an account receivable when the performance obligations have been met, recognizing the corresponding revenue; moreover, the considerations received before completing the performance obligations of production and distribution are recognized as customer advances.

Dividend income from investments is recognized once the rights of stockholders to receive this payment have been established (when it is probable that the economic benefits will flow to the Company and the revenue can be reliably determined).

t) *Earnings per share*

Earnings per share are calculated by dividing the profit attributable to the stockholders of the controlling interest by the weighted average number of common shares outstanding during the year. As of December 31, 2023, 2022 and 2021, there are no dilutive effects from financial instruments potentially convertible into shares.

u) *Changes in accounting policies and disclosures*

i. New standards and changes adopted

In the current year, the Company has applied a number of amendments to IFRS issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2023. The conclusions related to their adoption are described as follows:

IFRS 17 – Insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. The objective of this standard, which replaces IFRS 4, Insurance Contracts, is to ensure that an entity provides relevant information that faithfully represents those contracts. This information provides a basis for users of financial statements to evaluate the effect that insurance contracts have on the financial position, financial performance, and cash flows of the entity, being applicable to both insurance companies and companies that have reinsurance contracts.

This IFRS describes a general model, which is modified for insurance contracts with direct participation features, which is described as the variable rate approach.

The overall model is simplified if certain criteria are met when measuring liability for remaining coverage using the premium allocation method.

The overall model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty, considering market interest rates and the impact of options and guarantees.

The Company had no implications in the adoption of this new IFRS, since the Company does not maintain contracts that meet the definition of an insurance contract established by IFRS 17.

Amendments to IAS 1, and Practice Statement 2 – Disclosure of accounting policies

The amendments change the requirements to IAS 1 regarding the disclosure of accounting policies. The amendment replaces the terms “significant accounting policies” with “material accounting policies information.” Accounting policy information is material when it is considered that, together with other information included in the financial statements of an entity, it can influence the decision making of the primary users of the financial statements of general use and that they are made in the basis for said financial statements.

The supporting paragraphs in IAS 1 are amended to clarify information on accounting policies that relate to immaterial transactions, other events or conditions that are themselves material. Accounting policy information may be material due to the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has developed guidance and examples to explain and demonstrate the application of the “four steps of the materiality process” described in the IFRS Practice 2 Statements.



The Company undertook a process to define the accounting policies that are considered material, and not only significant, by making modifications to Note 3 of its consolidated financial statements, maintaining those accounting policies that, due to their nature and relevance, together with other information included in the consolidated financial statements, may influence decision-making.

Amendments to IAS 8 – Definition of accounting estimates

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are “monetary amounts in the financial statements that are subject to measurement uncertainty.”

The definition of a change in accounting estimates was eliminated.

The Company evaluated the modifications to IAS 8 and determined that the implementation of the change in the definition of accounting estimates did not have an impact on the consolidated financial statements since there is no present situation that implies a change in accounting estimates.

Amendments to IAS 12, Income Taxes – Deferred tax related to assets and liabilities arising from a single transaction

The amendments introduced a further exception from the initial recognition. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences on initial recognition. Following the amendments to IAS 12, an entity is required to recognize the related deferred tax assets and liabilities, with the recognition of any deferred tax assets being subject to the recoverability criteria in IAS 12.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

The Company evaluated the modification of IAS 12 and determined that the implementation of this modification had no effect on its consolidated financial information, due to the fact that the Company has not previously applied the exception to initial recognition described above.

Amendments to IAS 12, International tax reform – Pillar Two Model Rules

The Company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules.

On July 18, 2023, the government of the United Kingdom, where the closest tier holding company is incorporated, enacted Pillar Two income tax legislation, effective from January 1, 2024. According to the legislation, the holding company must pay, in the United Kingdom, a complementary tax on the profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. The main jurisdictions in which exposures to this tax may exist include countries in the Middle East. The estimated impact that the Second Pillar income tax legislation would have had on the Company's results if it had been in effect for the year ended December 31, 2023, and the percentage of the Company's annual profits that could be subject to this income tax, were considered not relevant to the Company's consolidated financial statements.

The Company applied the temporary exception to the accounting requirements for deferred taxes in IAS 12, so the Company neither recognise nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Company will continue to evaluate the impact of the Pillar Two income tax legislation on its future financial performance.



ii. New, revised and issued IFRS, but not yet effective

As of the date of these consolidated financial statements, the Company has not applied the following amendments to IFRS that have been issued, but are not yet in force, and that the adoption of IFRS does not expect to have a material impact on the consolidated financial statements in future periods, considering that they are not of significant applicability. The Company expects the impacts to be primarily related to the disclosures included in its consolidated financial statements, primarily due to amendments to IAS 7 and IFRS 7. The amendments to IFRS are as follows:

- Amendments to IFRS 16 – Lease liability on a sale and leaseback ⁽¹⁾
- Amendments to IAS 7 and IFRS 7 – Supplier financing agreements ⁽¹⁾
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current ⁽¹⁾
- Amendments to IAS 1 – Classification of debt with covenants ⁽¹⁾
- Amendments to IAS 21 – Lack of exchangeability ⁽²⁾

(1) Effective for annual reporting periods beginning on January 1, 2024.

(2) Effective for annual reporting periods beginning on January 1, 2025.

4. Financial instruments and risk management

The Company's activities expose it to various financial risks: market risk (including exchange rate risk, price risk and interest rate variation risk), credit risk and liquidity risk.

The Company has a general risk management program focused on the unpredictability of financial markets and seeks to minimize the potential adverse effects on its financial performance.

The objective of the risk management program is to protect the financial health of its business, taking into account the volatility associated with foreign exchange and interest rates. Sometimes, the Company uses derivative financial instruments to hedge certain exposures to risks. In addition, due to the nature of the industries in which it participates, the Company has performed hedges of input prices with derivative financial instruments.

Alfa has a Risk Management Committee ("RMC"), comprised of the Board's Chairman, the Chief Executive Officer, Chief Financial Officer and a Risk Management Officer acting as technical secretary. The RMC reviews derivative transactions proposed by the subsidiaries of Alfa, including Alpek, in which a potential loss analysis surpasses US\$1. This Committee supports both the CEO and the President of Board of Alfa. All new derivative transactions which the Company proposes to enter into, as well as the renewal or cancellation of derivative arrangements, must be approved by both Alpek's and Alfa's CEO, according to the following schedule of authorizations:

	Maximum possible loss US\$1	
	Individual transaction	Annual cumulative transactions
Chief Executive Officer of the Company	1	5
Risk Management Committee of Alfa	30	100
Finance Committee	100	300
Board of Directors of Alfa	>100	>300

The proposed transactions must meet certain criteria, including that the hedges are lower than established risk parameters, that they are the result of a detailed analysis and are properly documented. In addition, sensitivity analysis and other risk analyses should be performed and documented prior to the operation.

Alfa's risk management policy indicates that hedging positions should always be less than the projected exposure to allow an acceptable margin of uncertainty. Exposed transactions are expressly prohibited.



The Company's policy indicates that the further the exposure is, the lower the coverage, based on the following table:

Maximum coverage (as a percentage of the projected exposure)

	Current year
Commodities	100
Energy costs	75
Exchange rate for operating transactions	80
Exchange rate for financial transactions	100
Interest rates	100

Capital management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to stockholders and benefits to other stakeholders, as well as maintaining an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, return equity to stockholders, issue new shares or sell assets to reduce debt.

Alpek reviews capital based on a leverage ratio. This percentage is calculated by dividing total liabilities by total stockholders' equity.

The financial ratio of total liabilities/total equity was 2.09, 1.62, and 1.50 as of December 31, 2023, 2022 and 2021, respectively, resulting in a leverage ratio that meets the Company's management and risk policies.

Financial instruments by category

The following are the Company's financial instruments by category.

As of December 31, 2023, 2022 and 2021, financial assets and liabilities consist of the following:

	As of December 31,		
	2023	2022	2021
Cash and cash equivalents	\$ 7,391	\$ 6,319	\$ 10,541
Restricted cash	322	553	13
<i>Financial assets measured at amortized cost:</i>			
Trade and other accounts receivable	13,236	19,669	20,725
Other non-current assets	3,140	3,960	4,085
<i>Financial assets measured at fair value through profit or loss</i>			
Derivate financial instruments ⁽¹⁾	95	10	351
	<u>\$ 24,184</u>	<u>\$ 30,511</u>	<u>\$ 35,715</u>
<i>Financial liabilities measured at amortized cost:</i>			
Debt	\$ 33,337	\$ 39,081	\$ 31,993
Trade and other accounts payable	25,995	30,505	27,657
Lease liability	3,456	3,624	3,608
<i>Financial liabilities measured at fair value:</i>			
Derivative financial instruments ⁽¹⁾	265	1,241	254
	<u>\$ 63,053</u>	<u>\$ 74,451</u>	<u>\$ 63,512</u>

⁽¹⁾ The Company designated the derivative financial instruments that comprise this balance as accounting hedges, in accordance with what is described later in this note.

Fair value of financial assets and liabilities valued at amortized cost

The amount of cash and cash equivalents, restricted cash, trade and other accounts receivable, other current assets, trade and other accounts payable, current debt and other current liabilities approximate their fair value, due to their short maturity. The net carrying amount of these accounts represents the expected cash flows to be received as of December 31, 2023, 2022 and 2021.



The carrying amount and estimated fair value of assets and liabilities valued at amortized cost is presented below:

	As of December 31, 2023		As of December 31, 2022		As of December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Non-current accounts receivable	\$ 2,456	\$ 2,453	\$ 3,344	\$ 3,339	\$ 3,471	\$ 3,469
Financial liabilities:						
Non-current debt	32,702	30,484	37,344	34,519	31,436	32,724

The carrying amount of the debt, for the purpose of computing its fair value, is presented gross of interest payable and issuance costs.

The estimated fair values as of December 31, 2023, 2022 and 2021 were determined based on discounted cash flows, using rates reflecting a similar credit risk, depending on the currency, maturity period and country where the debt was acquired. The primary rates used for financial liabilities are the Interbank Equilibrium Interest Rate (“TIE” for its acronym in Spanish) for instruments in Mexican pesos, Secured Overnight Financing Rate (“SOFR”), for instruments in U.S. dollars, and EURIBOR, for instruments in Euros. Measurement at fair value for non-current accounts receivable is deemed within Level 3 of the fair value hierarchy, while, for the financial debt, the measurement at fair value is deemed within Levels 1 and 2 of the hierarchy, as described herein below.

Market risks

(i) Exchange rate risk

The Company is exposed to foreign exchange risk, primarily derived from the transactions and balances that the subsidiaries conduct and have in foreign currency, respectively. A foreign currency is that which is different from the functional currency of an entity. In addition, the Company is exposed to changes in the value of foreign investments (subsidiary entities that have a functional currency different from that of the ultimate holding company), which arise from changes in the exchange rates between the functional currency of the foreign operation and the functional currency of the holding company (pesos); therefore, the Company applies hedge accounting to mitigate this risk, designating financial liabilities as hedging instruments, regardless of whether the foreign investment is directly or indirectly maintained through a subholding.

The behavior of the exchange rates fluctuations between the Mexican peso, U.S. dollar and the euro represents an important factor for the Company due to the effect that such currencies have on its consolidated results, and because, in addition, Alpek has no interference in its determination. Historically, in certain times when the Mexican peso has appreciated against other currencies, such as the U.S. dollar, the Company’s profit margins have been reduced. On the other hand, when the Mexican peso has lost value, Alpek’s profit margins have been increased. However, there is no assurance that this correlation will be repeated in case the exchange rate between the Mexican peso and any other currency fluctuates again, because these effects also depend on the balances in foreign currency that the entities of the Company hold.

Accordingly, the Company sometimes enters into derivative financial instruments in order to keep under control the integrated total cost of its financing and the volatility associated with exchange rates. Additionally, as most of the Company’s revenues are in U.S. dollars, there is a natural hedge against its obligations in U.S. dollars.

The Company has the following assets and liabilities in foreign currency in relation to the functional currency of the subsidiary entities, translated to millions of Mexican pesos at the closing exchange rate as of December 31, 2023:

	MXN	USD	EUR
Financial assets	\$27,375	\$ 32,273	\$1,237
Financial liabilities	(25,232)	(44,932)	(304)
Foreign exchange financial position	<u>\$ 2,143</u>	<u>\$ (12,659)</u>	<u>\$ 933</u>



The exchange rates used to translate the foreign currency financial positions to Mexican pesos are those described in Note 3c.

Based on the financial positions in foreign currency maintained by the Company, a hypothetical variation of 10% in the MXN/USD and MXN/EUR exchange rate and keeping all other variables constant, would result in an effect of \$958 on the consolidated statement of income and consolidated stockholders' equity.

Financial instruments to hedge net investments in foreign transactions

The Company designated certain non-current debt instruments as hedging instruments to net investments in foreign transactions, in order to mitigate the variations in exchange rates arising between the functional currency for such transactions and the functional currency of the holding or sub-holding company that maintains these investments.

The Company formally designated and documented each hedging relationship establishing objectives, strategy to hedge the risk, the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged, and the methodology to assess the effectiveness. Given that the exchange rate hedging relationship is clear, the method that the Company used to assess the effectiveness consisted of a qualitative effectiveness test by comparing the critical terms between the hedging instruments and the hedged items.

The hedge will be effective as long as the notional debt designated as a hedging instrument is equal to or less than the value of the net assets of the covered foreign operation. On the other hand, when the value of the net assets of the foreign operation is less than the notional value of the designated debt, the Company rebalances the hedging relationship and recognizes the ineffectiveness in the income statement.

As of December 31, 2023, 2022 and 2021, Alpek maintains the following hedging relationships:

As of December 31, 2023					
Holding	Functional				Net assets of the
	Currency	Hedging Instrument	Notional Value	Hedged Item	hedged item
Alpek SAB	MXN	Bank loan	US\$ 200	Indelpro	US\$ 254
		Bank loan	100	Temex	22
		Senior Notes 144A fixed rate	22	Alpek Polyester Ms	251
		Senior Notes 144A fixed rate	100	Alpek Polyester México	95
				Akra Polyester	120
			US\$ 422		US\$ 742
As of December 31, 2022					
Holding	Functional				Net assets of the
	Currency	Hedging Instrument	Notional Value	Hedged Item	hedged item
Alpek SAB	MXN	Senior Notes 144A fixed rate	US\$ -	Indelpro	US\$ 240
		Senior Notes 144A fixed rate	300	Temex	68
		Senior Notes 144A fixed rate	22	Alpek Polyester Ms	232
		Senior Notes 144A fixed rate	100	Alpek Polyester México	82
				Akra Polyester	195
			US\$ 422		US\$ 817
As of December 31, 2021					
Holding	Functional				Net assets of the
	Currency	Hedging Instrument	Notional Value	Hedged Item	hedged item
Alpek SAB	MXN	Senior Notes 144A fixed rate	US\$ 49	Indelpro	US\$ 261
		Senior Notes 144A fixed rate	267	Temex	42
		Senior Notes 144A fixed rate	22	Alpek Polyester Ms	240
		Senior Notes 144A fixed rate	100	Alpek Polyester México	101
				Akra Polyester	179
			US\$ 438		US\$ 823



For the years ended December 31, 2023, 2022 and 2021, the Company's average hedging ratio amounted to 56.3%, 48.9%, and 54.9%, respectively. Therefore, the exchange rate fluctuation generated by the hedging instruments for the years ended December 31, 2023, 2022 and 2021 amounted to a net gain (loss) of \$873, \$545, and \$(238), respectively, which was recognized in other comprehensive income, offsetting the translation effect generated by each foreign investment. The hedging effectiveness results confirm that the hedging relationships are highly effective due to the economic relationship between the hedging instrument and the hedged items.

Derivative financial instruments to hedge exchange rate risks

As of December 31, 2023, 2022 and 2021, the Company holds forwards (EUR/USD) and during 2023 contracted forwards (GBP/USD), to hedge different needs. For 2023, 2022 and 2021, these forwards are mirrored to an entity with the functional currency of pound sterling (GBP), because part of its revenue is received in euros and part of its purchases are made in US dollars. Therefore, a highly probable forecasted transaction related to budgeted sales and purchases in each corresponding currency has been documented as a hedged item.

For accounting purposes, the Company has designated such forwards as cash flow hedging relationships to hedge the aforementioned items, and has formally documented these relationships, setting the objectives, management's strategy to hedge the risk, identification of hedging instruments, hedged items, the nature of the risk to be hedged and the methodology of the effectiveness assessment.

The conditions of the derivative financial instruments and the considerations of their valuation as hedging instruments are mentioned below:

Characteristics	Forwards EUR/USD			
	2023 GBP	2023 EUR	2022 EUR	2021 EUR
Currency	GBP	EUR	EUR	EUR
Notional amount	10	29	24	8.1
Strike (average)	1.2639	1.0877	1.0738	1.2421
	Monthly through December 30, 2024	Monthly through December 30, 2024	Monthly through December 30, 2023	Monthly through December 30, 2022
Maturity	30, 2024	30, 2024	30, 2023	30, 2022
Carrying amount	\$(0)	\$(8)	\$(2)	\$17
Change in the fair value to measure ineffectiveness	\$(2)	\$(10)	\$1.6	15.9
Reclassification from OCI to profit or loss	-	-	-	-
Recognized in OCI, net of reclassifications	\$(0)	\$(8)	\$(2.3)	16.5
Change in the fair value of the hedged item to measure ineffectiveness	\$2	\$10	\$(1.6)	(15.9)
Change in the fair value of the forward	\$(0)	\$(5.7)	\$(18.8)	28.4

As of December 31, 2023, 2022 and 2021, the Company held EUR/USD forwards that were contracted with the objective of reducing transaction costs; therefore, for accounting purposes and for hedge evaluation, derivatives are divided into synthetic derivatives to hedge each hedged item individually (revenue in euros and purchases in dollars). During 2023, the Company also contracted EUR/GBP forwards directly for this same hedging relationship. The Company determined that they are highly effective according to the characteristics and modeling of both hedged items, resulting in 99% effectiveness for 2023, 2022, and 2021. Furthermore, both the credit profile of the Company and the counterparty are adequate and are not expected to change in the medium term, so the credit risk component is not considered to dominate the hedging relationship.

In accordance with the reference amounts described and the way in which the flows of the derivatives are exchanged, the average coverage ratio for the EUR/USD and GBP/USD exchange rate for 2023 is 68%, for 2022 is 25%, and 55% for 2021. If necessary, a rebalancing will be done to maintain this relationship for the strategy.

The source of ineffectiveness may be caused by the difference in the settlement date of the derivative and the hedged item, and that the expected amount becomes a lower amount than the hedging instruments, as well as the credit risk. For the years ended December 31, 2023, 2022 and 2021, no ineffectiveness was recognized in profit or loss.



(ii) Price risk

In carrying out its activities, the Company depends on the supply of raw materials provided by its suppliers, both in México and abroad, among which are intermediate petrochemicals, principally.

In recent years, the price of certain inputs has shown volatility, especially those related to oil and natural gas.

In order to fix the selling prices of certain of its products, the Company has entered into agreements with certain customers. At the same time, it has entered into transactions involving derivatives on natural gas that seek to reduce price volatility of the prices of this input.

Additionally, the Company has entered into derivative financial instruments transactions to hedge purchases of certain raw materials, since these inputs have a direct or indirect relationship with the prices of its products.

The derivative financial operations have been privately contracted with various financial institutions, whose financial strength was highly rated at the time by rating agencies. The documentation used to formalize the contract operations is that based generally on the "Master Agreement", generated by the "International Swaps & Derivatives Association" ("ISDA"), which is accompanied by various accessory documents known in generic terms as "Schedule", "Credit Support Appendix" and "Confirmation".

Regarding natural gas, Pemex is the only supplier in México. The selling price of natural gas is determined based by the price of that product on the "spot" market in South Texas, USA, which has experienced volatility. For its part, the Mexican Electric Commission is a decentralized public company in charge of producing and distributing electricity in México. Electricity rates have also been influenced by the volatility of natural gas, since most power plants are gas-based.

The Company entered into various derivative agreements with various counterparties to protect it against increases in prices of natural gas and other raw materials. In the case of natural gas derivatives, hedging strategies for products were designed to mitigate the impact of potential increases in prices. The purpose is to protect the price from volatility by taking positions that provide stable cash flow expectations, and thus avoid price uncertainty. The reference market price for natural gas is the Henry Hub New York Mercantile Exchange (NYMEX).

The average price in US dollars per MMBTU for 2023, 2022 and 2021 was \$2.5, \$6.4, and \$3.8, respectively.

As of December 31, 2023, 2022 and 2021, the Company had hedges of natural gas prices for a portion expected of consumption needs in México and the United States.

Derivative contracts to hedge adverse changes in commodity prices

The Company uses natural gas to operate, and some of its main raw materials are paraxylene, ethylene and monoethylene glycol (MEG), ethane and terephthalic acid (PTA). Therefore, an increase in the price of natural gas, paraxylene, ethylene, monoethylene glycol (MEG), ethane or terephthalic acid (PTA), would have a negative impact on the operating cash flows. The objective of the hedge designated by the Company is to mitigate against the exposure in the price increase of the aforementioned commodities, for future purchases by contracting swaps where a variable price is received and a fixed price is paid. In the case of PET, the Company uses these derivatives to hedge against sales related to this commodity. The Company has implemented strategies called roll-over, through which it analyzes on a monthly basis if more derivatives are contracted to expand the time or the amount of coverage; currently, the Company has contracted hedges until December 2023. Raw material derivatives are mirrored to Alpek Polyester USA, Alpek Polyester México and Alpek Polyester UK, as the risk lies in such entities, and derivative financial instruments are contracted by Alpek Polyester; this process is carried out through the formalization of internal derivatives to be able to apply hedging accounting.



These derivative financial instruments have been classified as cash flow hedges for accounting purposes. In this sense, management has documented, as a hedged item, a highly probable transaction in relation to the budget for purchases of these commodities. The conditions of the derivative financial instruments and the considerations of their valuation as hedging instruments are mentioned below:

		As of December 31, 2023				
Characteristics		Natural Gas Swaps	Paraxylene Swaps	MEG Swaps	Ethylene Swaps	Propylene Swaps
Total notional		24,042,090	277,280	157,474	3,304,623	3,261,920
Units		MMBtu	MT	MT	LB	LB
Price received		Fair value	Fair value	Fair value	Fair value	Fair value
Price paid (average)		\$3.9/MMBtu	\$1,019/MT	\$520/MT	\$.19/LB	\$.43/LB
Maturity (monthly)		January 2025	January 2025	January 2025	January 2024	August 2024
Net position of the swap ⁽¹⁾		\$(200)	\$28	\$8	\$1	\$2
Ineffectiveness recognized in the statement of income		-	-	-	-	-
Change in the fair value to measure ineffectiveness		(189)	36	26	-	-
Reclassification from OCI to profit or loss		-	4	(16)	1	-
Balance recognized in OCI, net of reclassifications		(200)	24	24	-	2
Change in the fair value to measure ineffectiveness of hedge item		190	(36)	(26)	-	-
Effectiveness test results		99.92%	99.89%	99.89%	99.92%	99.93%

		As of December 31, 2022		
Characteristics		Natural Gas Swaps	Paraxylene Swaps	MEG Swaps
Total notional		70,973,855	272,650	136,350
Units		MMBtu	MT	MT
Price received		Fair value	Fair value	Fair value
Price paid (average)		\$4.43/MMBtu	\$970/MT	\$586/MT
Maturity (monthly)		December 2024	January 2024	January 2024
Net position of the swap ⁽¹⁾		\$(950.3)	\$(140.8)	\$(137.6)
Ineffectiveness recognized in the statement of income		-	-	-
Change in the fair value to measure ineffectiveness		(1,086.2)	(219.1)	(213.8)
Reclassification from OCI to profit or loss		-	31.2	(49.6)
Balance recognized in OCI, net of reclassifications		(950.3)	(172.0)	(88.1)
Change in the fair value to measure ineffectiveness of hedge item		1,086.5	219.3	213.9
Effectiveness test results		99.97%	99.92%	99.92%

		As of December 31, 2021			
Characteristics		Natural Gas Swaps	Paraxylene Swaps	Ethylene Swaps	MEG Swaps
Total notional		57,025,808	274,000	2,000,000	174,400
Units		MMBtu	MT	Lb	MT
Price received		Fair value	Fair value	Fair value	Fair value
Price paid (average)		\$1.69/MMBtu	\$821/MT	\$0.1544/lb	\$658/MT
Maturity (monthly)		June 2024	January 2023	January 2022	January 2023
Net position of the swap ⁽¹⁾		\$ (154.8)	\$ 317.5	\$ 6.4	\$ (88.8)
Ineffectiveness recognized in the statement of income		-	-	-	-
Change in the fair value to measure ineffectiveness		(147.2)	363.7	7.7	(96.9)
Reclassification from OCI to profit or loss		-	87.9	6.4	32.2
Balance recognized in OCI, net of reclassifications		(154.8)	229.4	-	(121)
Change in the fair value to measure ineffectiveness of hedge item		147.2	(363.8)	(7.7)	96.9
Effectiveness test results		99.96%	99.99%	100%	99.99%

⁽¹⁾Due to the high volume of operations, the net position of derivative financial instruments is presented; however, since these instruments do not meet the criteria for the offsetting of financial instruments, they are presented in their gross amounts in the consolidated statement of financial position.



The change in the fair value of the derivative financial instruments recognized in OCI for the year ended December 31, 2023, 2022 and 2021 is \$1,056, \$(1,182), and \$(592), respectively.

The fair value of the derivative financial instruments according to their classification in the consolidated statement of financial position is as follows:

As of December 31, 2023	Asset	Liability	Total
Natural Gas	\$ -	\$ (200)	\$ (200)
Paraxylene	54	(26)	28
Propylene	2	-	2
MEG/Ethylene	36	(27)	9
Forward	3	(12)	(9)
Total	\$ 95	\$ (265)	\$ (170)

As of December 31, 2022	Asset	Liability	Total
Natural Gas	\$ -	\$ (950)	\$ (950)
Paraxylene	10	(151)	(141)
MEG	-	(138)	(138)
Forward	-	(2)	(2)
Total	\$ 10	\$ (1,241)	\$ (1,231)

As of December 31, 2021	Asset	Liability	Total
Natural Gas	\$ -	\$ (155)	\$ (155)
Paraxylene	323	(5)	318
Ethylene	6	-	6
MEG	5	(94)	(89)
Forward	17	-	17
Total	\$ 351	\$ (254)	\$ 97

With the reference amounts of these derivative financial instruments, the Company offsets the fluctuation of the prices of these commodities that are used as raw material in the production processes of the entities.

For commodity hedging relationships, management is designating as a hedged item a specific risk, which is defined by the underlying assets that are clearly determined that the risk component is separable, it can be reliably measured and is also highly correlated.

On the other hand, in the measurement of the effectiveness of these hedges, the Company determined that they are highly effective because the changes in the fair value and cash flows of each hedged item are compensated within the range of effectiveness established by management. Due to the results shown on the effectiveness tests, it is confirmed that there is an economic relationship between the hedging instruments and the hedged item. The method used by the Company is to offset cash flows using a hypothetical derivative, which consists of comparing the changes in the fair value of the hedging instrument with the changes in the fair value of the hypothetical derivative that would result in a perfect hedge.

As of December 31, 2023, according to the reference amounts described and the way in which the flows of the derivatives are exchanged, the average coverage ratio for the natural gas, paraxylene, ethylene and ethane, PTA and PET for 2023, 2022 and 2021 are shown below and, if necessary, a rebalancing will be done to maintain this relationship for the strategy.

Average coverage ratio	2023	2022	2021
Natural gas	17%	29%	21%
Paraxylene	46%	45%	44%
Ethylene/MEG	32%	37%	47%
Propylene	25%	-	-



The source of ineffectiveness can be caused mainly by the difference in the settlement date of the hedging instruments and the hedged items, and that the budget becomes less than the hedging instruments. For the years ended December 31, 2023, 2022 and 2021, there was no ineffectiveness recognized in profit or loss.

(iii) Interest rate risk

The Company is exposed to interest rate risk mainly for long-term loans bearing interest at variable rates. Fixed-interest loans expose the Company to interest rate risk at fair value, which reflects that Alpek might be paying interest at rates significantly different from those of an observable market.

As of December 31, 2023, 57% of the financing is denominated at a fixed rate, and 43% at a variable rate.

As of December 31, 2023, if interest rates on variable rate loans are increased or decreased by 100 basis points in relation to the rate in effect, the income and stockholders' equity of the Company would change by \$332.

Credit risk

Credit risk represents the potential loss due to non-compliance of counterparts in their payment obligations. Credit risk is generated from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposure to customers, including receivables and committed transactions.

The Company determines, from a business standpoint and credit risk profile, the significant customers with whom it maintains an account receivable, distinguishing those that require an individual credit risk assessment. For the rest of the customers, the company carries out its classification according to the type of market in which they operate (domestic or foreign), according with the business and internal risk administration. Each subsidiary is responsible for managing and analyzing credit risk for each of its new customers before setting the terms and conditions of payment. If wholesale customers are rated independent, these are the ratings used. If there is no independent rating, the Company's risk control group evaluates the creditworthiness of the customer, taking into account their financial position, past experience and other factors. The maximum exposure to credit risk is given by the balances of these items as presented in the consolidated state of financial position.

Individual risk limits are determined based on internal and external ratings in accordance with limits set by the Board of Directors. The use of credit risk is monitored regularly. Sales to retail customers are in cash or by credit card. During the years ended December 31, 2023, 2022 and 2021, credit limits were not exceeded.

In addition, the Company performs a qualitative evaluation of economic projections, with the purpose of determining the possible impact on probabilities of default and the rate of recovery that it assigns to its clients.

During the year ended December 31, 2023, there have been no changes in the techniques of estimation or assumption.

Liquidity risk

Projected cash flows are determined at each operating entity of the Company and subsequently the finance department consolidates this information. The finance department of the Company continuously monitors the cash flow projections and liquidity requirements of the Company ensuring that sufficient cash and highly liquid investments are maintained to meet operating needs, and it's that some flexibility is maintained through open and committed credit lines. The Company regularly monitors and makes decisions ensuring that the limits or covenants set forth in debt contracts are not violated. The projections consider the financing plans of the Company, compliance with covenants, compliance with minimum liquidity ratios and internal legal or regulatory requirements.

The Company's treasury department invests those funds in time deposits and marketable securities whose maturities or liquidity allow flexibility to meet the cash needs of the Company.



The following table analyzes the derivative and non-derivative financial liabilities of the Company, grouped according to their maturity, from the date of the consolidated statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are required to understand the timing of the Company's cash flows. The amounts disclosed in the table are contractual undiscounted cash flows.

	Less than a year	From 1 to 5 years	More than 5 years
As of December 31, 2023			
Suppliers and other accounts payable	\$ 25,996	\$ -	\$ -
Current and non-current debt (excluding debt issuance costs)	1,981	18,770	19,837
Derivative financial instruments	253	12	-
As of December 31, 2022			
Suppliers and other accounts payable	\$ 30,505	\$ -	\$ -
Current and non-current debt (excluding debt issuance costs)	8,445	19,183	23,515
Derivative financial instruments	1,220	21	-
As of December 31, 2021			
Suppliers and other accounts payable	\$ 27,657	\$ -	\$ -
Current and non-current debt (excluding debt issuance costs)	3,519	10,540	25,828
Derivative financial instruments	248	6	-

Fair value hierarchy

The following is an analysis of financial instruments measured in accordance with the fair value hierarchy. The 3 different levels used are presented below:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Other valuations including quoted prices for similar instruments in active markets that are directly or indirectly observable.
- Level 3: Valuations made through techniques where one or more of their significant data inputs are unobservable.

The derivative financial instruments of the Company that are measured at fair value as of December 31, 2023, 2022 and 2021, are located within Level 2 of the fair value hierarchy.

There were no transfers between Level 1 and 2 or between Level 2 and 3.

The specific valuation techniques used to value financial instruments include:

- Market quotations or trader quotations for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.
- The fair value of forward exchange agreements is determined using exchange rates at the closing balance date, with the resulting value discounted at present value.
- Other techniques such as the analysis of discounted cash flows, which are used to determine fair value of the remaining financial instruments.

5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will be, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:



a) *Estimated impairment of goodwill and intangible assets with indefinite useful lives*

The Company performs annual tests to determine whether goodwill and intangible assets with indefinite useful lives have suffered any impairment (see Note 12). For impairment testing, goodwill and intangible assets with indefinite lives are allocated to those groups of cash-generating units (“CGUs”) from which the Company has considered that economic and operational synergies of business combinations are generated. The recoverable amounts of the CGUs have been determined based on the calculations of their value in use, which require the use of estimates. The most significant of these estimates are as follows:

- Estimates of future gross and operating margins, according to the historical performance and industry expectations for each CGU group.
- Discount rate based on the weighted average cost of capital (“WACC”) of each CGU or group of CGUs.
- Long-term growth rates.

b) *Recoverability of deferred tax assets*

Alpek has tax loss carryforwards, which can be used in the following years until maturity expires. Based on the projections of taxable income that Alpek will generate in the subsequent years through a structured and robust business plan, management has determined that current tax losses will be used before they expire and, therefore, it was considered probable that the deferred tax assets for such losses will be recovered.

c) *Long-lived assets*

The Company estimates the useful lives of long-lived assets in order to determine the depreciation and amortization expenses to be recorded during the reporting period. The useful life of an asset is calculated when the asset is acquired and is based on past experience with similar assets, considering anticipated technological changes or any other type of changes; or in the case of the right-of-use assets, based on the term of the lease agreement. Were technological changes to occur faster than estimated, or differently than anticipated, the useful lives assigned to these assets could have to be reduced. This would lead to the recognition of a greater depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of a charge for impairment to reflect the reduction in the expected future economic benefits associated with the assets.

The Company reviews depreciable and amortizable assets on an annual basis for signs of impairment, or when certain events or circumstances indicate that the book value may not be recovered during the remaining useful life of the assets. For intangible assets with an indefinite useful life, the Company performs impairment tests annually and at any time that there is an indication that the asset may be impaired.

To test for impairment, the Company uses projected cash flows, which consider the estimates of future transactions, including estimates of revenues, costs, operating expenses, capital expenses and debt service. In accordance with IFRS, discounted future cash flows associated with an asset or CGU are compared to the book value of the asset or CGU being tested to determine if impairment or a reversal of impairment exist.

d) *Estimation of default probabilities and recovery rate to apply the model of expected losses in the calculation of impairment of financial assets*

The Company assigns to customers with whom it maintains an account receivable at each reporting date, either individually or as a group, an estimate of the probability of default on the payment of accounts receivable and the estimated recovery rate, with the purpose of reflecting the cash flows expected to be received from the outstanding balances on such reporting date.

e) *Business combinations*

When business combinations are concluded, the acquisition method is required to recognize the identifiable net assets acquired at fair value, at the date of acquisition; any excess of the consideration paid, which may include over the identified net assets, is recognized as goodwill, which is subject to impairment tests at least once a year. On the other hand, any excess of the net assets acquired over the consideration paid is recognized as a gain in profit or loss.



To estimate the fair value of the assets acquired and liabilities assumed, the Company uses observable market data to the extent it is available. When the input data of Level 1 is not available, the Company hires an independent qualified appraiser to perform the valuation. Management works closely with the independent qualified appraiser to establish the valuation techniques, the premises, the appropriate input data and the criteria to be used in the valuation models.

f) Estimation of the discount rate to calculate the present value of future minimum lease payments

The Company estimates the discount rate to be used in determining the lease liability, based on the incremental borrowing rate ("IBR").

The Company uses a three-tier model, with which it determines the three elements that make up the discount rate: (i) reference rate, (ii) credit risk component and (iii) adjustment for characteristics of the underlying asset. In this model, management also considers its policies and practices to obtain financing, distinguishing between that obtained at the corporate level (that is, by the parent), or at the level of each subsidiary. Finally, for real estate leases, or, in which there is significant and observable evidence of the residual value, the Company estimates and evaluates an adjustment for characteristics of the underlying asset, taking into account the possibility that said asset is granted as collateral or guarantee against the risk of default.

g) Estimation of the lease term

The Company defines the lease term as the period for which there is a contractual payment commitment, considering the non-cancelable period of the contract, as well as the renewal and early termination options that are likely to be exercised. To measure the lease liability, the Company estimates the term of the contracts considering their contractual rights and limitations, their business plan, as well as management's intentions for the use of the underlying asset.

Additionally, the Company considers the early termination clauses of its contracts and the probability of exercising them, as part of its estimate of the lease term.

5.2 Critical judgments in applying the entity's accounting policies

a) Determination of exercise of control over certain investments in shares

The Company has evaluated critical control factors and has concluded that it should consolidate the financial statements of its subsidiaries Polioles and Indelpro. The analysis performed by the Company included the assessment of the substantive decision making rights of the respective shareholders set forth in their bylaws, resulting in management's conclusion that it has the power to govern their relevant activities.

b) Acquisitions of assets and business combinations

Management uses its professional judgment to determine whether the acquisition of a group of assets represents a business combination or an acquisition of assets. Such determination could have a significant impact on how acquired assets and assumed liabilities are accounted for, both in their initial recognition and in subsequent years.

6. Cash and cash equivalents and restricted cash

The cash and cash equivalents are comprised as follows:

	As of December 31,		
	2023	2022	2021
Cash on hand and in banks	\$5,898	\$ 4,787	\$ 7,784
Short-term bank deposits	1,493	1,532	2,757
Total cash and cash equivalents	<u>\$7,391</u>	<u>\$ 6,319</u>	<u>\$ 10,541</u>
Restricted cash			

The restricted cash balance is made up of cash whose restrictions cause the definition of cash and cash equivalents not to be met. The restricted cash balance is classified as current and non-current assets in the consolidated statement of financial position, based on the expiration date of the restriction.



As of December 31, 2023, 2022 and 2021, the Company has restricted cash of approximately \$322, \$553, and \$13, respectively. As of December 31, 2023, the decrease is primarily related to the release of cash restrictions in Octal, derived from the revocation of anti-dumping measures applicable to PET. As of December 31, 2022, the increase relates primarily to funds that were restricted as part of the Octal acquisition.

7. Trade and other receivables, net

Trade and other accounts receivable, net are comprised as follows:

	As of December 31,		
	2023	2022	2021
Trade accounts receivable	\$14,594	\$ 21,377	\$ 22,003
Trade and other accounts receivable from related parties (Note 28)	454	497	622
Recoverable taxes	4,237	3,579	3,777
Notes receivable	7	12	776
Interest receivable	4	14	1
Sundry debtors	264	300	251
Allowance for impairment of trade and other accounts receivable	(2,087)	(2,531)	(2,928)
Total	<u>\$17,473</u>	<u>\$23,248</u>	<u>\$ 24,502</u>

The changes in the impairment allowance for trade and other receivables in 2023, 2022 and 2021, with the expected losses model used by the Company, are as follows:

For the year ended December 31, 2023:

Customers or customer groups	Default probability range	Loss given default range	Opening balance – Impairment allowance	Increases in the allowance	Cancellations in the allowance	Translation effect	Ending balance – Impairment allowance
Alpek Polyester ⁽¹⁾	0%-100%	0%-100%	\$ (2,362)	\$ (165)	\$ 63	\$ 403	\$ (2,061)
Grupo Styropek ⁽¹⁾	0%	0%-10%	(109)	(6)	102	9	(4)
Polioles	0%	0%-5%	(29)	(8)	28	3	(6)
Indelpro and other ⁽¹⁾	.65%	3.42%	(31)	(1)	16	-	(16)
Total			<u>\$ (2,531)</u>	<u>\$ (180)</u>	<u>\$ 209</u>	<u>\$ 415</u>	<u>\$ (2,087)</u>

⁽¹⁾The default probability range does not consider customers and groups of customers for which the probability is 100%.

For the year ended December 31, 2022:

Customers or customer groups	Default probability range	Loss given default range	Opening balance – Impairment allowance	Increases in the allowance	Cancellations in the allowance	Translation effect	Ending balance – Impairment allowance
Alpek Polyester ⁽¹⁾	0%-81%	0%-99%	\$ (2,596)	\$ (87)	\$ 159	\$ 162	\$ (2,362)
Grupo Styropek ⁽¹⁾	0%	0%-10%	(232)	(25)	115	33	(109)
Polioles	0%	0%-5%	(23)	(7)	-	1	(29)
Indelpro and other ⁽¹⁾	.81%	8.22%	(77)	-	46	-	(31)
Total			<u>\$ (2,928)</u>	<u>\$ (119)</u>	<u>\$ 320</u>	<u>\$ 196</u>	<u>\$ (2,531)</u>

⁽¹⁾The default probability range does not consider customers and groups of customers for which the probability is 100%.



For the year ended December 31, 2021:

Customers or customer groups	Default probability range	Loss given default range	Opening balance – Impairment allowance	Increases in the allowance	Cancellations in the allowance	Translation effect	Ending balance – Impairment allowance
Alpek Polyester ⁽¹⁾	0% - 81%	0% - 98%	\$ (2,521)	\$ (42)	\$ 41	\$ (74)	\$ (2,596)
Grupo Styropek ⁽¹⁾	0%	0% - 10%	(99)	(129)	-	(4)	(232)
Polioles	0%	0% - 10%	(28)	-	6	(1)	(23)
Indelpro and other ⁽¹⁾	1.23%	0.25%	(66)	(17)	6	-	(77)
Total			<u>\$ (2,714)</u>	<u>\$ (188)</u>	<u>\$ 53</u>	<u>\$ (79)</u>	<u>\$ (2,928)</u>

⁽¹⁾The default probability range does not consider customers and groups of customers for which the probability is 100%.

As of December 31, 2023, 2022 and 2021, the Company has guaranteed accounts receivable of \$1,540, \$2,322, and \$3,506, respectively.

The net change in the allowance for impairment of trade and other receivables of \$(444) y \$(397) in the years ended December 31, 2023 and 2022, was primarily due to the decrease in the probability of default in certain customers compared to the beginning of the year, as well as the translation effect. On the other hand, the variation in the accounts receivable impairment estimate of \$214, as of December 31, 2021, was mainly due to the increase in the probability of default in some customer groups, as well as the translation effect.

The Company has long-term receivables that are guaranteed with the properties of M&G México's PET production plant in Altamira, México, which have been used by Management to mitigate the exposure to credit risk of such financial assets, and therefore has not recognized an impairment in their carrying amount.

8. Inventories

	As of December 31,		
	2023	2022	2021
Finished good	\$11,358	\$ 16,229	\$ 12,269
Raw material and other consumables	9,020	14,320	10,746
Materials and tools	2,383	2,585	2,255
Production in progress	561	759	435
	<u>\$23,322</u>	<u>\$ 33,893</u>	<u>\$ 25,705</u>

For the years ended December 31, 2023, 2022 and 2021, a provision amounting to \$125, \$255, and \$94, respectively, related to damaged, slow-moving and obsolete inventory was recognized in the consolidated statement of income.

As of December 31, 2023, 2022 and 2021, there were no inventories pledged as collateral.

9. Prepayments

The current portion and non-current portion of prepaid expenses is summarized as follows:

	As of December 31,		
	2023	2022	2021
Current portion ⁽¹⁾	\$744	\$ 765	\$ 686
Non-current portion	6	7	31
Total prepayments	<u>\$750</u>	<u>\$ 772</u>	<u>\$ 717</u>

⁽¹⁾ This item mainly consists of advance payments for raw materials and prepaid insurance.



10. Property, plant and equipment, net

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Furniture, lab and information technology equipment	Construction in progress	Other fixed assets	Total
For the year ended December 31, 2021								
Opening balance	\$ 3,956	\$ 5,444	\$ 23,888	\$ 112	\$ 393	\$ 3,414	\$ 1,372	\$ 38,579
Additions	-	1	1,691	1	272	2,561	112	4,638
Additions for business acquisitions	(36)	-	(162)	-	-	(28)	-	(226)
Disposals	-	(1)	(23)	(1)	-	(7)	(88)	(120)
Impairment ⁽¹⁾	-	(256)	(965)	(2)	(7)	(111)	(23)	(1,364)
Restatement and translation effect	70	18	542	4	4	193	31	862
Depreciation charges recognized in the year	-	(290)	(2,554)	(16)	(97)	-	-	(2,957)
Transfers	5	357	2,164	41	170	(2,746)	2	(7)
Ending balance as of December 31, 2021	<u>\$ 3,995</u>	<u>\$ 5,273</u>	<u>\$ 24,581</u>	<u>\$ 139</u>	<u>\$ 735</u>	<u>\$ 3,276</u>	<u>\$ 1,406</u>	<u>\$ 39,405</u>
As of December 31, 2021								
Cost	3,995	16,716	79,876	404	2,519	3,276	1,406	108,192
Accumulated depreciation and accumulated impairment	-	(11,443)	(55,295)	(265)	(1,784)	-	-	(68,787)
Net carrying amount as of December 31, 2021	<u>\$ 3,995</u>	<u>\$ 5,273</u>	<u>\$ 24,581</u>	<u>\$ 139</u>	<u>\$ 735</u>	<u>\$ 3,276</u>	<u>\$ 1,406</u>	<u>\$ 39,405</u>
For the year ended December 31, 2022								
Opening balance	\$ 3,995	\$ 5,273	\$ 24,581	\$ 139	\$ 735	\$ 3,276	\$ 1,406	\$ 39,405
Additions	-	-	11	1	4	2,986	413	3,415
Additions for business acquisitions	-	4,569	6,904	2	10	335	-	11,820
Disposals	-	-	(150)	-	(1)	(10)	(80)	(241)
Impairment	-	(6)	(135)	-	-	(5)	-	(146)
Restatement and translation effect	(142)	(327)	(1,574)	(9)	(64)	(322)	(101)	(2,539)
Depreciation charges recognized in the year	-	(352)	(2,756)	(16)	(110)	-	-	(3,234)
Transfers	-	199	2,599	14	161	(3,002)	-	(29)
Ending balance as of December 31, 2022	<u>\$ 3,853</u>	<u>\$ 9,356</u>	<u>\$ 29,480</u>	<u>\$ 131</u>	<u>\$ 735</u>	<u>\$ 3,258</u>	<u>\$ 1,638</u>	<u>\$ 48,451</u>
As of December 31, 2022								
Cost	3,853	23,569	88,533	440	2,617	3,258	1,638	123,908
Accumulated depreciation and accumulated impairment	-	(14,213)	(59,053)	(309)	(1,882)	-	-	(75,457)
Net carrying amount as of December 31, 2022	<u>\$ 3,853</u>	<u>\$ 9,356</u>	<u>\$ 29,480</u>	<u>\$ 131</u>	<u>\$ 735</u>	<u>\$ 3,258</u>	<u>\$ 1,638</u>	<u>\$ 48,451</u>



	Land	Buildings and constructions	Machinery and equipment	Vehicles	Furniture, lab and information technology equipment	Construction in progress	Other fixed assets	Total
For the year ended December 31, 2023								
Opening balance	\$ 3,853	\$ 9,356	\$ 29,480	\$ 131	\$ 735	\$ 3,258	\$ 1,638	\$ 48,451
Additions	-	-	15	1	7	2,881	162	3,066
Disposals	(8)	(10)	(72)	-	(1)	(16)	(179)	(286)
Impairment ⁽²⁾	(56)	(93)	(831)	(3)	(26)	(404)	(35)	(1,448)
Restatement and translation effect	(338)	(844)	(3,791)	(18)	(88)	(384)	(190)	(5,653)
Depreciation charges recognized in the year	-	(370)	(2,689)	(18)	(112)	-	-	(3,189)
Transfers	-	(1,261)	3,548	31	101	(2,408)	-	11
Ending balance as of December 31, 2023	<u>\$ 3,451</u>	<u>\$ 6,778</u>	<u>\$ 25,660</u>	<u>\$ 124</u>	<u>\$ 616</u>	<u>\$ 2,927</u>	<u>\$ 1,396</u>	<u>\$ 40,952</u>
As of December 31, 2023								
Cost	3,451	17,460	76,364	369	2,233	2,927	1,396	104,200
Accumulated depreciation and accumulated impairment	<u>-</u>	<u>(10,682)</u>	<u>(50,704)</u>	<u>(245)</u>	<u>(1,617)</u>	<u>-</u>	<u>-</u>	<u>(63,248)</u>
Net carrying amount as of December 31, 2023	<u>\$ 3,451</u>	<u>\$ 6,778</u>	<u>\$ 25,660</u>	<u>\$ 124</u>	<u>\$ 616</u>	<u>\$ 2,927</u>	<u>\$ 1,396</u>	<u>\$ 40,952</u>

⁽¹⁾Mainly corresponds to \$433 from the closure of the polyester staple fiber operations at the Cooper River site, \$829 from the shutdown of Univex, \$10 from the shutdown of Sales del Bajío and the remainder to the normal operations of the Company.

⁽²⁾Mainly corresponds to \$950 from the closure of the PET resin production operations at the Cooper River site, \$409 from the closure of the filament production plant and the remainder to the Company's normal operations.

Depreciation expenses of \$3,134, \$3,176, and \$2,905 were recorded in cost of sales, \$12, \$11, and \$10, in selling expenses and \$43, \$47, and \$42, in administrative expenses in 2023, 2022 and 2021, respectively.



11. Right-of-use asset, net

Alpek has leases of fixed assets including buildings, machinery and equipment, transportation equipment, and computer equipment. The average term of the lease contracts is 8 years.

The right-of-use recognized in the consolidated statement of financial position as of December 31, 2023, 2022 and 2021, is integrated as follows:

	Land	Buildings	Machinery and equipment	Rail cars	Ships and other leased assets	Total
Net carrying amount:						
Balance as of December 31, 2021	\$ 109	\$ 799	\$ 934	\$ 1,666	\$ 46	\$ 3,554
Balance as of December 31, 2022	\$ 368	\$ 661	\$ 781	\$ 1,584	\$ 58	\$ 3,452
Balance as of December 31, 2023	\$ 294	\$ 576	\$ 472	\$ 1,775	\$ 53	\$ 3,170
Depreciation for the year 2021	\$ (7)	\$ (54)	\$ (296)	\$ (437)	\$ (163)	\$ (957)
Depreciation for the year 2022	\$ (29)	\$ (60)	\$ (309)	\$ (426)	\$ (166)	\$ (990)
Depreciation for the year 2023	\$ (31)	\$ (85)	\$ (294)	\$ (436)	\$ (150)	\$ (996)

During the years ended December 31, 2023, 2022 and 2021, the Company recognized a lease expense of \$559, \$780, and \$693, respectively, related to low value and short-term lease agreements.

Additions derived from business acquisitions, new contracts and modifications to the lease liability, reflected in the net book value of the right-of-use asset as of December 31, 2023, 2022 and 2021 amounted to \$1,409, \$1,075, and \$1,452, respectively.

As of December 31, 2023, 2022 and 2021, the Company does not have any commitments related to short-term lease agreements.

The Company has not signed lease contracts, which at the date of the consolidated financial statements have not started.

During the year, the Company did not execute significant extensions to the term of its lease contracts.



12. Goodwill and intangible assets, net

Cost	Definite life							Indefinite life		Total
	Development costs	Non-compete agreements	Customer relationships	Patent	Software and licenses	Trademarks with definite life	Intellectual property, and others	Goodwill	Other	
As of January 1, 2021	\$ 950	\$ 79	\$ 1,032	\$ -	\$ 501	\$ 215	\$ 3,759	\$ 399	\$ 10	\$ 6,945
Additions	10	-	-	-	7	-	2	-	-	19
Additions for business acquisitions	-	-	-	-	18	23	-	-	-	41
Disposals	-	-	-	-	-	-	(1)	-	-	(1)
Impairment	-	-	-	-	(221)	-	-	-	-	(221)
Transfers	5	-	-	-	-	-	-	-	-	5
Translation effect	30	(2)	12	-	2	(3)	138	13	-	190
As of December 31, 2021	995	77	1,044	-	307	235	3,898	412	10	6,978
Additions	10	-	-	-	1	-	1	-	-	12
Additions for business acquisitions	5	-	-	1,638	3	-	-	-	-	1,646
Disposals	-	-	-	-	(31)	-	-	-	-	(31)
Impairment	-	-	-	-	(53)	-	(16)	-	-	(69)
Transfers	5	-	-	-	60	(30)	-	-	-	35
Translation effect	(63)	(3)	(47)	(30)	(10)	(7)	(215)	(25)	(1)	(401)
As of December 31, 2022	952	74	997	1,608	277	198	3,668	387	9	8,170
Additions	7	-	-	-	24	-	-	-	-	31
Disposals	-	-	-	-	(1)	-	-	-	-	(1)
Transfers	2	-	-	-	9	-	-	-	-	11
Translation effect	(120)	(3)	(104)	(216)	(17)	(17)	(482)	(49)	(1)	(1,009)
As of December 31, 2023	<u>\$ 841</u>	<u>\$ 71</u>	<u>\$ 893</u>	<u>\$ 1,392</u>	<u>\$ 292</u>	<u>\$ 181</u>	<u>\$ 3,186</u>	<u>\$ 338</u>	<u>\$ 8</u>	<u>\$ 7,202</u>



Amortization and Impairment	Development costs	Non- compete agreements	Customer relationships	Definite life		Software and licenses	Trademarks with definite life	Intellectual property, and others	Indefinite life		Total
				Patent					Goodwill	Other	
As of January 1, 2021	\$ (586)	\$ (79)	\$ (561)	\$ -		\$ (305)	\$ (152)	\$ (1,625)	\$ -	\$ -	\$ (3,308)
Amortization	(28)	-	(59)	-		(55)	(5)	(219)	-	-	(366)
Transfers	-	-	-	-		-	-	-	-	-	-
Impairment	-	-	-	-		125	-	-	-	-	125
Translation effect	(18)	2	(15)	-		(1)	4	(53)	-	-	(81)
As of December 31, 2021	(632)	(77)	(635)	-		(236)	(153)	(1,897)	-	-	(3,630)
Amortization	(26)	-	(59)	(98)		(11)	(5)	(216)	-	-	(415)
Transfers	-	-	-	-		(30)	30	-	-	-	-
Disposals	-	-	-	-		31	-	-	-	-	31
Impairment	-	-	-	-		53	-	4	-	-	57
Additions for business acquisitions	(4)	-	-	(7)		(2)	-	-	-	-	(13)
Translation effect	43	3	37	12		9	3	118	-	-	225
As of December 31, 2022	(619)	(74)	(657)	(93)		(186)	(125)	(1,991)	-	-	(3,745)
Amortization	(24)	-	(53)	(151)		(8)	(4)	(194)	-	-	(434)
Disposals	-	-	-	-		1	-	-	-	-	1
Translation effect	82	3	80	27		12	8	258	-	-	470
As of December 31, 2023	<u>\$ (561)</u>	<u>\$ (71)</u>	<u>\$ (630)</u>	<u>\$ (217)</u>		<u>\$ (181)</u>	<u>\$ (121)</u>	<u>\$ (1,927)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,708)</u>
Net carrying amount											
Cost	\$ 995	\$ 77	\$ 1,044	\$ -		\$ 307	\$ 235	\$ 3,898	\$ 412	\$ 10	\$ 6,978
Amortization and impairment	(632)	(77)	(635)	-		(236)	(153)	(1,897)	-	-	(3,630)
As of December 31, 2021	\$ 363	\$ -	\$ 409	\$ -		\$ 71	\$ 82	\$ 2,001	\$ 412	\$ 10	\$ 3,348
Cost	952	74	997	1,608		277	198	3,668	387	9	8,170
Amortization and impairment	(619)	(74)	(657)	(93)		(186)	(125)	(1,991)	-	-	(3,745)
As of December 31, 2022	\$ 333	\$ -	\$ 340	\$ 1,515		\$ 91	\$ 73	\$ 1,677	\$ 387	\$ 9	\$ 4,425
Cost	841	71	893	1,392		292	181	3,186	338	8	7,202
Amortization and impairment	(561)	(71)	(630)	(217)		(181)	(121)	(1,927)	-	-	(3,708)
As of December 31, 2023	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 263</u>	<u>\$ 1,175</u>		<u>\$ 111</u>	<u>\$ 60</u>	<u>\$ 1,259</u>	<u>\$ 338</u>	<u>\$ 8</u>	<u>\$ 3,494</u>



Of the total amortization expense, \$425, \$401, and \$352 have been recorded in cost of sales and \$9, \$14, and \$14 in administrative and selling expenses in 2023, 2022 and 2021, respectively.

Incurred research and development expenses that have been recorded in the 2023, 2022 and 2021 consolidated statements of income were \$68, \$68, and \$67, respectively.

Impairment testing of goodwill and indefinite lived intangible assets

As mentioned in Note 5, goodwill is allocated to operating segments that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units or groups of units. As of December 31, 2023, 2022 and 2021, goodwill of \$338, \$387, and \$412, respectively, arises primarily from the Polyester segment.

The recoverable amount from each group of CGU has been determined based on calculations of values in use, which are formed by after-tax cash flow projections based on financial budgets approved by Management covering a period of 5 years.

The gross and operating margins included in the estimates of value in use have been estimated based on the historical performance and the growth expectations of the market in which each group of CGUs operates. The long-term growth rate used in estimating the value in use is consistent with the projections included in industry reports. The present value of the cash flows was discounted using a specific discount rate after taxes for each group of CGU and reflects the specific risks associated with each of them.

The Company performed a sensitivity analysis considering a possible increase of 100 basis points in the discount rate and a possible decrease in the long-term growth rate at a similar level. As a result of this analysis, the Company concluded that there are no significant variations compared to the impairment calculation prepared as of December 31, 2023.

The key assumptions used in calculating the value in use in 2023, 2022 and 2021, were as follows:

	2023	2022	2021
Estimated gross margin	8.3%	8.3%	8.6%
Growth rate	2%	2.1%	1.9%
Discount rate	9.1%	8.9%	8.5%

13. Investments accounted for using the equity method and other non-current assets

	As of December 31,		
	2023	2022	2021
Notes receivable ⁽¹⁾	\$ 1,693	\$ 2,495	\$ 2,595
Due from related parties (Note 28)	763	849	876
Trade receivables related with business acquisitions	684	616	614
Total other non-current financial assets	<u>\$ 3,140</u>	<u>\$ 3,960</u>	<u>\$ 4,085</u>
Investment in associates and joint ventures	261	9,162	9,045
Recoverable taxes	886	765	906
Other	94	100	143
Total investments accounted for using the equity method and other non-current assets	<u><u>\$ 4,381</u></u>	<u><u>\$ 13,987</u></u>	<u><u>\$ 14,179</u></u>

⁽¹⁾ As of December 31, 2023, 2022 and 2021, this item mainly consisted of the financing provided to M&G Polímeros México, S.A. de C.V.

The Company's account of investments in associates and joint ventures consists of the following:

	Shareholding			
	%	2023	2022	2021
Clear Path Recycling, LLC	49.90%	\$ 105	\$ 201	\$ 251
Terminal Petroquímica Altamira, S.A. de C.V.	42.04%	61	55	43
Agua Industrial del Poniente, S.A. de C.V.	47.59%	95	88	81
Corpus Christi Polymers LLC ⁽¹⁾	33.33%	-	8,818	8,670
Investment in associates and joint ventures as of December 31		<u><u>\$ 261</u></u>	<u><u>\$ 9,162</u></u>	<u><u>\$ 9,045</u></u>

⁽¹⁾ As a result of the temporary pause in the construction of the plant described in Note 2d, the Company determined that there were indications of impairment in its investment, therefore, based on the requirements of IAS 36, Impairment of Assets, the Company recognized an impairment of its investment in the joint venture of \$9,591 during the year ended December 31, 2023.



Below is summarized the net loss of investments in associates and joint ventures, which are accounted for by the equity method of the Company:

	2023	2022	2021
Net comprehensive loss	\$(557)	\$ (175)	\$ (121)

There are neither commitments nor contingent liabilities regarding the Company's investment in associates and joint ventures as of December 31, 2023, 2022 or 2021.

14. Subsidiaries with significant non-controlling interest

The significant non-controlling interest is integrated as follows:

	Non-controlling ownership percentage	Non-controlling net interest income (loss) for the period			Non-controlling interest as of December 31,		
		2023	2022	2021 ⁽¹⁾	2023	2022	2021 ⁽¹⁾
Indelpro, S. A. de C. V. and subsidiary	49%	\$ 885	\$ 1,967	\$ 2,341	\$ 3,887	\$ 4,461	\$ 5,160
Polioles, S. A. de C. V. and subsidiary	50%	145	120	53	487	438	366
Other		(149)	135	46	156	392	344
		<u>\$ 881</u>	<u>\$ 2,222</u>	<u>\$ 2,440</u>	<u>\$ 4,530</u>	<u>\$ 5,291</u>	<u>\$ 5,870</u>

⁽¹⁾ During 2021, these entities merged their subsidiaries due to the effects of the labor reform in México.

The summarized consolidated financial information as of December 31, 2023, 2022 and 2021, and for the years then ended, corresponding to each subsidiary with a significant non-controlling interest is shown below:

	Indelpro, S. A. de C. V. and subsidiary			Polioles, S. A. de C. V. and subsidiary		
	2023	2022	2021 ⁽¹⁾	2023	2022	2021 ⁽¹⁾
Statement of financial position						
Current assets	\$3,972	\$ 4,210	\$ 6,790	\$ 962	\$ 1,250	\$ 1,451
Non-current assets	6,605	7,769	8,372	815	932	998
Current liabilities	1,211	1,038	2,638	508	648	867
Non-current liabilities	1,433	1,836	1,993	295	659	850
Stockholders' equity	7,933	9,105	10,531	974	875	732
Statements of income						
Revenues	10,442	18,553	22,589	3,023	3,546	2,954
Consolidated net income	1,807	4,015	4,778	289	240	107
Total comprehensive income of the year	636	3,459	5,150	152	164	113
Comprehensive income attributable to non-controlling interest	312	1,695	2,524	76	82	57
Dividends paid to non-controlling interest	886	2,394	1,816	27	10	10
Statements of cash flows						
Net cash flows generated by operating activities	1,838	5,215	4,156	206	346	133
Net cash flows (used in) generated by investing activities	(134)	(193)	(446)	(47)	(64)	57
Net cash flows used in financing activities	(2,057)	(5,162)	(3,988)	(351)	(164)	(261)
Net increase (decrease) in cash and cash equivalents	(422)	(132)	(226)	(220)	90	(66)

⁽¹⁾ During 2021, these entities merged their subsidiaries due to the effects of the labor reform in México.



15. Trade and other accounts payable

	As of December 31,		
	2023	2022	2021
Trade accounts payable	\$ 24,650	\$ 28,493	\$ 25,595
Short-term employee benefits	709	827	1,263
Advances from customers	54	76	242
Taxes other than income taxes	371	577	691
Due to related parties (Note 28)	153	224	261
Other accrued accounts and expenses payable	1,192	1,788	1,801
	<u>\$ 27,129</u>	<u>\$ 31,985</u>	<u>\$ 29,853</u>

16. Debt

	As of December 31,		
	2023	2022	2021
Current:			
Bank loans ⁽¹⁾	\$ 343	\$ 1,466	\$ 279
Current portion of non-current debt	-	5,803	1,931
Notes payable ⁽¹⁾	-	-	42
Interest payable	346	443	408
Current debt ⁽²⁾	<u>\$ 689</u>	<u>\$ 7,712</u>	<u>\$ 2,660</u>
Non-current:			
Senior Notes	\$ 18,648	\$ 27,271	\$ 30,895
Unsecured bank loans	14,177	10,177	619
Other loans	127	147	156
Total	32,952	37,595	31,670
Less: current portion of non-current debt	-	(5,803)	(1,931)
Less: interest generated by non-current debt	(304)	(423)	(406)
Non-current debt	<u>\$ 32,648</u>	<u>\$ 31,369</u>	<u>\$ 29,333</u>

⁽¹⁾ As of December 31, 2023, 2022 and 2021, short-term bank loans and notes payable incurred interest at an annual average rate of 9.56%, 6.15%, and 1.40%, respectively.

⁽²⁾ The fair value of bank loans and notes payable approximates their current carrying amount because of their short maturity.



The carrying amounts, terms and conditions of non-current debt are as follows:

Description	Currency	Outstanding Balance	Debt issuance costs	Interest payable	Balance as of December 31, 2023 ⁽¹⁾	Balance as of December 31, 2022 ⁽¹⁾	Balance as of December 31, 2021 ⁽¹⁾	Maturity date	Interest rate
Senior Notes 144A/Reg. S / fixed rate	USD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,941	20-nov-22	4.50%
Senior Notes 144A/Reg. S / fixed rate	USD	-	-	-	-	5,926	6,290	08-aug-23	5.38%
Senior Notes 144A/Reg. S / fixed rate	USD	8,433	(42)	102	8,493	9,722	10,324	18-sep-29	4.25%
Senior Notes 144A/Reg. S / fixed rate	USD	10,094	(53)	114	10,155	11,623	12,340	25-feb-31	3.25%
Total Senior Notes		<u>18,527</u>	<u>(95)</u>	<u>216</u>	<u>18,648</u>	<u>27,271</u>	<u>30,895</u>		
Bank loan, LIBOR + 2.60%	USD	-	-	-	-	486	619	3-dec-24	2.77%
Bank loan, SOFR + 1.00%	USD	2,112	-	-	2,112	-	-	01-may-26	6.36%
Bank loan, SOFR + 1.71%	USD	85	-	-	85	-	-	29-jun-27	7.06%
Bank loan, SOFR + 1.6%	USD	97	-	1	98	-	-	20-jun-26	6.94%
Bank loan, SOFR + 1.05%	USD	3,379	-	37	3,416	-	-	21-jul-28	6.44%
Bank loan, SOFR +1.00%	USD	1,689	(7)	10	1,692	1,936	-	6-apr-27	6.39%
Bank loan, SOFR +1.05%	USD	3,379	(8)	20	3,391	3,882	-	7-apr-27	6.43%
Bank loan, SOFR +1.00%	USD	1,689	(8)	10	1,691	1,936	-	6-may-27	6.39%
Bank loan, SOFR +1.00%	USD	1,689	(7)	10	1,692	1,937	-	6-apr-27	6.39%
Total unsecured bank loans		<u>14,119</u>	<u>(30)</u>	<u>88</u>	<u>14,177</u>	<u>10,177</u>	<u>619</u>		
Other loans	USD	<u>127</u>	<u>-</u>	<u>-</u>	<u>127</u>	<u>147</u>	<u>156</u>	Various	Various
Total		<u>32,773</u>	<u>(125)</u>	<u>304</u>	<u>32,952</u>	<u>37,595</u>	<u>31,670</u>		
Less: current portion and interest of non-current debt		<u>-</u>	<u>-</u>	<u>(304)</u>	<u>(304)</u>	<u>(6,226)</u>	<u>(2,337)</u>		
Non-current debt		<u>\$32,773</u>	<u>\$ (125)</u>	<u>\$ -</u>	<u>\$ 32,648</u>	<u>\$ 31,369</u>	<u>\$ 29,333</u>		

⁽¹⁾ As of December 31, 2023, 2022 and 2021, issuance costs of the debt pending amortization were \$125, \$171, and \$172, respectively.

As of December 31, 2023, the annual maturities of non-current debt, including current portion and interest payable, and gross from issuance costs are as follows:

	2024	2025	2026	2027 and thereafter	Total
Senior Notes	\$ -	\$ -	\$ -	\$ 18,743	\$ 18,743
Bank loans	-	-	2,209	11,998	14,207
Other loans	-	-	-	127	127
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,209</u>	<u>\$ 30,868</u>	<u>\$ 33,077</u>

As of December 31, 2023, 2022 and 2021, the Company has committed unused lines of credit totaling US\$584, US\$610, and US\$560, respectively.

Covenants:

Loan contracts and debt agreements contain restrictions, primarily relating to compliance with financial ratios, which include the following:

- Interest hedge ratio: it is calculated by dividing the profit before financial result, net, share of result of associates and joint ventures, income taxes, depreciation and amortization (EBITDA) by the net interest charges for the last four quarters of the analyzed period. This ratio cannot be less than 3.0 times.



- b) Leverage ratio: defined as the result of dividing the consolidated net debt (current and non-current debt, excluding debt issuance costs less restricted and unrestricted cash and cash equivalents) by the EBITDA of the last four quarters of the period analyzed. This ratio cannot be greater than 3.5 times.

Additionally, there are other restrictions in regards of incurring additional debt or making loans that require mortgaging assets, dividend payments and submission of financial information, which if not met or remedied within a specified period to the satisfaction of creditors may cause the debt to become payable immediately. During 2023, 2022 and 2021, the financial ratios were calculated according to the formulas set forth in the loan agreements. As of December 31, 2023 and the date of issuance of these consolidated financial statements, the Company complied satisfactorily with such covenants and restrictions.

17. Lease liability

	As of December 31,		
	2023	2022	2021
Current portion:			
USD	\$ 454	\$ 537	\$ 462
MXN	128	121	123
Other currencies	119	163	148
Current lease liability	<u>\$ 701</u>	<u>\$ 821</u>	<u>\$ 733</u>
Non-current portion:			
USD	\$ 2,671	\$ 2,686	\$ 2,641
MXN	261	308	304
Other currencies	524	630	663
	<u>3,456</u>	<u>3,624</u>	<u>3,608</u>
Less: Current portion of lease liability	<u>(701)</u>	<u>(821)</u>	<u>(733)</u>
Non-current lease liability	<u>\$ 2,755</u>	<u>\$ 2,803</u>	<u>\$ 2,875</u>

As of December 31, 2023, 2022 and 2021, respectively, changes in the lease liability related to finance activities in accordance with the consolidated statement of cash flow are integrated as follows:

	2023	2022	2021
Beginning balance	\$ 3,624	\$ 3,608	\$ 3,010
New contracts ⁽¹⁾	1,409	1,147	1,435
Write-offs	(251)	(8)	(32)
Adjustment to liability balance	51	(23)	9
Interest expense from lease liability	231	206	178
Lease payments	(1,170)	(1,109)	(1,049)
Exchange (loss) gain	(438)	(197)	57
Ending balance	<u>\$ 3,456</u>	<u>\$ 3,624</u>	<u>\$ 3,608</u>

⁽¹⁾ Includes lease liabilities assumed in business acquisitions.

The total of future minimum payments of leases that include non-accrued interest is analyzed as follows:

	As of December 31,		
	2023	2022	2021
Less than a year	\$ 701	\$ 821	\$ 733
Over 1 year and less than 5 years	1,579	1,669	1,681
Over 5 years	1,176	1,134	1,194
Total	<u>\$ 3,456</u>	<u>\$ 3,624</u>	<u>\$ 3,608</u>



18. Provisions

	Dismantling, demolition and environmental remediation	Legal contingencies	Warranties	Other ⁽¹⁾	Total
As of January 1, 2021	\$ 187	\$ 574	\$ 38	\$ 371	\$ 1,170
Increases	131	342	-	152	625
Payments	(2)	(3)	(38)	-	(43)
Write-offs	(193)	(10)	-	(154)	(357)
Translation effect	11	(25)	-	-	(14)
As of December 31, 2021	\$ 134	\$ 878	\$ -	\$ 369	\$ 1,381
Increases	-	78	-	1,166	1,244
Payments	(74)	(145)	-	(235)	(454)
Write-offs	-	(214)	-	(76)	(290)
Translation effect	(4)	8	-	(31)	(27)
As of December 31, 2022	\$ 56	\$ 605	\$ -	\$ 1,193	\$ 1,854
Increases	379	138	-	241	758
Payments	(112)	-	-	(745)	(857)
Write-offs	(1)	(40)	-	(35)	(76)
Translation effect	(28)	(29)	-	(134)	(191)
As of December 31, 2023	\$ 294	\$ 674	\$ -	\$ 520	\$ 1,488

(1) As of December 31, 2023 and 2022, the increases in "others" are mainly made up of the contingent consideration for the acquisition of Octal businesses for \$904 (see Note 2), as well as reimbursement for taxes to be recovered from Petrobras \$215.

	2023	2022	2021
Short-term provisions	\$ 749	\$ 794	\$ 546
Long-term provisions	739	1,060	835
As of December 31	<u>\$ 1,488</u>	<u>\$ 1,854</u>	<u>\$ 1,381</u>

As of December 31, 2023, 2022 and 2021, the provisions shown in the table above mainly include \$103, (US\$6), \$215 (US\$11), and \$48 (US\$2), respectively, related to the obligation to give back to Petrobras certain tax credits, in case they are recovered by Alpek Polyester Pernambuco and Alpek Polyester Brasil, as well as \$673, (US\$40), \$595 (US\$31), and \$605 (US\$29) for labor, civil and tax contingencies also derived from the acquisition of Alpek Polyester Pernambuco and Alpek Polyester Brasil, for which the Company holds an account receivable, included in other non-current assets, for \$684, (US\$40), \$616 (US\$32), and \$614 (US\$30) as of December 31, 2023, 2022 and 2021, respectively.

As of December 31, 2021, \$153 (US\$7.5) were related to the contingent liability for the earn-out payment related to the acquisition of Selenis. As of December 31, 2022 and 2023 there is no balance for this concept.

Additionally, as of December 31, 2023 and 2022, \$308 (US\$18.3) and \$904 (US\$46.7) were mainly related to the contingent consideration for the payment of future benefits (earn-out) related to the acquisition of Octal.

19. Employee benefits

The valuation of retirement plan employee benefits includes formal plans and constructive obligations that covers all employees and is based primarily on their years of service, current age, and estimated salary at retirement date.

The subsidiaries of the Company have established irrevocable trust funds for payment of pensions and seniority premiums and health-care expenses.



Below is a summary of the main financial data of such employee benefits:

	As of December 31,		
	2023	2022	2021
Employee benefit obligations:			
Pension benefits	\$ 439	\$ 612	\$ 598
Post-employment medical benefits	61	64	99
	<u>500</u>	<u>676</u>	<u>697</u>
Defined contribution plans	380	349	332
Employee benefits in the consolidated statement of financial position	<u>\$ 880</u>	<u>\$ 1,025</u>	<u>\$ 1,029</u>
Charge to the consolidated statement of income for:			
Pension benefits	\$ (271)	\$ (76)	\$ (79)
Post-employment medical benefits	(4)	(3)	(4)
	<u>\$ (275)</u>	<u>\$ (79)</u>	<u>\$ (83)</u>
Remeasurements of employee benefit obligations recognized in other comprehensive income of the year	<u>\$ (5)</u>	<u>\$ (39)</u>	<u>\$ 453</u>
Remeasurements of accrued employee benefit obligations recognized in other comprehensive income	<u>\$ 285</u>	<u>\$ 290</u>	<u>\$ 329</u>

Pension and post-employment medical benefits

The Company operates defined benefit pension plans based on employees' pensionable remuneration and length of service. Most plans are externally funded. Plan assets are held in trusts, foundations or similar entities, governed by local regulations and practice in each country, as is the nature of the relationship between the Company and the respective trustees (or equivalent) and their composition. The Company operates post-employment medical benefit schemes mainly in its subsidiary Alpek Polyester USA. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. Most of these plans are not being funded.

Amounts recognized in the consolidated statement of financial position are determined as follows:

	As of December 31,		
	2023	2022	2021
Present value of defined benefit obligations	\$ 2,535	\$ 3,107	\$ 4,329
Fair value of plan assets	(2,035)	(2,431)	(3,632)
Liability in the statement of financial position	<u>\$ 500</u>	<u>\$ 676</u>	<u>\$ 697</u>

The movements of defined benefit obligations are as follows:

	2023	2022	2021
As of January 1,	\$ 3,107	\$ 4,329	\$ 4,455
Service cost	44	69	69
Interest cost	147	98	100
Contributions from plan participants	3	4	6
Remeasurements:			
(Gains) losses from changes in financial assumptions	78	(715)	(154)
Losses (gains) from changes in demographic assumptions and experience adjustments		1	-
Translation effect	(323)	(219)	148
Benefits paid	(501)	(461)	(299)
Liability acquired in business combination	-	-	-
Transfer of personnel	-	2	18
Plan curtailments	(20)	(1)	(14)
As of December 31,	<u>\$ 2,535</u>	<u>\$ 3,107</u>	<u>\$ 4,329</u>



The movement in the fair value of plan assets for the year is as follows:

	2023	2022	2021
As of January 1	\$ (2,431)	\$ (3,632)	\$ (3,394)
Interest income	(104)	(87)	(73)
Remeasurements – return on plan assets, excluding interest income	(83)	754	(299)
Translation effect	257	183	(96)
Contributions	(6)	-	(14)
Benefits paid	332	351	244
As of December 31	<u>\$ (2,035)</u>	<u>\$ (2,431)</u>	<u>\$ (3,632)</u>

The amounts recorded in the consolidated statement of income for the years ended December 31 are the following:

	2023	2022	2021
Service cost	\$ (43)	\$ (69)	\$ (69)
Interest cost, net	(251)	(10)	(28)
Effect of plan curtailments and/or settlements	19	-	14
Total included in personnel cost	<u>\$ (275)</u>	<u>\$ (79)</u>	<u>\$ (83)</u>

The principal actuarial assumptions are as follows:

	As of December 31,		
	2023	2022	2021
Discount rate Mexico	9.75%	9.25%	7.75%
Discount rate United States	4.83%	4.96%-5.06%	2.42%-2.64%
Inflation rate	3.50%	3.50%	3.50%
Wage increase rate	5.50%	5.00%	4.50%
Medical inflation rate Mexico	7.00%	7.00%	7.00%

The sensitivity analysis of the discount rate for defined benefit obligations is as follows:

	Effect in defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	MX 1%	Decrease by \$61	Increase by \$65

Sensitivity analyses are based on a change in assumptions, while all the other assumptions remain constant. In practice, this is slightly probable, and the changes in some assumptions may be correlated. In calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of calculated defined benefit obligation with the projected unit credit method at reporting period) has been applied as in the calculation of liabilities for pensions recognized within the consolidated statement of financial position.

Defined benefit plan assets

Plan assets are comprised as follows:

	As of December 31,		
	2023	2022	2021
Equity instruments	\$ 1,590	\$ 1,899	\$ 1,341
Fixed income	445	532	2,291
Fair value of plan assets	<u>\$ 2,035</u>	<u>\$ 2,431</u>	<u>\$ 3,632</u>



20. Income taxes

The Company is subject to income tax, whose rate is 30% in México. The statutory income tax rates applicable to the main foreign subsidiaries were as follows:

	2023	2022	2021
United States	21%	21%	21%
Brazil	34%	34%	34%
Argentina	35%	35%	30%
Chile	27%	27%	27%
Canada	26.5%	26.5%	26%
Spain	25%	25%	25%
United Kingdom	25%	19%	19%
Oman ⁽¹⁾	15%	15%	-

(1) Octal's production facility (Octal SAOC FZC) is registered in the Salalah Free Zone; therefore, it is exempt from corporate tax for a period of 30 years from November 25, 2006, the date it began activities.

a. Income taxes recognized in the consolidated statement of income are as follows:

	2023	2022	2021
Current income tax	\$ (2,358)	\$ (5,345)	\$ (4,304)
Deferred income taxes	<u>1,631</u>	<u>(164)</u>	<u>189</u>
Income taxes expenses	<u>\$ (727)</u>	<u>\$ (5,509)</u>	<u>\$ (4,115)</u>

b. The reconciliation between the statutory and effective income tax rates is as follows:

	2023	2022	2021
(Loss) income before income taxes	\$ (9,306)	\$ 21,475	\$ 14,311
Income tax rate	<u>30%</u>	<u>30%</u>	<u>30%</u>
Statutory income tax rate expense	<u>2,792</u>	<u>(6,443)</u>	<u>(4,293)</u>
(Less) add income tax effect on:			
Annual adjustment for inflation	(253)	(896)	(189)
Cancellation of tax losses	-	-	(805)
Non-deductible expenses	(2,941)	22	(18)
Non-taxable income	164	1,493	934
Effect of different tax rates of other countries other than Mexico	(128)	200	179
True up with respect to prior years' current income tax	88	(52)	101
Translation effect from the functional currency	(388)	147	(36)
Investments in associates and joint ventures	<u>(61)</u>	<u>20</u>	<u>12</u>
Total income taxes	<u>\$ (727)</u>	<u>\$ (5,509)</u>	<u>\$ (4,115)</u>
Effective tax rate	8%	26%	29%

c. The breakdown of the deferred tax asset and deferred tax liability is as follows:

	Asset (liability) December 31,		
	2023	2022	2021
Property, plant and equipment	\$ (708)	\$ (80)	\$ 9
Intangible assets	(128)	(131)	(94)
Debt issuance costs	(1)	(11)	(20)
Provisions	237	174	306
Derivative financial instruments	2	286	46
Tax loss carryforwards	413	652	601
Tax credits, impairment allowance and other	1,604	828	805
Effect of tax rates of other countries and changes in tax rates	<u>(85)</u>	<u>(9)</u>	<u>(23)</u>
Deferred tax asset	<u>\$ 1,334</u>	<u>\$ 1,709</u>	<u>\$ 1,630</u>



	Asset (liability) December 31,		
	2023	2022	2021
Inventories	\$ 40	\$ (22)	\$ (72)
Property, plant and equipment, net	(3,557)	(5,753)	(6,601)
Intangible assets	(148)	(143)	(282)
Tax loss carryforwards	693	250	780
Non-deductible interest, provision allowance and others	808	1,498	1,815
Effect of tax rates of other countries and changes in tax rates	140	325	236
Deferred tax liability	<u>\$ (2,024)</u>	<u>\$ (3,845)</u>	<u>\$ (4,124)</u>

Deferred income tax assets are recognized on tax loss carryforwards to the extent the realization of the related tax benefit through future tax income is probable. Tax losses amount to \$24,034, \$25,062, and \$26,843 in 2023, 2022 and 2021, respectively.

Tax losses as of December 31, 2023 expire in the following years:

Loss for the year incurred	Tax-loss carryforwards	Expiration year
2014	\$ 1	2024
2015	15	2025
2016	14	2026
2017	62	2027
2018	28	2028
2019	18	2029
2020	20	2030
2021	25	2031
2022	481	2032
2023	3,023	2033 and thereafter
Other	20,347	No maturity
	<u>\$ 24,034</u>	

As of December 31, 2023, the Company holds tax losses to be amortized in Brazil, through Suape and Citepe, for an amount of \$20,347, which have no expiration date. The Company has decided to reserve the total amount of the tax losses, according to management's estimate of future reversals of temporary differences; thus, as of December 31, 2023, they do not generate deferred tax assets.

- d. Income tax related to other comprehensive income is as follows:

	2023			2022			2021		
	Before taxes	Tax charged	After taxes	Before taxes	Tax charged	After taxes	Before taxes	Tax charged	After taxes
Equity in other comprehensive income of associates and joint ventures recognized through the equity method	\$ (1)	\$ -	\$ (1)	\$ 1	\$ -	\$ 1	\$ (1)	\$ -	\$ (1)
Foreign currency translation effect	(5,923)	-	(5,923)	(2,652)	-	(2,652)	110	-	110
Remeasurement of employee benefit obligations	5	-	5	(39)	20	(19)	453	(109)	344
Effect of derivative financial instruments designated as cash flow hedges	1,056	(291)	765	(1,182)	327	(855)	(592)	161	(431)
Other comprehensive income	<u>\$ (4,863)</u>	<u>\$ (291)</u>	<u>\$ (5,154)</u>	<u>\$ (3,872)</u>	<u>\$ 347</u>	<u>\$ (3,525)</u>	<u>\$ (30)</u>	<u>\$ 52</u>	<u>\$ 22</u>



e. Income tax payable consists of the following:

	As of December 31,		
	2023	2022	2021
Current portion	\$ 390	\$ 1,410	\$ 1,630
Non-current portion ⁽¹⁾	-	-	241
Total income tax payable	<u>\$ 390</u>	<u>\$ 1,410</u>	<u>\$ 1,871</u>

- (1) During the year ended December 31, 2022, Alfa made the decision to voluntarily and spontaneously abandon this regime for a group of companies in México (Incorporation Regime), which will remain the obligation to pay full taxes. The profit that has been deferred for the years 2019 and 2021 for \$372, which will have to be paid during 2023.

21. Other non-current liabilities

	As of December 31,		
	2023	2022	2021
Advances from customers ⁽¹⁾	\$ 62	\$ 128	\$ 196
Other ⁽²⁾	431	432	50
Total other non-current liabilities	<u>\$ 493</u>	<u>\$ 560</u>	<u>\$ 246</u>

- (1) This item corresponds to revenues charged in advance and relates to the future delivery of goods.

- (2) As of December 31, 2023 and 2022, is mainly related to the amount pending of payment for the acquisition of Octal (see Note 2e).

22. Stockholders' equity

As of December 31, 2023, capital stock is variable, with a fixed minimum of \$6,052 represented by 2,118,163,635 outstanding, ordinary, nominative shares, "Class I" Series "A", with no par value, fully subscribed and paid in. The variable capital entitled to withdrawal will be represented, if issued, by registered "Class II" Series "A" shares without par value.

As of December 31, 2023, Alpek SAB had 11,455,648 treasury shares, coming from the own share repurchase program. As of such date, the market value per share was \$12.64 Mexican pesos.

From February to December 2023, the Company purchased 13,259,517 shares in the amount of \$222 and sold 12,720,936 shares in the amount of \$212 with a repurchase program that was approved by the Company's stockholders and exercised discretionally by Management. From February to December 2022, the Company purchased 9,095,421 shares in the amount of \$246 and sold 6,560,342 shares in the amount of \$180 in connection to the same program. From March to December 2021, the Company purchased 12,879,634 shares in the amount of \$292 and sold 10,363,950 shares in the amount of \$236 in connection to the same repurchase program.

The net income of the year is subject to decisions made by the General Stockholders' Meeting, the Company's by-laws and the General Law of Mercantile Corporations. In accordance with the General Law of Mercantile Corporations, the legal reserve should be increased annually by 5% of the net annual income until it reaches 20% of the fully paid in capital stock. As of December 31, 2023, 2022 and 2021, the legal reserve amounts to \$1,210.

On March 7, 2023, the Company held an Ordinary General Meeting of stockholders, at which the payment of a cash dividend per share of US\$0.0755, equivalent to approximately US\$2,866 (US\$159), was approved in a single instalment, which was paid in a single instalment on March 16, 2023.

On October 31, 2022, the Company's Board of Director, through the powers delegated at the Ordinary General Meeting of stockholders held on March 3, 2022, approved the payment of a cash dividend per share of \$0.093 US dollars, equivalent to the aggregate amount of \$3,887(US\$196), approximately, which were paid on November 9, 2022.

On March 3, 2022, the Company held an Ordinary General Meeting of stockholders, at which the payment of a cash dividend per share of US\$0.0820, equivalent to approximately US\$3,628 (US\$173), was approved in a single instalment, which was paid in a single instalment on March 14, 2022.



On October 26, 2021, the Company's Board of Director, through the powers delegated at the Ordinary General Meeting of stockholders held on March 9, 2021, approved the payment of a cash dividend per share of \$0.0265 US dollars, equivalent to the aggregate amount of \$1,129(US\$56), approximately, which were paid on November 10, 2021.

On March 9, 2021, the Company held an Ordinary General Meeting of stockholders, at which the payment of a cash dividend per share of US\$0.0596, equivalent to approximately US\$2,677 (US\$126), was approved in a single instalment, which was paid in a single instalment on April 6, 2021.

The Income Tax Law establishes a tax rate of 10% to the dividends paid to foreign residents and Mexican individuals derived from the profits generated since 2014, also provides that for the years 2001-2013, the net taxable profit will be determined in terms of the Income Tax Law in force in the fiscal year concerned.

Dividends paid are not subject to income tax if they derived from the Net Tax Profit Account ("CUFIN", for its acronym in Spanish). Any dividends paid in excess of this account will cause an income tax charge based on the tax rate valid in the period in which they are paid. This tax is payable by the Company and may be credited against its income tax in the same year or the following two years. Dividends paid from profits which have previously paid income tax are not subject to tax withholding or to any additional tax payment. As of December 31, 2023, the value of the Capital Contribution Account ("CUCA", for its acronym in Spanish) amounted to \$25,847. The tax value of the CUFIN amounted to \$5,274.

23. Shared-based payments

Alpek has a stock-based compensation scheme referred to at 50% of the value of stock of Alfa and the other 50% of the value of the shares of Alpek SAB for directors of the Company and its subsidiaries. In accordance with the terms of the plan, the eligible directors will obtain a cash payment contingent upon achieving both quantitative and qualitative metrics derived from the following financial measures:

- Improved share price
- Improvement in net income
- Permanence of the executives in the Company

The program consists in determining a number of shares which the executives will have a right to, that will be paid in cash over the next five years; i.e., 20% every year and will be paid with reference at the average price of the shares during the year. These payments are measured at the fair value of the consideration, therefore, because they are based on the price of Alfa and Alpek shares, the measurement is considered to be within level 1 of the fair value hierarchy.

The average price of the shares in pesos considered for the measurement of the executive incentive is:

	2023	2022	2021
Alfa, S. A. B. de C. V.	15.68	15.80	15.26
Alpek, S. A. B. de C. V.	12.89	27.64	22.25

The short-term and long-term liabilities are comprised as follows:

	As of December 31,		
	2023	2022	2021
Short term	\$ 9	\$ 11	\$ 12
Long term	27	28	25
Total carrying amount	<u>\$ 36</u>	<u>\$ 39</u>	<u>\$ 37</u>



24. Expenses classified by their nature

The total cost of sales and selling and administrative expenses, classified by the nature of the expense, for the years ended December 31, are comprised as follows:

	2023	2022	2021
Raw material and other	\$ (101,752)	\$(150,143)	\$(105,257)
Employee benefit expenses (Note 27)	(6,976)	(7,538)	(7,348)
Human resources	(193)	(69)	(51)
Maintenance	(2,514)	(2,833)	(2,301)
Depreciation and amortization	(4,619)	(4,639)	(4,280)
Advertising expenses	(12)	(2)	(1)
Freight expenses	(8,487)	(9,993)	(6,931)
Consumption of energy and fuel (gas, electricity, etc.)	(4,400)	(6,628)	(5,264)
Travel expenses	(180)	(188)	(66)
Lease expenses	(583)	(780)	(722)
Technical assistance, professional fees and administrative services	(1,727)	(2,216)	(1,839)
Other (insurance and bonds, water, containers and packing, etc.)	(2,270)	(3,315)	(3,513)
Total	<u>\$ (133,713)</u>	<u>\$(188,344)</u>	<u>\$(137,573)</u>

25. Other income (expenses), net

Other income (expense) for the years ended December 31, are comprised as follows:

	2023	2022	2021
Gain on business combination ⁽¹⁾	\$ -	\$ 425	\$ 29
Other income, net ⁽²⁾	195	269	274
Impairment long-lived assets ⁽³⁾	(11,078)	(246)	(1,460)
Total	<u>\$ (10,883)</u>	<u>\$ 448</u>	<u>\$ (1,157)</u>

(1) For the year ended December 31, 2022, corresponds to the gain on the acquisition of Octal (see Note 2e).

(2) For the year ended December 31, 2021, includes \$8.7 from the cancellation of ContourGlobal joint venture.

(3) For the year ended December 31, 2023, it primarily includes impairment expense on investment in CPP's joint venture, and long-lived assets from the closure of the filament plant and the closure of the PET resin production operation at the Cooper River site.

26. Finance income and costs

Financial result, net for the years ended December 31, are comprised as follows:

	2023	2022	2021
Financial income:			
Interest income on short-term bank deposits	\$ 724	\$ 271	\$ 140
Interest income on loans from related parties	25	26	26
Other financial income	568	625	424
Total financial income	<u>\$ 1,317</u>	<u>\$ 922</u>	<u>\$ 590</u>
Financial expenses:			
Interest expense on bank loans	(1,009)	(392)	(86)
Non-bank interest expense	(1,116)	(1,422)	(2,284)
Lease interest expense	(231)	(206)	(178)
Interest cost on employee benefits, net	(46)	(16)	(59)
Other financial expenses	(1,580)	(1,188)	(475)
Total financial expense	<u>(3,982)</u>	<u>(3,224)</u>	<u>(3,082)</u>
Loss in exchange fluctuation, net			
Foreign exchange gain	23,168	8,585	1,614
Foreign exchange loss	(23,171)	(9,280)	(2,266)
Loss in exchange fluctuation, net	<u>\$ (3)</u>	<u>\$ (695)</u>	<u>\$ (652)</u>
Financial result, net	<u>\$ (2,668)</u>	<u>\$ (2,997)</u>	<u>\$ (3,144)</u>



27. Employee benefit expenses

Employee benefits expenses for the years ended December 31, are as follows:

	2023	2022	2021
Salaries, wages and benefits	\$(5,566)	\$(5,660)	\$(5,766)
Social security fees	(604)	(608)	(426)
Employee benefits	(73)	(95)	(53)
Other fees	(733)	(1,175)	(1,103)
Total	<u>\$(6,976)</u>	<u>\$(7,538)</u>	<u>\$(7,348)</u>

Labor Reform Related to Vacations

On December 27, 2022, a decree was published by means of which articles 76 and 78 of the Federal Labor Law ("LFT" for its acronym in Spanish) for México were reformed, which will be effective on January 1, 2023. The main change resulting from this labor reform considers the increase in the minimum annual vacation period for workers with more than one year of service.

The Company evaluated the accounting impacts generated by this labor reform and determined that the increases in the vacation and vacation premium provision, as a result of the increase in vacation days, were not significant as of December 31, 2022.

28. Related party transactions

Transactions with related parties during the years ended December 31, 2023, 2022 and 2021 were as follows:

	2023	2022	2021
Income			
Income from sale of goods:			
Stockholders with significant influence over subsidiaries	\$1,522	\$1,903	\$1,576
Income from services:			
Affiliates	12	12	13
Stockholders with significant influence over subsidiaries	171	207	198
Income from financial interest:			
Alfa	23	26	26
Affiliates	3	-	-
Income from leases:			
Stockholders with significant influence over subsidiaries	34	38	38
Income from sale of energetic:			
Affiliates	95	156	121
Stockholders with significant influence over subsidiaries	34	31	29
Affiliates outside Alfa (Nemak)	-	-	288
Other income:			
Affiliates	1	2	-
Stockholders with significant influence over subsidiaries	2	2	-
Costs / expenses			
Purchase of finished goods and raw materials:			
Stockholders with significant influence over subsidiaries	(647)	(764)	(2,120)
Expenses from services:			
Alfa	(348)	(338)	(16)
Affiliates	(146)	(86)	(252)
Stockholders with significant influence over subsidiaries	(13)	(14)	(14)
Affiliates outside Alfa (Nemak)	-	(4)	(6)
Other expenses:			
Affiliates	(49)	(28)	(30)
Associates and joint ventures	(71)	(59)	(77)
Stockholders with significant influence over subsidiaries	1	-	-
Affiliates outside Alfa	-	(43)	-
Dividends paid to Alfa	(2,447)	(6,138)	(3,055)
Dividends of subsidiaries to shareholders with significant influence	(1,474)	(2,404)	(1,826)



For the year ended December 31, 2023, the remunerations and benefits received by the top officers of the Company amounted to \$410 (\$424 in 2022 and \$409 in 2021), comprising of base salary and social security benefits, and supplemented by a variable consideration program based on the Company's results and the market value of the shares thereof and of its holding company.

As of December 31, balances with related parties are as follows:

	Nature of the transaction	As of December 31, 2023	2022	2021
<u>Short-term accounts receivable:</u>				
<u>Holding company</u>				
Alfa, S. A. B. de C. V.	Administrative services	\$ 87	\$ 140	\$ 174
<u>Affiliates</u>				
Innovación y Desarrollo de Energía				
Alfa Sustentable, S. A. de C. V.	Administrative services	115	115	115
Newpek, LLC	Administrative services	-	1	1
Terza, S. A. de C. V.	Sale of goods	-	1	1
Sigma Alimentos Lácteos, S.A. de C.V.	Energetics	3	3	4
Sigma Alimentos Centro, S.A. de C.V.	Energetics	4	5	6
Sigma Alimentos Noreste, S.A. de C.V.	Energetics	-	1	1
Alimentos Finos Occidente, S.A. de C.V.	Energetics	1	1	1
Carnes el Tangamanga S.A. de C.V.	Energetics	1	-	-
<u>Affiliates outside Alfa</u>				
Nemak México, S.A. de C.V.	Energetics	-	-	1
<u>Associates</u>				
Clear Path Recycling, LLC	Financing and interest	63	-	-
<u>Stockholders with significant influence on subsidiaries</u>				
BASF	Sale of goods	120	184	286
Basell	Sale of goods	60	40	26
Basell	Energetics	-	6	6
		<u>\$ 454</u>	<u>\$ 497</u>	<u>\$ 622</u>
<u>Long-term accounts receivable:</u>				
<u>Holding company</u>				
Alfa, S. A. B. de C. V. ⁽¹⁾	Financing and interest	<u>\$ 763</u>	<u>\$ 849</u>	<u>\$ 876</u>
		<u>\$ 763</u>	<u>\$ 849</u>	<u>\$ 876</u>
<u>Short-term accounts payable:</u>				
<u>Holding Company</u>				
Alfa, S. A. B. de C. V.	Administrative services	\$ 37	\$ 65	\$ 19
<u>Affiliates</u>				
Alliax, S. A. de C. V.	Administrative services	5	4	2
Axtel, S.A.B. de C.V.	Administrative services	4	6	8
Servicios Eficientes de R.H., S.A. de C.V.	Administrative services	-	-	2
Transportación Aérea del Norte, S.A. de C.V.	Administrative services	-	-	1
Newpek, S. A. de C. V.	Administrative services	-	8	-
Servicios Empresariales del Norte, S. A. de C. V.	Administrative services	2	2	-
<u>Affiliates outside Alfa</u>				
Nemak Exterior, LTD	Administrative services	-	-	1
<u>Associates</u>				
Tepeal	Administrative services	6	1	-
<u>Stockholders with significant influence over subsidiaries</u>				
BASF	Purchase of raw materials	87	138	202
BASF	Purchase of products	-	-	26
Basell	Energetics	12	-	-
		<u>\$ 153</u>	<u>\$ 224</u>	<u>\$ 261</u>

⁽¹⁾ As of December 31, 2023, 2022 and 2021, the loans granted bore interest at average fixed interest rate of 5.34%, 5.34%, and 5.34%, respectively.



29. Segment reporting

Segment reporting is presented consistently with the financial information provided to the Chief Executive Officer, who is the highest authority in operational decision making, allocation of resources and performance assessment of operating segments.

An operating segment is defined as a component of an entity on which separate financial information is regularly evaluated.

Management controls and assesses its operations through two business segments: the Polyester business and the Plastics and Chemicals business. These segments are managed separately since its products vary and targeted markets are different. Their activities are performed through various subsidiaries.

The operations between operating segments are performed at market value and the accounting policies with which the financial information by segments is prepared, are consistent with those described in Note 3.

The Company has defined Adjusted EBITDA as the calculation of adding operating income, depreciation, amortization, and impairment of long-lived assets.

The Company evaluates the performance of each of the operating segments based on Adjusted EBITDA, considering that this indicator is a good metric to evaluate operating performance and the ability to meet principal and interest obligations with respect to indebtedness, and the ability to fund capital expenditures and working capital requirements. Nevertheless, Adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

Following is the condensed financial information of the Company's operating segments:

For the year ended December 31, 2023:

	Polyester	Plastics and Chemicals	Other	Total
Statement of income:				
Income by segment	\$102,230	\$ 27,729	\$ 8,200	\$138,159
Inter-segment income	(77)	(20)	97	-
	<u>\$102,153</u>	<u>\$ 27,709</u>	<u>\$ 8,297</u>	<u>\$138,159</u>
Income from external customers				
Operating (loss) income	\$ (9,740)	\$ 3,220	\$ 83	\$ (6,437)
Depreciation and amortization	3,725	886	8	4,619
Impairment of long-lived assets	11,077	1	-	11,078
	<u>\$ 5,062</u>	<u>\$ 4,107</u>	<u>\$ 91</u>	<u>\$ 9,260</u>
Adjusted EBITDA				
	<u>\$ 2,149</u>	<u>\$376</u>	<u>\$ 3</u>	<u>\$ 2,528</u>
Investments in fixed and intangible assets				

For the year ended December 31, 2022:

	Polyester	Plastics and Chemicals	Other	Total
Statement of income:				
Income by segment	\$140,837	\$ 46,878	\$24,720	\$ 212,435
Inter-segment income	(120)	(74)	194	-
	<u>\$140,717</u>	<u>\$ 46,804</u>	<u>\$24,914</u>	<u>\$ 212,435</u>
Income from external customers				
Operating income	\$ 13,966	\$ 10,464	\$ 109	\$ 24,539
Depreciation and amortization	3,713	925	1	4,639
Impairment of long-lived assets	244	2	-	246
	<u>\$ 17,923</u>	<u>\$ 11,391</u>	<u>\$ 110</u>	<u>\$ 29,424</u>
Adjusted EBITDA				
	<u>\$ 2,487</u>	<u>\$ 497</u>	<u>\$ 3</u>	<u>\$ 2,987</u>
Investments in fixed and intangible assets				



For the year ended December 31, 2021:

	Polyester	Plastics and Chemicals	Other	Total
Statement of income:				
Income by segment	\$98,103	\$ 47,533	\$10,588	\$ 156,224
Inter-segment income	(103)	(63)	166	-
Income from external customers	<u>\$98,000</u>	<u>\$ 47,470</u>	<u>\$10,754</u>	<u>\$156,224</u>
Operating income	\$ 8,801	\$ 8,192	\$ 501	17,494
Depreciation and amortization	3,235	1,045	-	4,280
Impairment of long-lived assets	524	936	-	1,460
Adjusted EBITDA	<u>\$12,560</u>	<u>\$ 10,173</u>	<u>\$ 501</u>	<u>\$ 23,234</u>
Investments in fixed and intangible assets	<u>\$ 3,774</u>	<u>\$ 653</u>	<u>\$ 4</u>	<u>\$ 4,431</u>

The reconciliation between adjusted EBITDA and income before taxes for the years ended December 31, is as follows:

	2023	2022	2021
Adjusted EBITDA	\$ 9,260	\$29,424	\$23,234
Depreciation and amortization	(4,619)	(4,639)	(4,280)
Impairment of long-lived assets	(11,078)	(246)	(1,460)
Operating (loss) income	<u>(6,437)</u>	<u>24,539</u>	<u>17,494</u>
Financial result, net	(2,668)	(2,997)	(3,144)
Equity in loss of associates and joint ventures	(201)	(67)	(39)
Income before income taxes	<u>\$(9,306)</u>	<u>\$21,475</u>	<u>\$14,311</u>

The Company's main customer generated revenues amounting to \$10,009, \$9,230, and \$11,403 for the years ended December 31, 2023, 2022 and 2021. These revenues are resulted from the polyester reporting segment and represent 7.2%, 4.0%, and 7.3% of the consolidated revenues with external costumers for the years ended December 31, 2023, 2022 and 2021.

Following is a summary of revenues per country of origin for the years ended December 31:

	2023	2022	2021
México	\$ 52,443	\$ 88,922	\$ 71,646
United States	44,991	64,383	49,710
Argentina	4,894	8,867	7,255
Brazil	13,681	23,303	18,090
Chile	941	1,325	1,413
Canada	2,317	3,627	3,143
United Kingdom	3,393	5,648	4,967
Oman	15,098	16,086	-
Saudi Arabia	401	274	-
Total revenues	<u>\$138,159</u>	<u>\$212,435</u>	<u>\$156,224</u>

The following table shows the intangible assets and property, plant and equipment by country:

	As of December 31,		
	2023	2022	2021
México	\$ 1,083	\$ 1,312	\$ 1,575
United States	1,028	1,375	1,521
Canada	3	4	20
Brazil	194	214	232
Oman	1,186	1,520	-
Total intangible assets	<u>\$ 3,494</u>	<u>\$ 4,425</u>	<u>\$ 3,348</u>



	As of December 31,		
	2023	2022	2021
México	\$17,831	\$21,285	\$ 23,157
United States	7,684	9,769	9,821
Canada	497	471	775
Argentina	281	128	163
Chile	237	276	267
Brazil	4,699	4,926	4,356
United Kingdom	624	667	866
Oman	8,830	10,598	-
Saudi Arabia	269	331	-
Total property, plant and equipment	<u>\$40,952</u>	<u>\$48,451</u>	<u>\$ 39,405</u>

30. Commitments and contingencies

As of December 31, 2023, the Company has the following commitments:

- a. As of December 31, 2023, 2022 and 2021, the Company's subsidiaries had entered into various agreements with suppliers and customers for purchases of raw materials used for production and the sale of finished goods, respectively. These agreements are effective between one and five years and generally contain price adjustment clauses.
- b. A subsidiary of the Company entered into agreements to cover the supply of propylene, which establish the obligation to purchase the product at a priced referenced to market values for a specific period.

As of December 31, 2023, the Company has the following contingencies:

- a. During the normal course of the business, the Company is involved in disputes and litigations. While the results of these may not be predicted, the Company does not believe that there are actions pending to apply, claims or legal proceedings against or affecting the Company which, if it were to result in an adverse resolution to the Company, would negatively impact the results of its operations or its financial position.
- b. Some of the Company's subsidiaries use hazardous materials to manufacture polyester filaments and staple fibers, polyethylene terephthalate (PET) and terephthalic acid (PTA) resin, polypropylene (PP) resin, expandable polystyrene (EPS), chemical specialties and they generate and dispose of waste, such as catalysts and glycols. These and other activities of the subsidiaries are subject to various federal, state and local laws and regulations governing the generation, handling, storage, treatment and disposal of hazardous substances and wastes. According to such laws, the owner or lessor of real estate property may be liable for, among other things, (i) the costs of removal or remediation of certain hazardous or toxic substances located on, in, or emanating from, such property, as well as the related cost of investigation and property damage and substantial penalties for violations of such law, and (ii) environmental contamination of facilities where its waste is or has been disposed of. Such laws impose such liability without regard to whether the owner or lessee knew of, or was responsible for, the presence of such hazardous or toxic substances.

Although the subsidiaries estimate that there are no existing material liabilities relating to noncompliance with environmental laws and regulations, there can be no assurance that there are no undiscovered potential liabilities related to historic or current operations that will require investigation and/or remediation under environmental laws, or that future uses or conditions will not result in the imposition of an environmental liability or expose them to third-party or related parties actions, such as tort suits. Furthermore, there can be no assurance that changes in environmental regulations in the future will not require the subsidiaries to make significant capital expenditures to change methods of disposal of hazardous materials or otherwise alter aspects of their operations.



- c. As of December 31, 2023, the Company is in a process of fiscal litigation in one of its subsidiaries in Brazil, in relation to the demand for payment of the Tax on the Circulation of Goods and Services ("ICMS") that the Ministry of Finance of the State of Sao Paulo ("SFSP", for its initials in Portuguese) has raised against the Company, due to differences in the criteria for the calculation and crediting of such tax. Considering all the circumstances and precedents of jurisprudence available at that date, management and its advisors have determined that it is probable that the Superior Court of Justice of Brazil will issue a judgment in favor of the Company for the amount related to differences in the calculation, which would exempt it from paying \$471 in taxes, fines and interest that the SFSP demands; therefore, as of December 31, 2023, the Company has not recognized any provision related to this concept.

On the other hand, for the concept of ICMS crediting, the demanded amount is \$93, and management and its advisors consider that it is not probable that the authorities will issue an unfavorable resolution for the Company; thus, it has not recognized any provision related to this concept as of December 31, 2023.

- d. Anti-Dumping of PET Resin

In March 2015, in response to petitions made by PET resin manufacturers in the United States of America ("USA"), the International Trade Commission ("ITC") and the Department of Commerce of The United States ("USDOC") initiated an Anti-Dumping investigation on imports of PET resin from China, India, Oman and Canada, resulting in the imposition of an antidumping duty (percentage of export sales of PET Resin to the USA). The duty has been reviewed annually during the month of May at the request of either Octal or the USA manufacturers, the rate has fluctuated based on the annual reviews and is currently 3.96%.

- e. Anti-Dumping of PET Sheet

In July 2019, in response to petitions made by PET Sheet manufacturers in the USA, the ITC and the USDOC initiated an Anti-Dumping investigation on imports of PET Sheet from Oman, Korea and Mexico, resulting in the imposition of an antidumping countervailing duty (percentage of PET sheet export sales from Oman to the USA) of 4.74%. In October 2022, the DOC, in the first administrative review, preliminarily determined a new margin equivalent to 4.16%, which was in the process of being confirmed in a final determination; however, effective February 1, 2023, the USDOC concluded a change of circumstances review and thereby revoked the Anti-Dumping order applicable to PET sheet originating in Oman. Because the antidumping order was revoked, the Department of Commerce also rescinded the antidumping administrative reviews for the 2020-2021 and 2021-2022 periods.

31. Subsequent significant events

In preparing the financial statements the Company has evaluated the events and transactions for their recognition or disclosure subsequent to December 31, 2023, and through January 31, 2024 (date of issuance of the consolidated financial statements), and no significant subsequent events have been identified.

32. Authorization to issue the consolidated financial statements

On January 31, 2024, the issuance of the accompanying consolidated financial statements was authorized by Jorge Pedro Young Cerecedo, General Director and José Carlos Pons de la Garza, Administration and Finance Director.

These consolidated financial statements are subject to the approval of the Company's ordinary shareholders' meeting.

