
alpek
2023
ANNUAL REPORT

TABLE OF CONTENTS

GRI: 2-22
TCFD: GOVERNANCE

ARMANDO GARZA SADA
CHAIRMAN OF THE BOARD

MESSAGE FROM OUR MANAGEMENT

Dear Shareholders,

Throughout 2023, Alpek faced a major shift in market dynamics on the heels of a record breaking 2022. While the first quarter was promising, with strong reference margins and stable volume figures, the following months were accompanied by challenging conditions. As freight rates returned to historical norms amid slower-than-anticipated economic growth in China, there was global oversupply in the petrochemical industry that intensified competition, thereby impacting the Company's results, mainly in the polyester and EPS businesses. Furthermore, domestic Polypropylene margins were affected as the North American market adjusted to the recent start of new capacity in the region.

In response to this environment, during the second quarter Alpek adjusted Guidance figures in line with a more conservative outlook. Difficult conditions endured however, leading to an annual Comparable EBITDA of U.S. $734 million, a 47% decline compared to the previous year, and 5% below the revised Guidance. This figure includes a non-cash effect derived from re-expressing full-year Argentina results under IFRS hyperinflation accounting, which was present throughout the year, with a greater impact in December, as there was also a domestic currency devaluation. Volume figures totaled 4,635 thousand tons, decreasing by 8% year-over-year, yet in line with Guidance figures.

To navigate these global effects, Alpek implemented a comprehensive set of initiatives aimed at improving the Company's competitiveness and optimizing its free cash flow. These included:

- **Cost Competitiveness:** After thoroughly analyzing initiatives geared towards enhancing the Company's competitive position across its operations, in 2023, several projects were set in motion focused on reducing variable costs, primarily through improvements in raw material procurement and energy efficiency. In a move to address fixed costs, a difficult decision was made to reduce personnel mainly in our largest business segment. These endeavors are estimated to conclude in 2024, with anticipated run-rate savings of approximately U.S.$35 million per year. Furthermore, Alpek will continue to evaluate new opportunities for further cost reduction in the year.

JORGE P. YOUNG CERECEDO
CHIEF EXECUTIVE OFFICER

- **Footprint Optimization:** Making two difficult decisions in 2023 - halting the PET resin operations at the Cooper River site in South Carolina while transferring its production to other facilities, and shutting down its filament facility located in Monterrey, Mexico. These optimization measures in the polyester operations are anticipated to deliver substantial cost reductions, exceeding U.S. $40 million on an annualized basis.

- **CAPEX Rationalization:** Reducing by U.S. $168 million its investments when compared to the initial guidance of U.S. $445 million without affecting the execution of key projects. Additionally, and in collaboration with its joint venture partners, Alpek paused the construction of the integrated PTA-PET plant in Corpus Christi, Texas. This decision was driven by the impact of high inflationary rates, which caused construction and labor costs to exceed original projections.

- **Working Capital Reduction:** Realizing a substantial improvement in its working capital of U.S. $596 million. This achievement was primarily attributed to lower prices and the implementation of key measures focused on inventory optimization, operational discipline, and supply chain management.

- **Debt Refinance:** Successfully securing its first Sustainability-Linked loan, amounting to U.S. $200 million. This financing arrangement enables Alpek to efficiently refinance its outstanding balance from the 2023 bond, which was due last August and scheduled to mature in 2028; it also aligns with the Company's commitment to environmental and social responsibility. This initiative improved Alpek's average debt maturity to 5.2 years.

Through these actions, Alpek successfully maintained a robust level of operating Free Cash Flow consistent with previous years, totaling U.S. $408 million. Given the adverse global impacts of destocking, imports rising, and a reduction in demand, this was a significant accomplishment for our Company. This Free Cash Flow enabled us to partially overcome the circumstances. At the annual Shareholders' Meeting held in March, a payment of U.S. $159 million was approved, therefore maintaining a 7.2% dividend yield.

In 2023, Alpek maintained its investment grade ratings with a Stable outlook across all agencies. It is crucial to emphasize that despite concluding the year with a leverage of 3.4 times, we remain firmly committed to reducing leverage levels to a target of below 2.5 times. We are dedicated to executing the necessary measures to achieve this goal and ensuring our long-term financial strength.

U.S. $408 MILLION

OPERATING FREE CASH FLOW

Remarkable ESG Results

ESG initiatives continue to gain momentum. This year Alpek made important strides in reaching its targets, including the following achievements:

1

OCCUPATIONAL SAFETY:
Accomplished a TRIR indicator that was 27% lower than the previous year and aligned with our Occupational Safety Target to reach top-decile in the industry.

2

CARBON EMISSIONS & ECO-EFFICIENCY:
Progressing towards our SBTi (Science-Based Targets initiative) goals, we achieved a 27% reduction in CO_2 emissions from our 2019 base. This was partly attributed to our footprint optimization and the integration of carbon-free energy in operations across three of our businesses.

3

SUSTAINABILITY & CIRCULARITY:
The EPS business made progress in this front with the development of six different recycled and biobased products with certifications for all. Additionally, our biofertilizer, Biovento®, received all necessary government approvals to begin commercialization.

4

GENDER EQUALITY:
Reinforced our commitment to gender equality by pledging to the Women's Empowerment Principles (WEPs), from the United Nations Global Compact and UN Women. Alpek maintains its mission to create a safe work environment through which everyone can grow, contribute, and innovate.

9% improvement in S&P Global CSA rating since 2022

5

SUSTAINABILITY-LINKED LOAN:
The aforementioned loan signifies a milestone, incorporating a pricing mechanism that incentivizes improvements in two targets: a reduction in Scope 1, 2, and 3 carbon emissions and a decrease in the Lost-Time Incident Rate (LTIR) for employees and contractors.

These actions, among others, led to progress in all our ESG ratings, including a 9% improvement in the S&P Global CSA rating since 2022. Alpek is determined to continue strengthening its results and ESG practices.

Outlook 2024

The rapidly changing industry landscape in 2023 presented its share of challenges. Despite this, Alpek preserved and remains committed to maximizing profitability and ensuring competitiveness. As we venture into 2024, we anticipate the industry will grapple with prevailing headwinds, especially with Chinese reference margins expected to remain at low levels due to overcapacity. According to our outlook, we envision a slow but gradual recovery throughout the year.

Alpek remains committed to maintaining its leading position in the industry while improving Free Cash Flow generation and financial performance. We are confident that our Management Team will guide the Company through these evolving market dynamics, propelling it toward a new, sustainable, and prosperous era.

We would like to thank all our employees, customers, suppliers, and Board members for their dedication and our Shareholders for their unwavering trust and support.

ARMANDO GARZA SADA
CHAIRMAN OF THE BOARD

JORGE P. YOUNG CERECEDO
CHIEF EXECUTIVE OFFICER

ABOUT ALPEK

WE CREATE THE BUILDING BLOCKS OUR CUSTOMERS NEED TO IMPROVE EVERYDAY LIVES

GRI: 2-1, 2-6

We develop products and technologies to help enrich people's lives and deliver real-world innovations in very diverse and essential applications. This is how we confirm our even more meaningful role as a supplier for resolving the current global challenges.

Amidst the extraordinary conditions in which we have been operating since 2020, it is through a robust governance structure, focused leadership, and our evolutionary nature that, in 2023, we continued delivering solutions to transform the present into a better future.

Working to meet global societal and environmental everyday needs has been, and will always be,

ESSENTIAL TO ALPEK'S PURPOSE AND VALUES.

MARKET PRESENCE

+5,900 EMPLOYEES WORLDWIDE

35 PLANTS

9 COUNTRIES

FOR MORE INFORMATION, **CLICK HERE**

		MEXICO 3,310 Kta	USA 2,753 Kta	CANADA 144 Kta	ARGENTINA 246 Kta	BRAZIL 1,226 Kta	CHILE 28 Kta	OMAN 1,072 Kta	SAUDI ARABIA 11 Kta	UNITED KINGDOM 220 Kta
	PTA	2	1			1				
PET	RESIN	1	4	1	1	1		1		1
PET	SHEET							1		
rPET	FLAKE		3		1					
rPET	PELLET		2		1					
rPET	SPT	1	1							
	FIBERS	1				1				
	PP	1								
	EPS	1	2		1	1	1			
	ARCEL		1							
	OTHER	2	1				3		1	

ALPEK IN THE DAILY LIVES

HOMES

PET
PERSONAL HYGIENE PRODUCTS

BUILDING

EPS
THERMAL INSULATION

ON THE GO

PP
FOOD CONTAINERS

HOSPITALS

PP
MEDICAL EQUIPMENT

LONG-TERM STRATEGY BASED ON 3 KEY PILLARS

TCFD: GOVERNANCE, RISK MANAGEMENT

1 STRENGTHEN CORE BUSINESS

GLOBAL COST IMPROVEMENT
Zero-based budgeting & process innovation (Mainly Operations, Logistics & SG&A).

VALUE-ADDED PRODUCTS
Shift to products with higher margins & barriers to entry (PET, Copolymers and others).

FOOTPRINT OPTIMIZATION
Ensure global production grows across optimal sites & logistic networks.

3 STRATEGIC & FOCUSED GROWTH

VALUE CHAIN INTEGRATION
Grow capacity selectively & integrate into value chain.

M&A OPPORTUNITIES
Seize opportunistic growth focused on synergies and geographic diversification.

PRODUCT INNOVATION
New products & business lines (Natural Gas Commercialization, Biovento®, Biopek® & others).

Growth catalysts

2 CAPTURE ESG-RELATED OPPORTUNITIES

FOSTER PRODUCT CIRCULARITY
Increase mechanical (PET) & chemical recycling (PP, EPS) capacity through organic growth, M&A and Open Innovation to reach ESG goals. Offer biodegradable alternatives for EPS & PP.

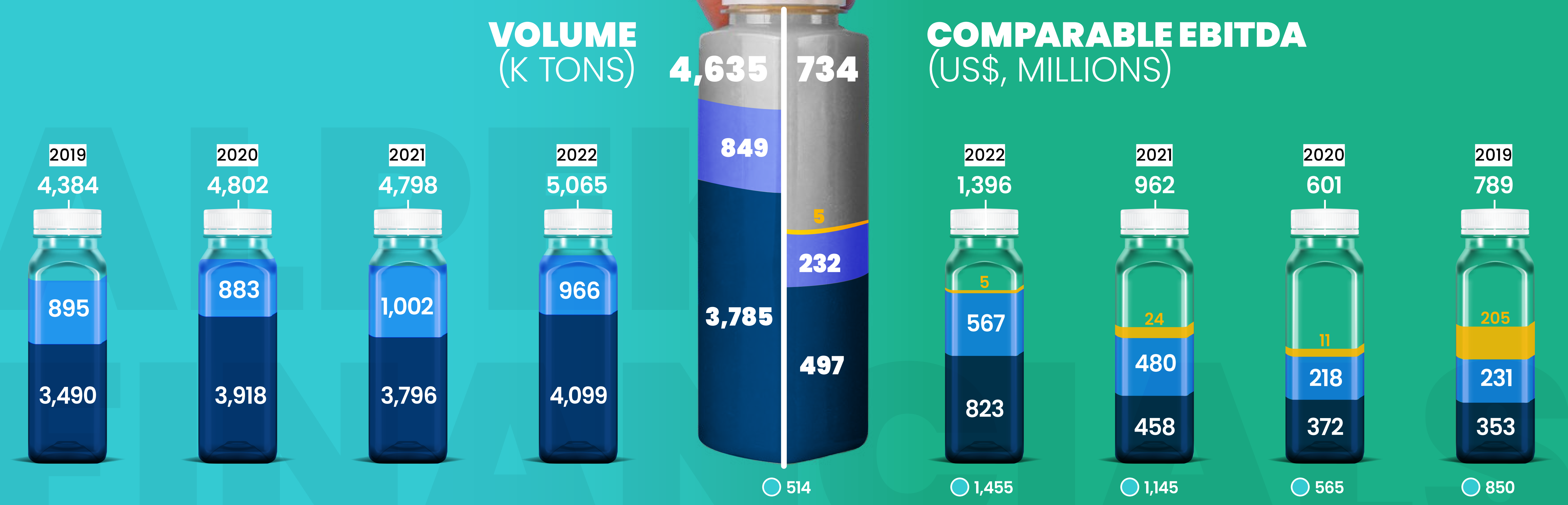
VALUE-CREATION IN CO_2 EMISSIONS REDUCTION
Pursue opportunities & participate in new markets associated with reaching carbon neutrality before 2050 (Renewable energy, Green hydrogen, CO_2 capture, Carbon offsetting).

2023 PERFORMANCE

FINANCIAL HIGHLIGHTS

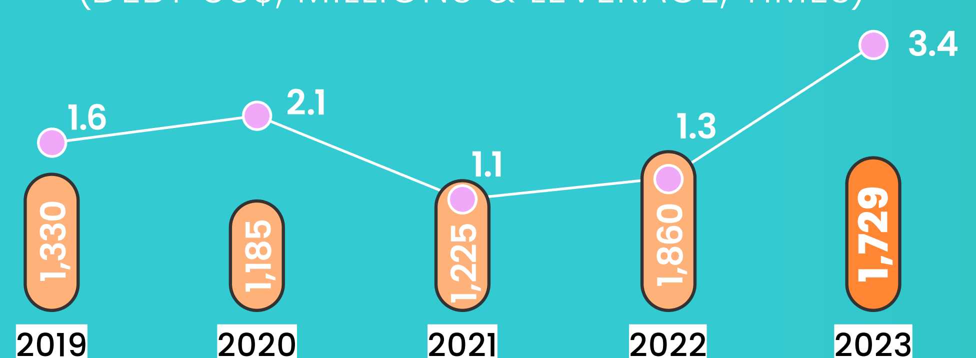
VOLUME
(K TONS)

COMPARABLE EBITDA
(US$, MILLIONS)

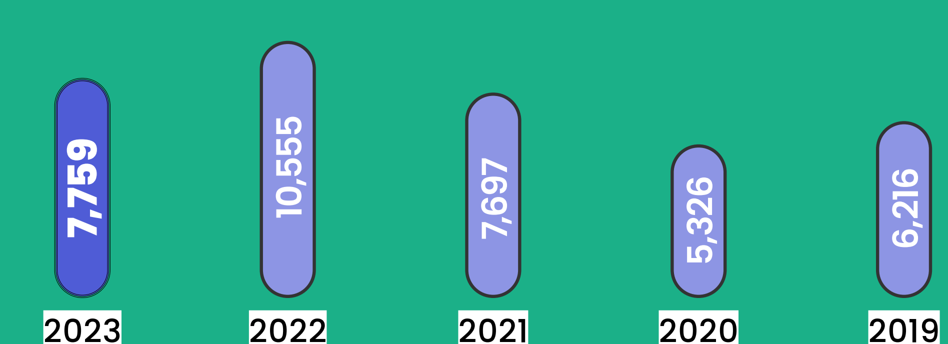


2023

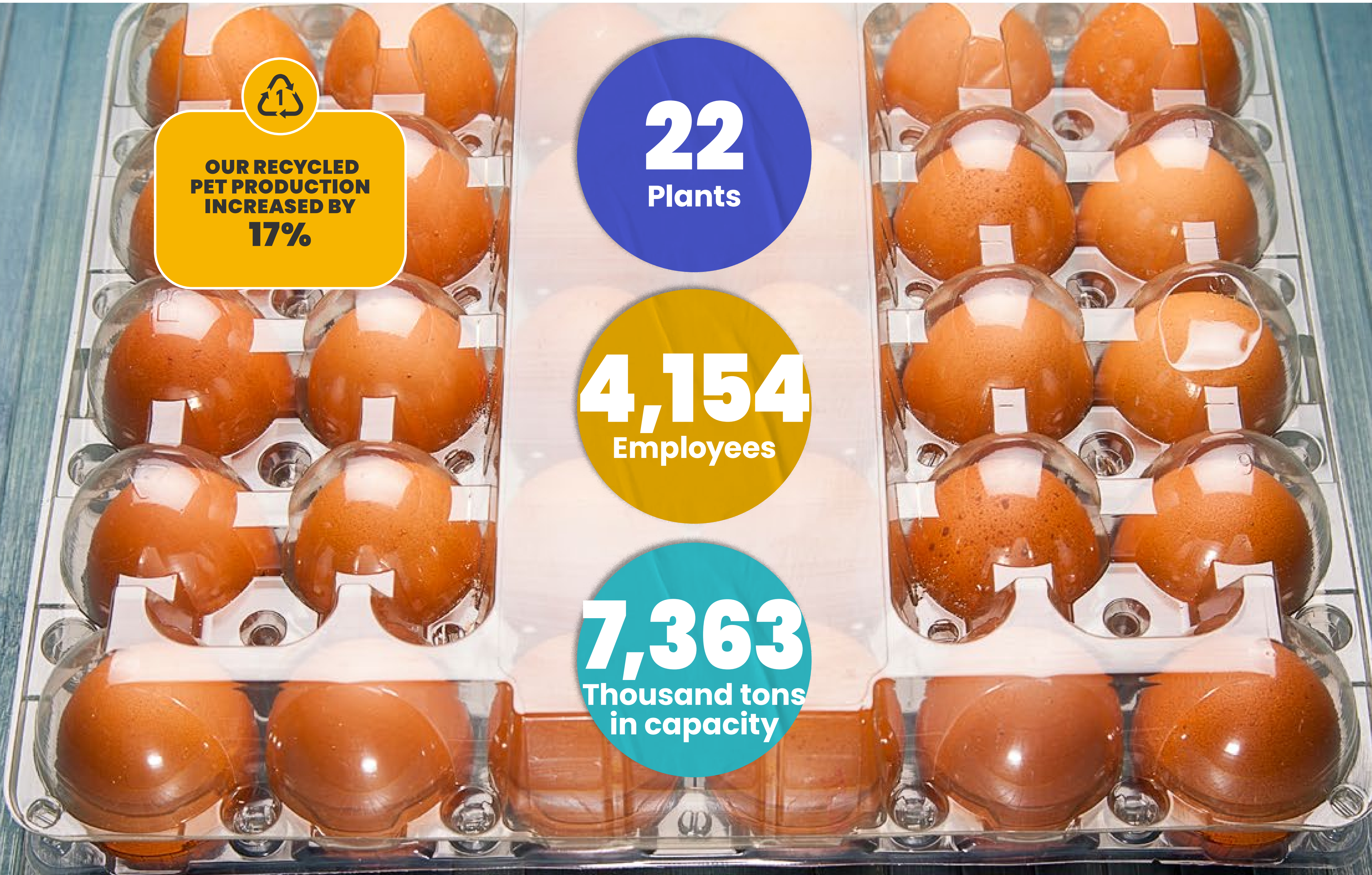
DEBT & LEVERAGE
(DEBT US$, MILLIONS & LEVERAGE, TIMES)



REVENUES
(US$, MILLIONS)



POLYESTER | PLASTICS & CHEMICALS | OTHERS | REPORTED EBITDA | LEVERAGE



LEADING PTA, PET AND RECYCLED PET PRODUCER ACROSS THE AMERICAS

OUR RECYCLED PET PRODUCTION INCREASED BY 17%

22 Plants

4,154 Employees

7,363 Thousand tons in capacity

2ND LARGEST PET PRODUCER WORLDWIDE

ARGENTINA
BRAZIL
CANADA
MEXICO

OMAN
SAUDI ARABIA
UK
USA

POLYESTER

GRI: 2-6

Through footprint optimizations, Alpek improved its capacity utilization by reallocating its resources to sites where we can have better footing. This placed the company in a position in which we have the necessary tools to enter the new year more prepared.

The Polyester segment began 2023 with solid results, in line with those seen the previous year and within the company's expectations, with strong reference margins and stable volume results. However, Asian imports continued to prevail impacting demand and supply dynamics, shifting conditions to a more competitive market and normalization in the industry in both raw material prices and freight rates. This led to a decline in Asian integrated PET reference margins, averaging $308 dollars per ton, a 21% decline year-over-year. Through this change, Chinese reference margins became more relevant, in which alongside a to a slower-than-expected growth in Chinese economy, averaged $187 dollars per ton, declining by 37% year-over-year. Reaching its lowest towards the second half of the year.

Extraordinary effects as seen in hyperinflation from Argentina also affected the company's results throughout the year. Closing in on 2024 the effect would become more notable, resulting in a Polyester Comparable EBITDA of $497 million dollars, 40% lower than 2022.

Volume results were closer to our expectations, after a revised guidance. This resulted in 3,785 thousand tons, 8% lower compared to 2022. Oversupply in the Americas also meant that exports would decline, adjusting to lower demand.

To mitigate the effects seen throughout the year and maintain our competitiveness, we had to make 3 challenging decisions moving our strategy forward:

We started the year by emphasizing facility streamlining, strategic growth projects, and advancement in recycling capabilities across our product portfolio by reallocating the PET resin operations at the Cooper River site in Charleston, South Carolina. This site had a capacity of 170,000 tons and represented 2% of our total assets. Another change we had to make was shutting down our filament site in Monterrey, Mexico. This site had an installed capacity of 100,000 tons of polymer and filament and represented minimal contribution to Alpek's EBITDA. In recent years, local filament production couldn't compete with imported capacity, and our site was the last remaining filament production in Mexico. Through these optimizations, we are expecting annualized cost reductions of approximately U.S. $40 million.

Furthermore, we determined, along with our joint venture partners of Corpus Christi Polymers, to temporarily pause construction of the integrated PTA-PET plant in Corpus Christi, Texas as high inflationary rates have led construction and labor costs to surpass original expectations. We remain committed to maximizing value for CCP and the site will be properly preserved so that construction may resume in the future. We will focus on assessing options to optimize the project's costs and timeline to maximize our Company's success.

In 2024, normalization and oversupply are still expected. Current market conditions will count with high inventory levels from Asian imports. Results will be closer to those seen during 2023, with a slight recovery towards year end. We will continue with our initiatives by continuing to strengthen our financial position through strategic advancements.

PLASTICS & CHEMICALS

13
Plants

1,689
Employees

1,648
Thousand tons in capacity

LEADING EPS PRODUCER IN THE AMERICAS AND 3RD LARGEST WORLDWIDE

WE PRODUCE POLYPROPYLENE (PP), EXPANDABLE STYRENICS (EPS & ARCEL®), FERTILIZERS AND SPECIALTY CHEMICALS

ONLY PP PRODUCER IN MEXICO

The Plastics & Chemicals segment had a similar effect during the year, returning to historical levels. For Polypropylene, due to the supply and demand dynamics in the region, North American reference margins remained flat, averaging 17 cents per pound. EPS North American reference margins averaged 35 cents per pound, 38% lower year-on-year, primarily due to a lag in EPS reference prices, mainly coming from higher imports in the Americas.

Towards year end demand and oversupply kept a firm hand on P&C market conditions, which alongside inflationary rates and maintenance meant results would underperform leading to a Comparable EBITDA of U.S. $232 million, 59% lower than in 2022. Demand would also continue to lower throughout the year, eventually becoming more prevalent in the second half, resulting in volume of 849 thousand tons decreasing 12% year over year.

Continuing its effort towards recyclability and sustainability. The growing EPS recycling capabilities led to the development and certification of 6 different products including biobased materials and recycled content. Through this effort, Alpek strives to promote the sustainable use of EPS. Committing to our target, to grow its long-term usage and sustainable applications for EPS, work on biodegradable alternatives, and increase recycling content in select products to at least 30% by 2030.

Alongside, our new product Biovento®, a biofertilizer made from microorganisms, received all necessary government approvals to begin commercialization. Biovento® has all the necessary qualities of a natural fertilizer and improves upon them by bringing full yield with no waste, complete sustainability and complies with all cropping regulations for safety. Expect more information about this product throughout 2024.

Moving forward, our presence in the Plastics & Chemicals segment continue to stay strong, focusing on durable and reusable uses. Our advancements in recycling from previous years continue to prove results and through innovation we can tap into new markets, placing Alpek in other industries. The P&C segment will continue to see similar results as the industry continues to normalize, yet a slight recovery is expected towards year end.

ESG

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

2023 HIGHLIGHTS

~15% EMISSIONS REDUCTION VS. 2022

~37% INCREASE IN CARBON-FREE ELECTRICITY VS. 2022

27% TRIR REDUCTION VS. 2022

$200 M USD SUSTAINABILITY LINKED LOAN

NEW CERTIFICATIONS TO SELL EPS WITH RECYCLED CONTENT

WOMEN'S EMPOWERMENT PRINCIPLES

WEPS IN COMMITMENT TO GENDER EQUALITY

ALLIANCES AND COMMITMENTS

17 PARTNERSHIPS FOR THE GOALS

GRI: 2-28, 2-29

Alpek seeks to strengthen its alliances with entities and organizations that promote sustainable development.

Alpek reaffirmed its commitment to the Sustainability Development Goals (SDGs) by pledging to the Women Empowerment Principles (WEPs). It also collaborated further with Science Based Targets Initiative (SBTi) and UN Global Compact, inviting other companies in Mexico to join. Additionally, Alpek has proactively collaborated with several recycling promoters as it continues to build up its rPET portfolio.

THE RECYCLING PARTNERSHIP

cyclyx

NAPCOR National Association for PET Container Resources

WOMEN'S EMPOWERMENT PRINCIPLES

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

WE SUPPORT UN GLOBAL COMPACT

Since 2021 Alpek has been committed to the UN Global Compact's corporate responsibility initiative and its principles in the areas of human rights, labor, the environment and anticorruption.

IN 2023, ALPEK PARTICIPATED IN

+80 CHAMBERS,

ASSOCIATIONS AND INITIATIVES

OPERATIVE FRAMEWORK

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

GRI: 2-22
TCFD: GOVERNANCE, STRATEGY & RISK MANAGEMENT

ESG STRATEGY

As part of Alpek's ESG Risk Management, the Company has adopted a dynamic materiality approach through which it conducts a comprehensive analysis of ESG and industry trends, and how it is perceived by its stakeholders.

This process includes ongoing dialogue with stakeholders, which allows an adequate response to be given to their demands and expectations, while also managing the impact to their organization.

ESG RISK IDENTIFICATION & ANALYSIS

- Identify ESG Risks and Opportunities (R&O)
- Implement a dynamic materiality analysis
- Embed ESG R&O into its business risk management strategy

STRATEGY & EXECUTION

- Identify the level of change needed to establish best-in class standards
- Build and improve internal capabilities to react quickly
- Implement the right initiatives to address R&O
- Identify partnerships that support improvement

TARGETS & METRICS

- Define key performance indicators (KPIs) and set targets to measure success for each initiative
- Measure result impact
- Establish proper initiatives for targets to be achieved

COMMITMENT & OVERSIGHT

- Assign the appropriate people for decision-making
- Set mechanisms to ensure the achievement of targets
- Communicate and report progress at organizational level
- Review and improve

DOUBLE MATERIALITY UPDATE

GRI: 3-1, 3-2, 3-3
TCFD: RISK MANAGEMENT

In 2023, Alpek demonstrated its commitment to align its sustainability management to leading international standards by updating its materiality matrix and transitioning to a double materiality assessment.

The analysis involved evaluating Alpek's ESG stewardship maturity through effective allocation of resources and implemented programs. Simultaneously, the process evaluated risk exposure, considering Alpek's operational impacts on society and environment, as well as financial outcomes.

1

EVALUATION CRITERIA

- Establish criteria evaluating external impacts of Alpek's operations and potential financial consequences for the Company.

2

DEFINITION OF INDICATORS

- Key ESG indicators aligned with leading frameworks: GRI, IFRS, SDGS, etc. were categorized into economic, governance, environmental, and social dimensions using Global Industry Classification Standard (GICS).

3

MATURITY ASSESSMENT

- Alpek's business model, initiatives and commercial relationships were evaluated and compared with industry peers' performance. Market conditions, financial results and ESG-linked incentives were considered.

4

EXPOSURE TO ESG AND FINANCIAL RISKS

- Analysis of material issues' relevance for external stakeholders and alignment with internal strategy, ensuring a comprehensive understanding of their impact.

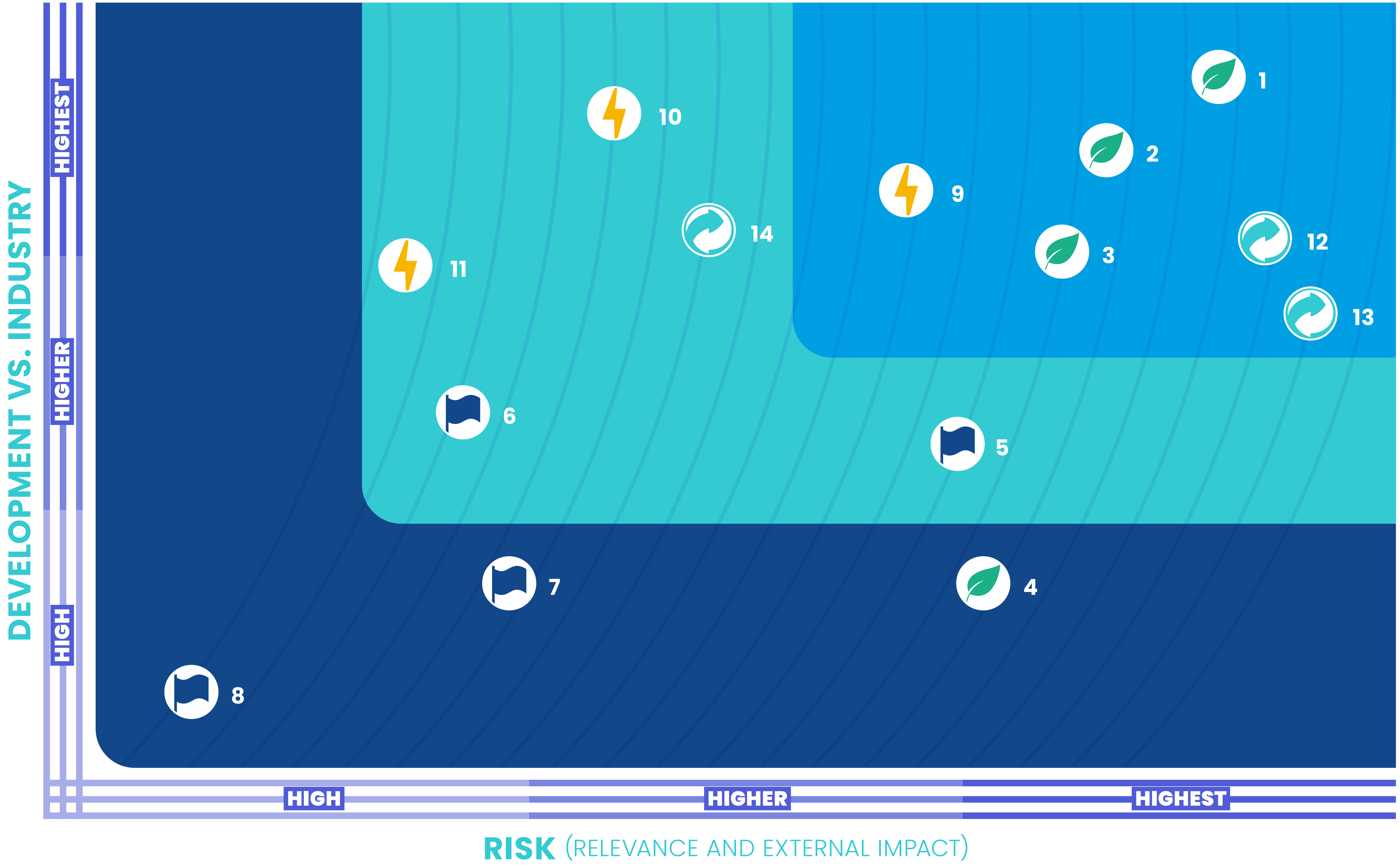
5

RESULTS

- Prioritization of material issues within a matrix based on the Company's maturity level and overall risk exposure.

MATERIALITY MATRIX

GRI: 3-1 TO 3
TCFD: GOVERNANCE, STRATEGY, RISK MANAGEMENT
CSA S&P: 1.2



14 MATERIAL ISSUES

GROW RESPONSIBLY

1. Climate Change Strategy
2. Circularity and Product Responsability
3. Environmental Management
4. Water Management

LEAD WITH EMPATHY

5. Occupational Safety
6. Human Rights
7. Diversity, Equity and Inclusion (DEI)
8. Social Impact

UPHOLD HIGHEST STANDARDS

9. Sustainable Corporate Governance
10. Cybersecurity
11. Compliance and Transparency

EMBRACE CHANGE

12. ESG Risk and Impact Management
13. Innovation and Sustainable Development
14. Value Chain Management

ESG MODEL

GRI: 2-22 TO 24
TCFD: GOVERNANCE, STRATEGY

Alpek's ESG Model is an internal platform to launch programs and initiatives that allows the tracking and development of its environmental, social, and governance objectives. Involving different functions at all levels of the organization, Alpek embraces a shared focus on its economic growth, development of stakeholders, promotion of social equity and the protection of the environment.

GROW RESPONSIBLY

- Climate Change Strategy
- Circularity and Product Responsibility
- Water Management
- Environmental Management

LEAD WITH EMPATHY

- Occupational Safety
- Diversity, Equity and Inclusion (DEI)
- Social Impact
- Human Rights

UPHOLD HIGHEST STANDARDS

- Sustainable Corporate Governance
- Compliance and Transparency
- Cybersecurity

EMBRACE CHANGE

- ESG Risk and Impact Management
- Innovation and Sustainable Development
- Value Chain Management

ESG RISK AND IMPACT MANAGEMENT

EMBRACE CHANGE

WE ACTIVELY MONITOR OUR CHANGING ENVIRONMENT AND DEVELOP NEW WAYS TO TACKLE EMERGING CHALLENGES THROUGH OUR ENABLERS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

GRI: 2-22, 2-23, 2-25
TCFD: ALL ELEMENTS
CSA S&P: 1.3 RISK AND CRISIS MANAGEMENT

STRATEGY AND EXECUTION

Alpek has established and continuously updates various processes to identify, monitor, and develop effective action plans to address potential risks for the Company's short- and long-term strategy. Any relevant findings and its corresponding action plans are deliberated upon in the Audit Committee and if needed the topic is escalated to the Board Meetings.

Through the risk management process, ESG-related risks such as shortages in raw material and utilities, legal and regulatory challenges concerning plastics, cybersecurity attacks, among others have been identified. Additionally, the Company has been actively working to incorporate threats derived from the effects of climate change into its risk management protocols, adhering to recommendations from TCFD and SASB. Alpek aims to measure and quantify all potential environmental and social effects, to be able to understand its cause and mitigate any possible impacts.

MAIN PHYSICAL CLIMATE RISKS

OF SITES LOCATED IN HIGH-RISK AREAS

Risk	# of sites
EXTREME HEAT	8
COAST FLOOD	5
RIVER FLOOD	5

OUR TARGET

"Alpek will continue strengthening its governance practices and risk management process to identify and mitigate the potential impacts on the environment, society and the Company itself."

PROGRESS 2023

During 2023, Alpek developed a preliminary analysis of its site-specific physical climate risks using the ThinkHazard platform. This tool enables the evaluation of any risks associated with climate events such as cyclones, landslides, floods, and droughts at each site. The Company is currently dedicating and enhancing this initial analysis, with a focus on quantifying the economic impact of these risks under various climate change scenarios. This will help prioritize these risks and strengthen any existing mitigation measures.

Acknowledging the potential threats posed by climate change to Alpek's operations and its entire value chain, the Company is in the process of expanding its analysis to include strategic supplier regions.

INNOVATION AND SUSTAINABLE DEVELOPMENT

EMBRACE CHANGE

WE ACTIVELY MONITOR OUR CHANGING ENVIRONMENT AND DEVELOP NEW WAYS TO TACKLE EMERGING CHALLENGES THROUGH OUR ENABLERS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

GRI: 2-23 TO 25
TCFD: RISK MANAGEMENT
CSA S&P: 1.9 INNOVATION MANAGEMENT

STRATEGY AND EXECUTION

Innovation is responsible for creating new value, resulting in top and/or bottom-line growth.

Alpek's innovation strategy integrates optimization and research and development efforts to enhance operational efficiency and foster forward-thinking, positioning the Company as resilient in a dynamic business landscape.

OUR TARGET

"We focus on improving our current products and processes while discovering more environmentally-friendly alternatives for both."

PROGRESS 2023

Throughout 2023, R&D teams contributed to 20% of innovation projects focused on new product development and strategic market expansion, with the remaining 80% dedicated to enhancing operational efficiency, time management, and cost-effectiveness across all business departments.

The open innovation program was strengthened by seeking to generate value through the addition of new verticals such as supply chain and digitalization; besides the ESG approach.

Alpek carried out the Innovation Awards In which 21 projects and 3 countries participated with initiatives focused mainly on diversifying its product portfolio and sustainability initiatives.

VALUE CHAIN MANAGEMENT

EMBRACE CHANGE

WE ACTIVELY MONITOR OUR CHANGING ENVIRONMENT AND DEVELOP NEW WAYS TO TACKLE EMERGING CHALLENGES THROUGH OUR ENABLERS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

GRI: 2-6, 414
CSA S&P: 1.6 SUPPLY CHAIN MANAGEMENT

STRATEGY AND EXECUTION

Alpek recognizes that to accomplish its sustainability vision and its strategic objectives, it requires the alignment of its core values through the fostering of active collaboration across its entire value chain, particularly with suppliers and customers.

In its commitment to fostering a sustainable value chain, Alpek has actively explored ESG opportunities with its customers such as innovation projects for lowering environmental impacts of products and processes. Adapting to the evolving landscape of sustainable supply chain management best practices, Alpek is focusing to improve its relationships through the development of a supplier program to guarantee adherence to the highest ethical, social, and environmental standards.

OUR TARGET

"Alpek will work with its customers and suppliers in an effort to actively identify ESG-related risks and the corrective actions needed to make our entire value chain more sustainable."

Alpek's polyester business recognized by PepsiCo for innovative recycling solutions.

PROGRESS 2023

During 2023, Alpek developed a Supplier Code of Conduct for all its Business Units. This code will be implemented throughout 2024 to encourage its suppliers to align with ESG best practices. The Company believes that this policy is the initial milestone for the effective execution of the supplier program.

Additionally, Alpek's expandable styrenics business has achieved the ISCC Plus certification for its bio-based product. This certification assures that the bio raw materials, and production process of this product, align with the principles of a circular economy and limit social and environmental impact. Conducting transactions with certified suppliers and customers enhances transparency and traceability within the product's value chain.

Furthermore, Alpek's polyester business received an award this year from a major customer, PepsiCo, for its unwavering commitment and innovative recycling solutions. Specifically, the company was recognized for its valuable contributions of solutions that increase recycled content in the customer's final products, thereby supporting the client in achieving its sustainability objectives.

CLIMATE CHANGE STRATEGY

GROW RESPONSIBLY

WE STRIVE TO CONTINUE GROWING SUSTAINABLY, MAKING SURE WE MINIMIZE ANY ADVERSE EFFECTS FROM OUR PRODUCTS AND PROCESSES

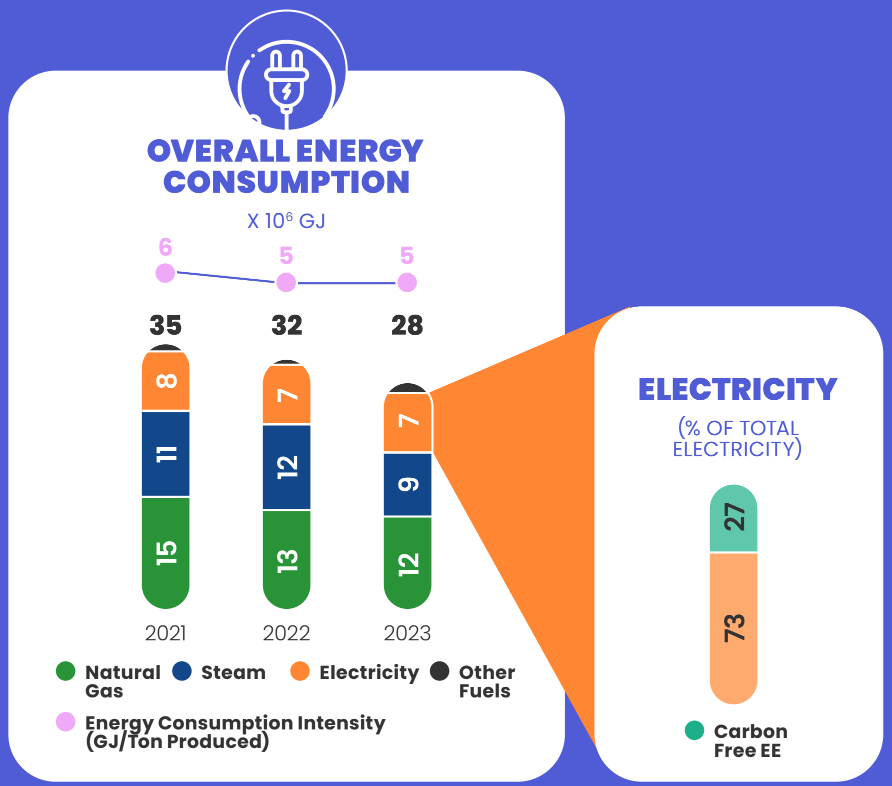
13 CLIMATE ACTION

GRI: 302-1 TO 4, 305-1 TO 4
TCFD: ALL ELEMENTS
SASB: RT-CH-110A.1, RT-CH-110A.2
CSA S&P: 2.3 OPERATIONAL ECO-EFFICIENCY

STRATEGY AND EXECUTION

Alpek's decarbonization commitments have been approved by the Science-Based Targets Initiative (SBTi) since 2022. To achieve this goal, Alpek has embraced a dual-front strategy:

- Transition to Low or Zero-Emission Energy Sources: Alpek is exploring energy alternatives with minimal or zero-carbon emissions, including nuclear and solar energy.
- Energy Utilization Efficiency Enhancement: Alpek actively improves energy efficiency with measures like adopting efficient equipment, electrifying processes, and implementing procedures for optimal thermal energy use



Note:
1. The emission figures provided adhere to the SBTi criteria, wherein the emissions from all plants acquired are taken into account, regardless of the year of acquisition.
2. The energy consumption figures accurately reflect the actual use of energy, respecting the dates of acquisitions.
3. Carbon-free electric energy is estimated considering the renewable energy mix of some country's electric grids.
4. Due to the entrance of Octal, some adjustments have been made in 2022 data.

OUR TARGET

"Alpek commits to reduce absolute scope 1 and 2 GHG emissions by 27.5% by 2030 from a 2019 base year. Alpek also commits to reduce scope 3 emissions by 13.5% within the same time frame. Alpek also commits to reach carbon neutrality by 2050."

PROGRESS 2023

In 2023, Alpek transitioned some of its electricity contracts to green sources in Argentina, adopting solar and hydroelectric power. Additionally, nuclear-sourced electricity was introduced in two Mexican sites. Alpek purchased International Renewable Energy Certificates (IRECs) for selected facilities in Chile, Argentina, Mexico, and Brazil. All these initiatives have effectively reduced Scope 2 emissions.

Based on Alpek's emissions results, the Company is approaching its 27.5% emission reduction target, however, it's important to mention that this figure reflects lower operating yields in 2023, so the Company will continue efforts to reduce its direct and indirect emissions. During the current year, Alpek formulated a comprehensive roadmap to prioritize and implement actions or projects to achieve its carbon neutrality objective by 2050.

NET ZERO ROADMAP

GROW RESPONSIBLY

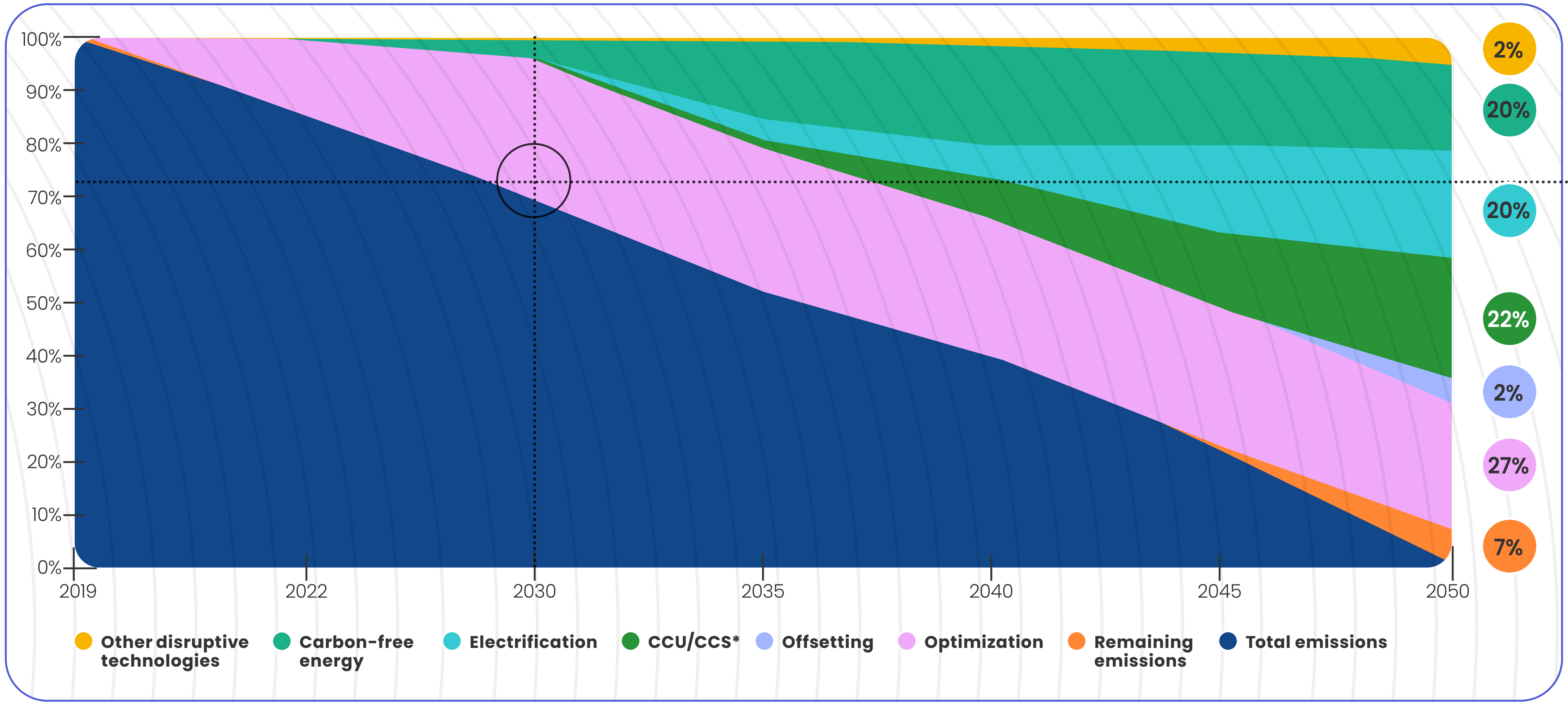
WE STRIVE TO CONTINUE GROWING SUSTAINABLY, MAKING SURE WE MINIMIZE ANY ADVERSE EFFECTS FROM OUR PRODUCTS AND PROCESSES

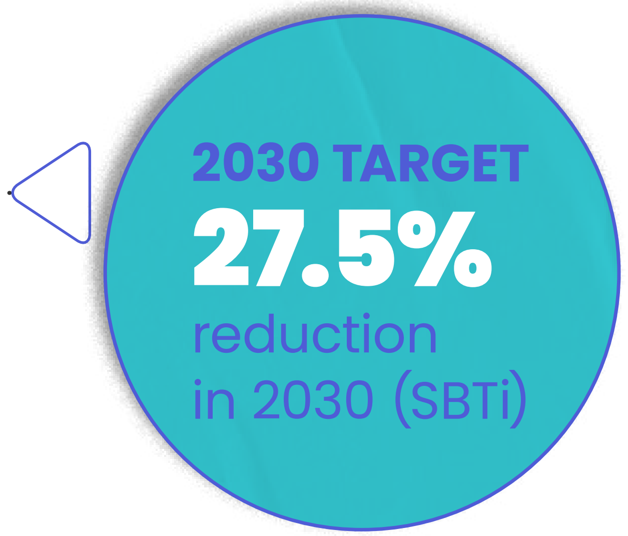
13 CLIMATE ACTION

GRI: 305-5
TCFD: TARGETS AND METRICS
SASB: RT-CH-110A.2
CSA S&P: 2.3 OPERATIONAL ECO-EFFICIENCY

Alpek has made meaningful progress towards its SBTi 2030 objective; however, its long-term commitment is to achieve carbon neutrality by 2050.

During 2023, Alpek developed a detailed roadmap towards a net zero future. This roadmap helps the Company identify and value current and future technological opportunities to decarbonize all its sites. In this exercise, Alpek went through a detailed analysis of the sites that represented over 90% of Alpek's Scope 1 and 2 emissions, determining the key strategies and stages for Alpek's Net Zero Journey.





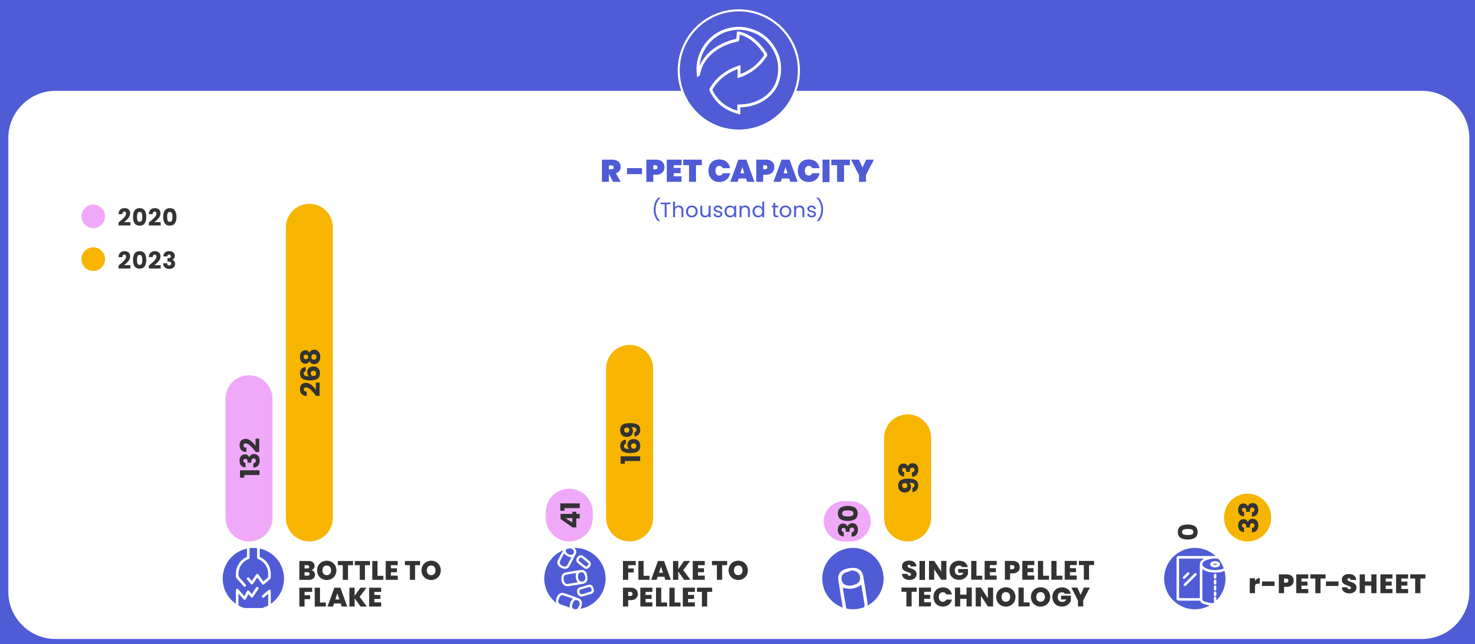
Note:
Optimization considers process and site portfolio optimization.

CIRCULARITY AND PRODUCT RESPONSIBILITY

GROW RESPONSIBLY

WE STRIVE TO CONTINUE GROWING SUSTAINABLY, MAKING SURE WE MINIMIZE ANY ADVERSE EFFECTS FROM OUR PRODUCTS AND PROCESSES

GRI: 2-25, 3-3, 201-2, 306-1, 306-2, 416-1
CSA S&P: 2.3 PRODUCT STEWARDSHIP
SASB: RT-CH-410A.1, RT-CH-410B.1, RT-CH-410B.2



STRATEGY AND EXECUTION

As a leading plastics manufacturing Company, Alpek is conscious of the challenges involving pollution and depletion of finite raw materials. However, the Company is committed to playing a key role in promoting a circular economy to mitigate these challenges.

Aligned with this vision, Alpek's long-term strategy prioritizes the development of products, as well as adapting its operations to generate a lower environmental impact and foster circular economy principles. Increasing the integration of recycled and bio-based raw materials, as well as optimizing the efficiency of its recycling sites, is fundamental to continue the path towards a circular future.

PROGRESS 2023

Throughout the year, Alpek focused on maximizing the efficiency of its existing recycling facilities through the exploration of innovative processes. Alpek's polyester business carried out various projects to improve its yield and increase the quality of the final recycled product. An example of these efforts is the investment of around $3 million USD in the addition of 3 bottle sorters and other automated equipment in its Richmond site, improving its recycling yield.

Alongside, the Company has been working to ensure that its circular products adhere to the highest standards of circularity practices. In a significant milestone, Alpek's expandable styrenics business obtained two different circularity-related certifications: the Scientific Certification System (SCS) Recycled Content Certification and the International Sustainability and Carbon Certification (ISCC) Plus for its expandable polystyrene with recycled content and its bio-based product, respectively.

OUR TARGETS

PET:
"Alpek plans to increase its PET bottle recycling capacity to 300 thousand annual metric tons by 2025 to meet its customers' recycled content needs."

PP:
"Alpek will leverage its partnerships to develop recycling solutions for Polypropylene and increase its share of Copolymers, employed in long-term usage applications."

EPS:
"Alpek commits to grow its long-term usage and sustainable applications for EPS, work on biodegradable alternatives, and increase recycling content in select products to at least 30% by 2030."

Meanwhile, the polyester business received a 3rd Party Post-Consumer Recycled Content (PCR) Certification, recognized by the Association of Plastic Recyclers (APR), for their products manufactured with recycled content in Richmond and Reading sites.

WATER MANAGEMENT

GROW RESPONSIBLY

WE STRIVE TO CONTINUE GROWING SUSTAINABLY, MAKING SURE WE MINIMIZE ANY ADVERSE EFFECTS FROM OUR PRODUCTS AND PROCESSES

14 LIFE BELOW WATER
6 CLEAN WATER AND SANITATION

GRI: 303-2 TO 5
CSA S&P: 2.7 WATER-RELATED RISKS
SASB: RT-CH-140A.1, RT-CH-140A.3

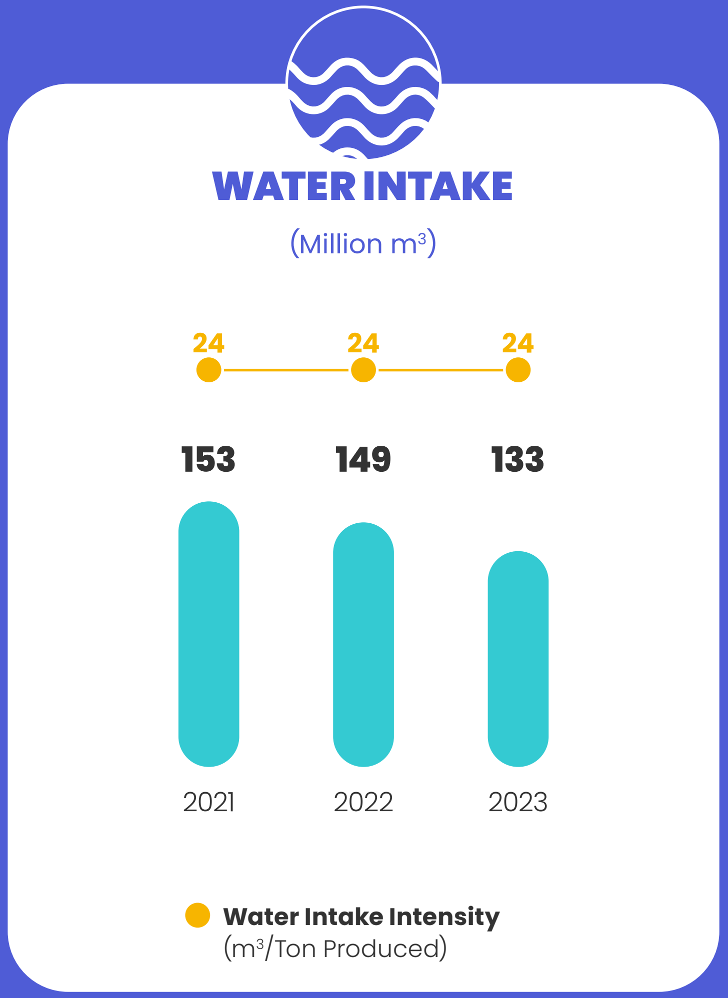
OUR TARGET

"Closely monitor our water consumption intensity, particularly in water-stressed areas, and identify opportunities to reduce it."

STRATEGY AND EXECUTION

Alpek remains committed to its strategy of optimizing water usage across all its sites while adhering to state and federal regulations. Recognizing the vital importance of water, as a resource essential to all life, Alpek is proactively addressing any detected related environmental challenges.

The Company constantly carries out overall water risk analysis using Aqueduct, allowing it to identify potential threats from several water indicators covering water quality, water depletion and water stress. This allows the Company to actively identify methods to enhance efficiency and reduce water usage in locations characterized by drought and freshwater scarcity.



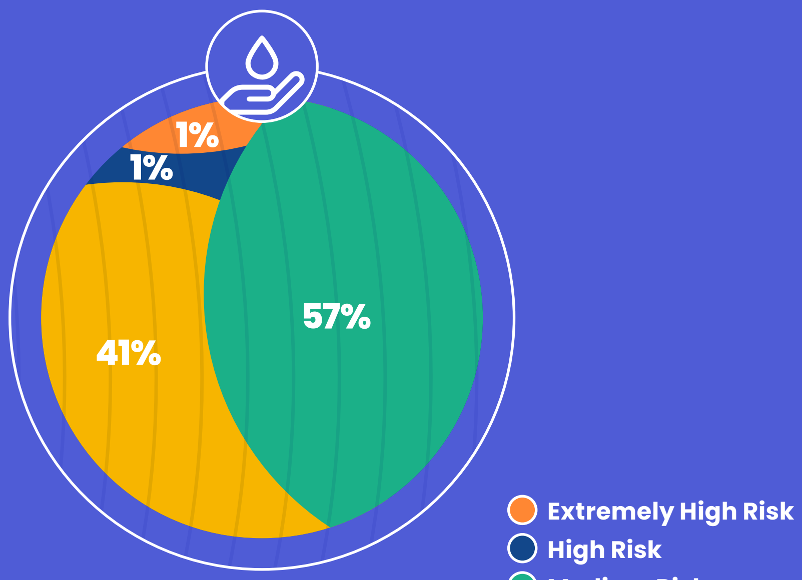
Note:
1. Breakdown of discharge and consumption will be disclosed in Alpek's Sustainability Report 2023.

PROGRESS 2023

Alpek has continued to adapt its sites to current and future hydric challenges by implementing practices to reduce water consumption and maximize the utilization of this resource. In Mexico, Alpek's polyester business installed a recirculation system that it is estimated to recover 25,000 m^3 of discharged water per year.

Following the commitment to mitigate the impact of water-stress in the sites located in high-risk zones, Alpek's expandable styrenics business has implemented a reuse system for discharged water for it to be utilized in other activities in one of its Chile's facilities. On the other hand, Alpek's specialty chemicals business has focused on reducing water consumption by standardizing and optimizing its processes. Additionally, Alpek is making efforts to keep improving the water quality of its effluents among its facilities.

% OF WATER INTAKE VOLUME BY WATER-STRESS LEVEL



Note:
1. The data presented reflects the Aqueduct results from 2023 analysis.

ENVIRONMENTAL MANAGEMENT

GROW RESPONSIBLY

WE STRIVE TO CONTINUE GROWING SUSTAINABLY, MAKING SURE WE MINIMIZE ANY ADVERSE EFFECTS FROM OUR PRODUCTS AND PROCESSES

OUR TARGET

"Alpek commits to comply with all regulatory environmental requirements and look for new ways to reduce its waste, water, air and biodiversity impacts."

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER

GRI: 3-3, 306-1, 306-2
TCFD: GOVERNANCE
SASB: RT-CH-150A.1
CSA S&P: 2.3 WASTE MANAGEMENT

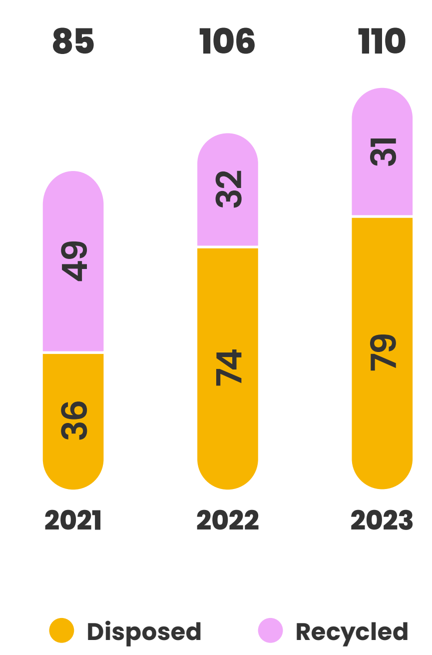
STRATEGY AND EXECUTION

Alpek's strategic focus to continue pushing for a more circular economy, particularly through increasing the capacity of its PET bottle recycling facilities, will continue to have an impact against its post-industrial waste initiatives. However, it's crucial to recognize that the overall environmental impact is reduced compared to the alternative, for the purchased PET bottle bales to end up in a landfill. Investing in recycling operations allows the Company to provide a new lease on life to its product and ensure proper disposal of any impurities.

As Alpek navigates these strategic priorities, it remains determined in its pursuit of innovative approaches to diminish waste landfill disposal, mitigate wastewater discharge, and abate air pollutants.

WASTE GENERATION

(Ktons)



Nota:
The data presented reflects hazardous and non-hazardous waste.

PROGRESS 2023

Currently, only 2% of Alpek's waste is hazardous and needs to be confined. 28% of the Company's waste is currently recycled, reused o commercialized, and 30% of Alpek's generated waste is directly derived from its recycling operations. Alpek has increased its sorting capability in some of its recycling facilities, improving the quality of its flake and increasing the process utilization rate. This allows the Company to decrease the potential impact of discarding valuable PET bottles. Alpek is working on increasing the reuse of packaging material, with the aim of decreasing waste to landfill.

OCCUPATIONAL SAFETY

LEAD WITH EMPATHY

WE EMPOWER OUR PEOPLE TO CREATE VALUE FOR OUR COMPANY AND COMMUNITIES

8 DECENT WORK AND ECONOMIC GROWTH | 3 GOOD HEALTH AND WELL-BEING

GRI: 403-1 TO 403-10
SASB: RT-CH 320A.1
CSA S&P: 3.7 OHS

85 implemented initiatives that ranged from safety training to facilities and machine adaptation

STRATEGY AND EXECUTION

Alpek constantly invests to ensure a safe and healthy workplace for all of its employees and contractors.

All of Alpek's facilities have a Health and Safety Management System based on international standards or national regulations.

PROGRESS 2023

During 2023, 2 of Alpek's business units and 34% of its total sites achieved zero recordable incidents.

By the end of 2023, a total of 42 initiatives were carried out to boost health and safety in its operations. Additionally, during 2023, Alpek had 43 safety related training programs with more than 13 thousand hours of training. These led to a reduction vs. its 2022 results of 27% in TRIR and 25% in LTIR.

Note:
1. TRIR and LTIR figures represent the cases per 200,000 worked hours.

OUR TARGET

"Alpek plans to reach a Total Recordable Incident Rate (TRIR) for its employees and contractors in the top decile of its industry, though its goal remains to achieve zero accidents every single day."

DIVERSITY, EQUITY AND INCLUSION (DEI)

LEAD WITH EMPATHY

WE EMPOWER OUR PEOPLE TO CREATE VALUE FOR OUR COMPANY AND COMMUNITIES

5 GENDER EQUALITY

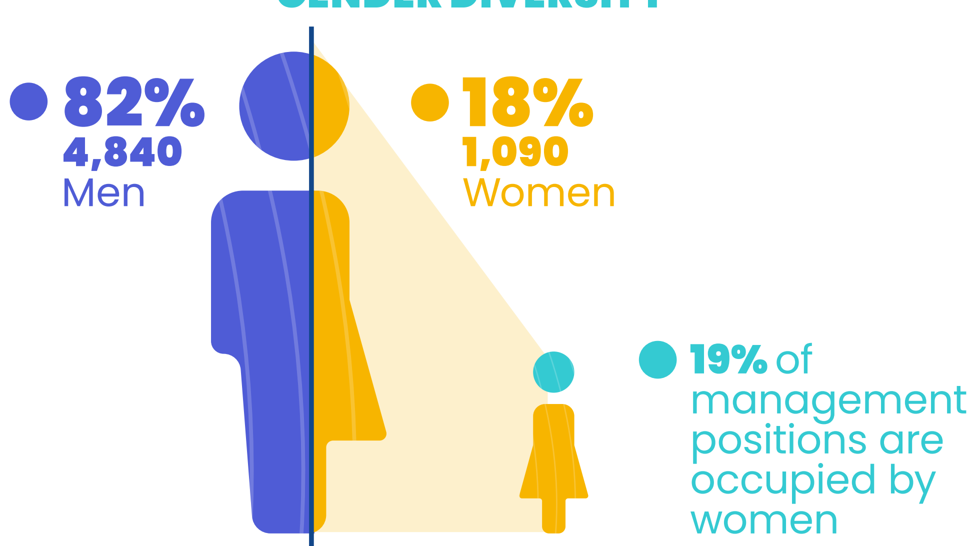
GRI: 405-1 TO 2
FTSE4GOOD: SLS16-1, 3, 7
CSA S&P: 3.6 TALENT ATTRACTION AND RETENTION

STRATEGY AND EXECUTION

Alpek believes that a diverse representation of gender, cultures and perspectives across all organizational levels and an inclusive workplace promotes innovation, creativity, and enhanced decision-making.

Implementing inclusive recruitment processes, minority-focused development programs and DEI training are key initiatives to achieve a diversified workforce.

GENDER DIVERSITY



Note: Management positions consider top, middle and junior management positions (from Jr. Management to Executives)

PROGRESS 2023

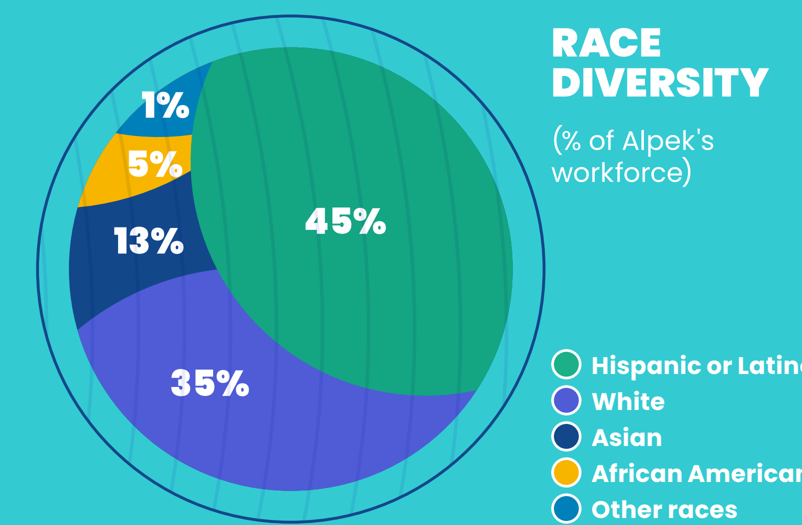
In 2023, Alpek reinforced its commitment to foster a more inclusive workforce by endorsing two important causes: Women Empowerment Principles by the United Nations Global Compact and UN Women, dedicated to gender equality, as well as Movimiento Congruencia, focused on occupational inclusion of people with disabilities.

Throughout the year, Alpek has implemented several initiatives aligned to its strategy:

- Provided unconscious bias training for managerial positions
- Sustained implementation of women's networks and mentoring programs
- Continued facility adaptation for women and individuals with disabilities
- Initiated preliminary gender pay gap analysis

RACE DIVERSITY

(% of Alpek's workforce)



Note:
1. Races classified according to S&P CSA report.

"We embrace women's contributions to our organization and society, acknowledging that equality is everyone's responsability. Alpek will further diversify its workforce through strategic hiring, retention, and organizational development. Our success relies on innovation that comes from having different strengths perspectives, and experiences."

WOMEN'S EMPOWERMENT PRINCIPLES

JORGE YOUNG
ALPEK CEO

SOCIAL IMPACT

LEAD WITH EMPATHY

WE EMPOWER OUR PEOPLE TO CREATE VALUE FOR OUR COMPANY AND COMMUNITIES

+US $110,000 in donations (cash, in-kind, etc.)

17 PARTNERSHIPS FOR THE GOALS

GRI: 201-1. 203-1, 203-2, 304-3, 413-1
CSA S&P: 3.6 CORPORATE CITIZENSHIP

STRATEGY AND EXECUTION

Alpek is committed to fostering a positive impact within the communities where it operates through proactive involvement in initiatives that prioritize environmental preservation, enhance people's welfare, and boost education.

+25,000 People benefitted

2,732 Employees and external volunteers

Clearance of ~1.5 tons of organic residue and installation of rain systems for over 500 trees. *Altamira, Mexico*

Reforestation with +700 trees in natural area. *Monterrey, Mexico.*

"Vive Verde" program raising recycling awareness for over 800 students. *Mexico*

OUR TARGET
"Alpek cares about all its local communities and is committed to investing its time and profits on activities that contribute to their safety, education, access to services, and quality of life."

PROGRESS 2023

During 2023, Alpek invested over U.S. $110,000 in community contributions, through initiatives such as health campaigns, infrastructure donations, and assistance activities for nursing homes and children, among others.

Alpek, acknowledging its responsibility to promote environmental awareness, volunteered in more than 20 schools across Argentina, Brazil, Chile, Mexico, United Kingdom and the United States, conducting conferences and establishing plastic collection centers to encourage recycling. In Mexico, the "Vive Verde" initiative fostered environmental understanding among +800 students.

Furthermore, over 700 Alpek collaborators and external volunteers engaged in reforestation and cleanup initiatives in beaches and rivers to preserve nearby environmental areas.

HUMAN RIGHTS

LEAD WITH EMPATHY

WE EMPOWER OUR PEOPLE TO CREATE VALUE FOR OUR COMPANY AND COMMUNITIES

GRI: 2-16, 2-22, 2-23, 2-25, 3-3, 203-2, 401-2
CSA S&P: 3.2 LABOUR PRACTICES; 3.3 HUMAN RIGHTS

STRATEGY AND EXECUTION

Alpek commits to establish policies and practices dedicated to upholding fundamental human rights and principles across its operations, value chain and communities. This commitment is vital to the Company's success and reflects its dedication to contributing to societal well-being.

OUR TARGET

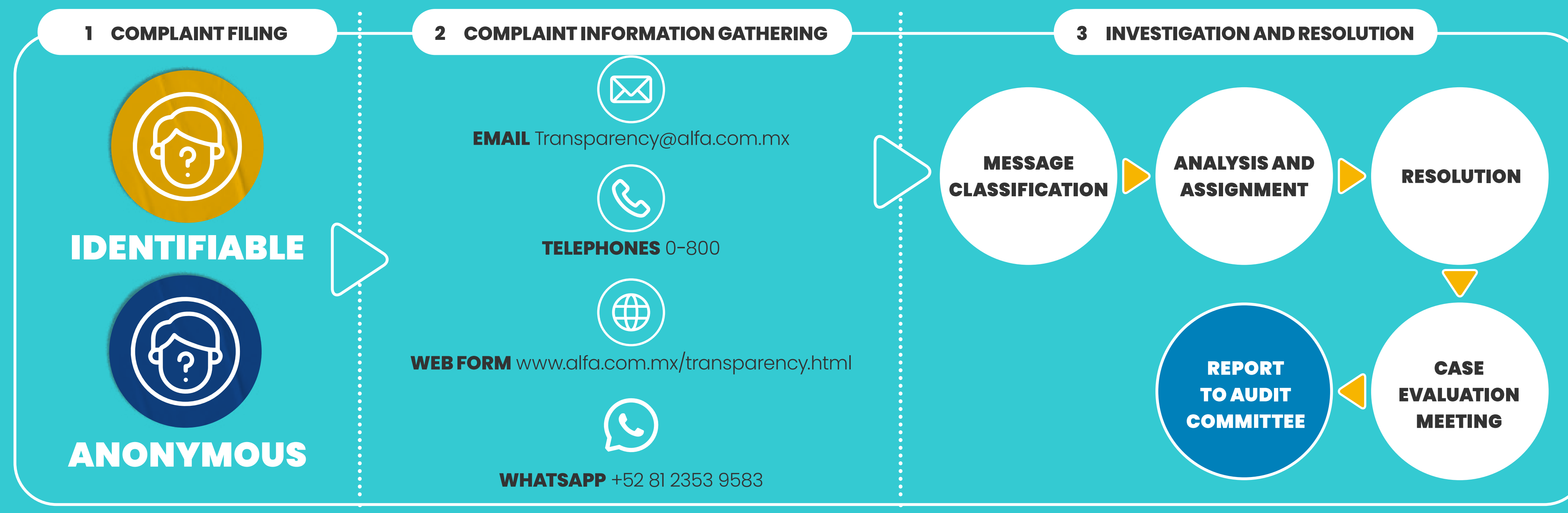
"Alpek is committed to carry out its operations under the highest standards of respect and defense of its employees and communities' human rights, as well as contributing to the society's wellbeing."

Progress 2023

During 2023, Alpek improved its Human Rights Policy to ensure its alignment to the International Labour Organization (ILO) principles. Additionally, since 2021, Alpek has pledged to the UN Global Compact to advance the protection of human rights.

To ensure adherence, Alpek has implemented a rigorous framework with sanctions for violations, well-defined reporting channels, and effective remediation processes. This approach guarantees compliance and accountability. Instances of human rights violations can be reported through the Integrity and Transparency Helpline, ensuring prompt and thorough resolution. Alpek's comprehensive strategy underscores its unwavering commitment to fostering a workplace and community that respects and upholds fundamental human rights.

This is how Alpek's Complaint-Case can be processed through the integrity and transparency helpline:



SUSTAINABLE CORPORATE GOVERNANCE

UPHOLD HIGHEST STANDARDS

WE ARE COMMITTED TO MEETING AND EXCEEDING THE HIGHEST ESG STANDARDS. OUR ONGOING FOCUS IS ON ENHANCING TRANSPARENCY AND ACCOUNTABILITY OF OUR PERFORMANCE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

GRI: 2-12 TO 14, 2-17
TCFD: GOVERNANCE, STRATEGY, RISK MANAGEMENT
CSA S&P: 1.1 CORPORATE GOVERNANCE

STRATEGY AND EXECUTION

Alpek firmly believes that the success of its sustainability strategy relies on active engagement and strong leadership within its top management.

Through the implementation of a comprehensive organizational structure and the establishment of periodic committees across management levels, Alpek ensures effective guidance, accountability, and stewardship of its ESG material topics, risks, and objectives.

PROGRESS 2023

To reinforce the alignment of Alpek's business strategy with its sustainability focus, Alpek recently incorporated Dr. Ana Laura Magaloni and Montserrat Ramiro onto the Board of Directors. Dr. Magaloni, a renowned lawyer with broad knowledge of Human Rights and Diversity, Equity and Inclusion (DEI), and Ms. Ramiro, an expert in the field of energy and renewable sources with over 25 years of experience in this sector. This reflects Alpek's commitment to embedding sustainability into its core business strategy. Furthermore, in 2023, Alpek achieved recognition as a Leader in Sustainable Innovation by HSBC and EY, specifically in the Governance category.

This acknowledgment is attributed to the Company's proactive efforts in creating a comprehensive ESG structure, which is overseen by its Board of Directors and its Executive Management. This alignment ensures the Company continues to tie executive compensation to ESG performance, increase transparency and reporting, as well as develop new policies to support its collaborators and value chain.

Board of Directors

BOARD MEETINGS
All ESG topics*
Frequency: Quarterly

C-Suite

ESG EXECUTIVE COMMITTEE
All ESG topics
Frequency: Quarterly

Management

CIRCULARITY COMMITTEE
- Climate Change
- Circularity
- Innovation
- Value Chain Management

Frequency: Quarterly

OPERATIONS COMMITTEE
- Climate Change
- Water
- Environmental Management
- Occupational Safety

Frequency: Quarterly

IT COMMITTEE
- Cybersecurity

Frequency: Bimonthly

* During Board Meetings ESG topics are reviewed

OUR TARGET

"Alpek is committed to further improving the composition and effectiveness of its Board by increasing the frequency ESG topics & metrics are reviewed, as well as enhancing the diversity and experience of its members."

TRANSPARENCY AND COMPLIANCE

UPHOLD HIGHEST STANDARDS

WE ARE COMMITTED TO MEETING AND EXCEEDING THE HIGHEST ESG STANDARDS. OUR ONGOING FOCUS IS ON ENHANCING TRANSPARENCY AND ACCOUNTABILITY OF OUR PERFORMANCE

GRI: 2-27
TCFD: GOVERNANCE, RISK MANAGEMENT
CSA S&P: 1.3 RISK MANAGEMENT

STRATEGY AND EXECUTION

Alpek acknowledges the importance of aligning its performance and practices with all industry regulations. Additionally, the Company commits to foster trust and credibility among its stakeholders and broader market through the transparency in its ESG performance.

PROGRESS 2023

During 2023, Alpek strengthened its compliance practices through the development of 5 new ESG-related policies and enhancement of 2 other policies. On the other hand, Alpek achieved and improvement in its ESG rating score thanks to its effort in improving its transparency and ESG performance.

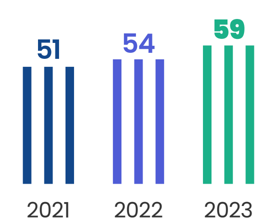
OUR TARGET

"Alpek is committed to comply with all applicable laws and regulations and enhance the transparency and accountability in its reporting process."

The following graphs show Alpek's progress from the most relevant rating agencies from 2021 to 2023.

S&P Global

ESG SCORE
(SCORE IMPROVEMENT YOY)

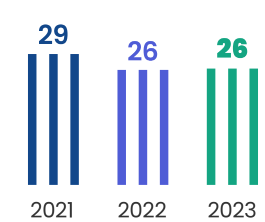


90 | 91 | 94

Percentile Chemical Industry

SUSTAINALYTICS

ESG RISK RATING
(RISK REDUCTION YOY. THE LESS RISK, THE BETTER)

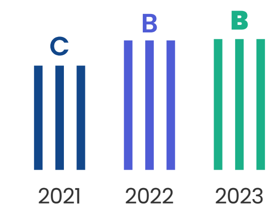


25 | 19 | 27

Risk percentile Chemical Industry

CDP

CLIMATE CHANGE
(SCORE IMPROVEMENT YOY)

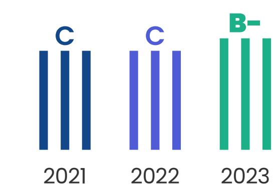


B | B- | B

Average score Chemical Industry

CDP

WATER SECURITY
(SCORE IMPROVEMENT YOY)



B | B | C

Average score Chemical Industry

RECOGNITIONS

2023 Company Leaders in Sustainable Innovation

S&P Dow Jones Indices — S&P/BMV Total Mexico ESG Index Member

Institutional Investor — 3rd in its segment

CYBERSECURITY

UPHOLD HIGHEST STANDARDS

WE ARE COMMITTED TO MEETING AND EXCEEDING THE HIGHEST ESG STANDARDS. OUR ONGOING FOCUS IS ON ENHANCING TRANSPARENCY AND ACCOUNTABILITY OF OUR PERFORMANCE

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

TCFD: RISK MANAGEMENT
CSA S&P: 1.7 CYBERSECURITY

STRATEGY AND EXECUTION

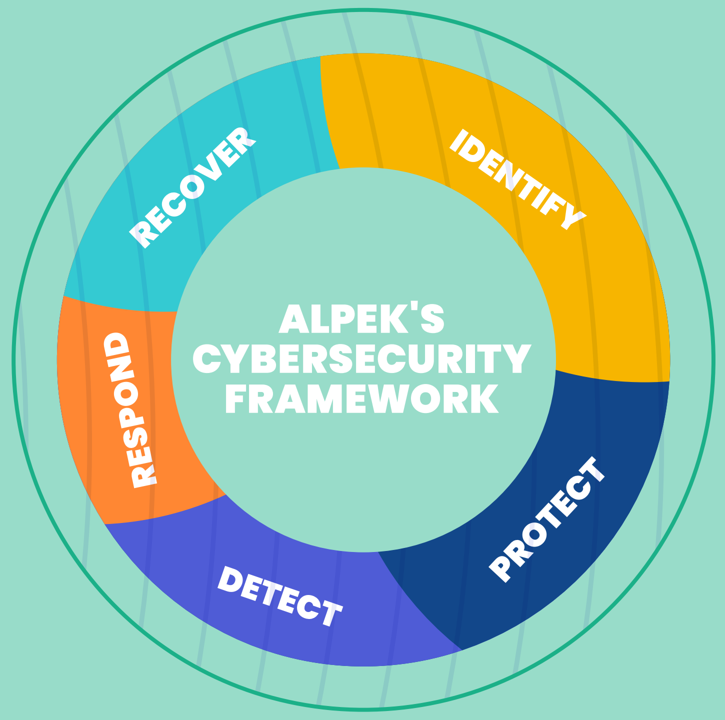
As cybersecurity challenges continue to evolve, Alpek acknowledges the importance and strategic priority of this material topic. In response, the Company's cybersecurity strategy relies on its Chief Information Security Officer, who ensures the effective development of diverse initiatives to enhance the safety of all information systems.

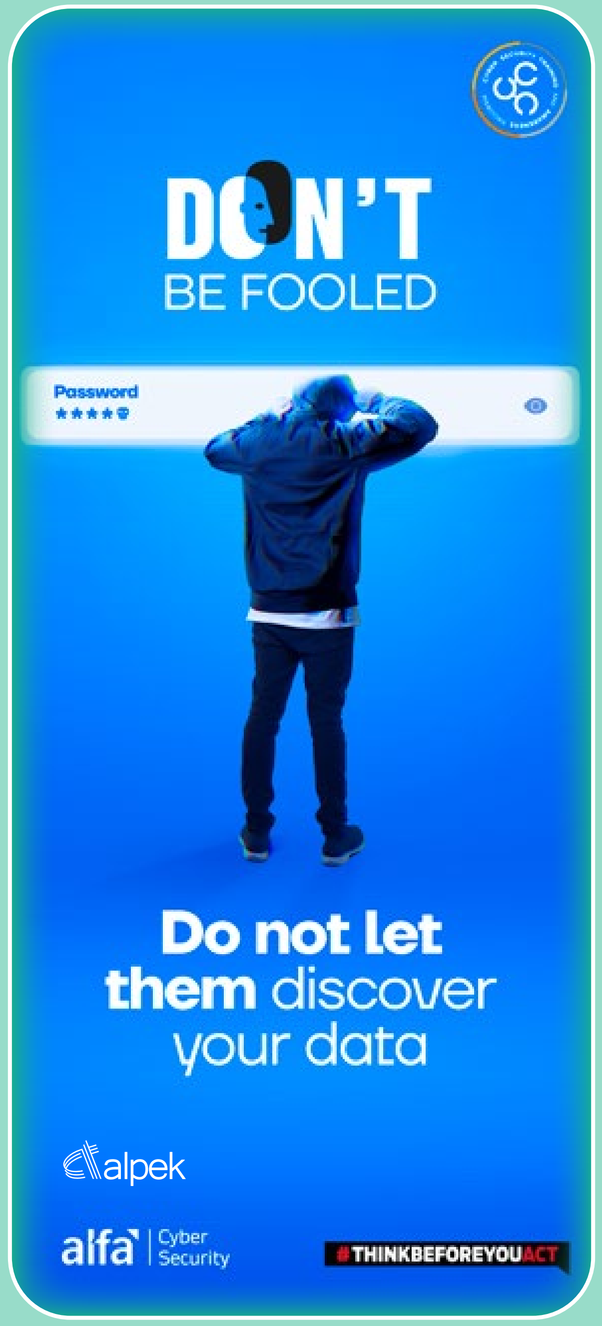
The cybersecurity strategy model has 3 focus areas:

- Cybersecurity Framework NIST (National Institute of Standards and Technology)
- Information Security Management
- Defense Systems Assessment

PROGRESS 2023

During 2023, Alpek strengthened its cybersecurity management by improving its incident response capabilities through the implementation of Digital Forensics and Incident Response (DFIR) systems. Additionally, the Company closely collaborated with each business unit to ensure steadfast progress in adapting and improving the cybersecurity framework.





Recognizing that a well-trained workforce is the primary defense against cybersecurity breaches, Alpek prioritized internal training throughout the year. This involved awareness campaigns, expert-led conferences, online training for all employees, as well as capacity-building and certification programs for technical specialists.

OUR TARGET

"Alpek is committed to securing its information and guaranteeing the continuity of its business by maintaining state-of-the-art cybersecurity systems, employee training, and incident response capabilities."

GOVERNANCE

CORPORATE GOVERNANCE

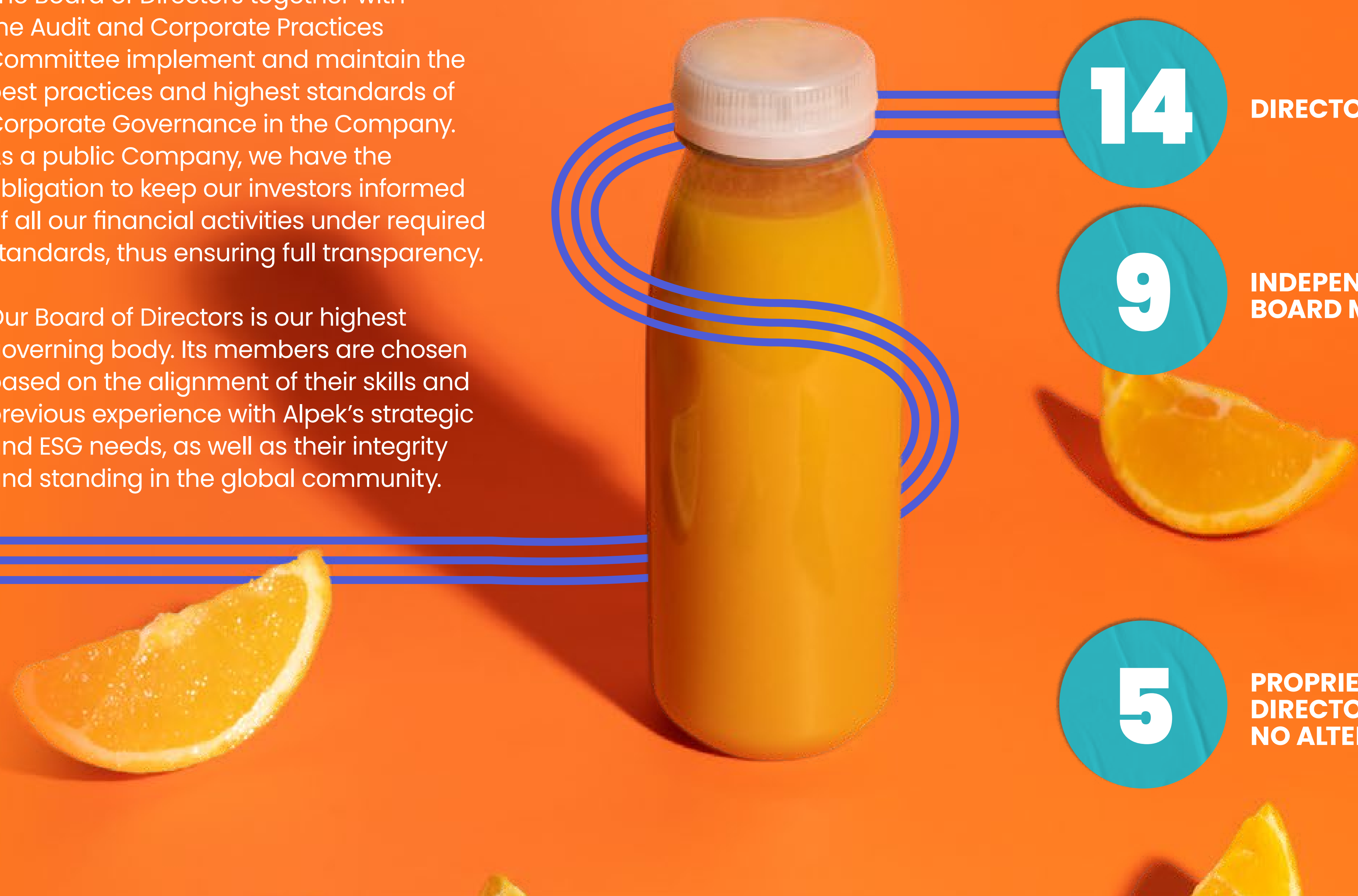
GRI: 2-9, 2-10, 2-11

64% of our Board members are independent, and 100% of the committee members are independent.

BOARD OF DIRECTORS

The Board of Directors together with the Audit and Corporate Practices Committee implement and maintain the best practices and highest standards of Corporate Governance in the Company. As a public Company, we have the obligation to keep our investors informed of all our financial activities under required standards, thus ensuring full transparency.

Our Board of Directors is our highest governing body. Its members are chosen based on the alignment of their skills and previous experience with Alpek's strategic and ESG needs, as well as their integrity and standing in the global community.



14 DIRECTORS

9 INDEPENDENT BOARD MEMBERS

5 PROPRIETARY DIRECTORS WITH NO ALTERNATES

21% OF OUR BOARD MEMBERS ARE WOMEN

AUDIT AND CORPORATE PRACTICES COMMITTEE

The Audit and corporate practices committee supports the Board, and is composed of independent members.

They oversee, among others, the following topics:

- Selection and determination of fees for the external auditor
- Coordination with the Company's internal audit committee
- Assessment of accounting policies, employment terms and severance payments, as well as compensation for senior executives
- Recommendations for succession plans and replacement options
- ESG issues review

4 Board meetings called by the Secretary in 2023. Annual meetings may be called by the Board's chairman, the Audit and Corporate Practices Committee's chairman, the secretary or at least 25% of its members. At least one meeting is dedicated to defining the Company's medium- and long-term strategies. Any conflict of interest must be disclosed by involved parties and they must abstain from participating.

- The Company has internal control systems with general guidelines that are submitted to the Audit and Corporate Practices Committee for its opinion. In addition, the external auditor validates the effectiveness of the internal control system and issues the corresponding reports.
- The Board of Directors is advised by the planning and finance department when evaluating matters related to the feasibility of investments, strategic positioning of the Company, alignment of investing and financing policies, and reviewing investment projects. This is carried out in coordination with the finance and planning department of the holding company, Alfa, S.A.B. de C.V.
- Alpek has a department that is specifically responsible for maintaining open communication with its shareholders and investors. This ensures that they have the financial and general information required to assess the Company's progress in developing its activities. This function makes use of press releases, notifications of relevant events, conference calls for quarterly reports, investor meetings, its website, and other communication channels.
- Alpek promotes good corporate citizenship and adheres to the recommendations issued by its holding company, Alfa, S.A.B. de C.V. It has a mission, vision, values and a code of ethics that are promoted within the organization.

97.9% meeting attendance during 2023

BOARD OF DIRECTORS

ARMANDO
GARZA SADA

- CHAIRMAN OF THE BOARD OF ALPEK

- Age: 66
- Tenure: 12 years (Since 2011)

Public boards (8):
ALFA (Chairman) • Nemak (Co-Chairman) • Axtel • Grupo Lamosa • Liverpool • CEMEX • BBVA México • CTAxtel (Co-Chairman)

Education:
BA from MIT • MBA from Stanford

FRANCISCO JOSÉ
CALDERÓN ROJAS

- INDEPENDENT PROPIETARY | AUDIT AND CORPORATE PRACTICES COMMITTEE

- CHIEF FINANCIAL OFFICER OF GRUPO FRANCA INDUSTRIAS S.A. DE C.V.

- Age: 57
- Tenure: 11 years (Since 2012)

Public boards (3):
BBVA México (Regional Advisor) • Citibanamex (Regional Advisor) • FEMSA (Alternate Member)

Education:
BA from ITESM • MBA from UCLA

ÁLVARO
FERNÁNDEZ GARZA

- CHIEF EXECUTIVE OFFICER OF ALFA, S.A.B. DE C.V.

- Age: 55
- Tenure: 12 years (Since 2011)

Public boards (5):
Axtel (Co-Chairman) • Nemak (Co-Chairman) • Cydsa • Vitro • CTAxtel (Co-Chairman)

Education:
BA from Notre Dame University • MBA from ITESM • MBA from Georgetown University

RODRIGO
FERNÁNDEZ MARTÍNEZ

- CHIEF EXECUTIVE OFFICER OF SIGMA ALIMENTOS S.A.DE C.V.

- Age: 47
- Tenure: 11 years (Since 2012)

Public boards (0):

Education:
BA from UVA • MBA from Wharton

RELEVANT EXPERTISE

PETROCHEMICALS | AUTOMOTIVE | ENVIRONMENTAL | SOCIAL | OPERATIONS | PUBLIC POLICY, CONSTITUTIONAL RIGHTS AND REGULATORY | CONSUMER GOODS | CONSTRUCTION | AUDIT & RISK MANAGEMENT | FINANCE | STRATEGIC PLANNING | ENERGY | REAL ESTATE | M & A

BOARD OF DIRECTORS

ANDRÉS E. GARZA HERRERA
- INDEPENDENT | AUDIT AND CORPORATE PRACTICES COMMITTEE

› VICEPRESIDENT OF THE BOARD OF QUALTIA
- Age: 55
- Tenure: 11 years (Since 2012)

Public boards (0):

Education:
- BA from ITESM
- MBA from San Diego University
- Global Leadership Program IMD Switzerland

MERICI GARZA SADA

› INVESTOR
- Age: 65
- Tenure: 11 years (Since 2012)

Public boards (0):

Education:
- BA from ITESM
- MA from Stanford

PIERRE FRANCIS HAAS GARCÍA
- INDEPENDENT

› MANAGING DIRECTOR OF ENERGY AT NAX GROUP
- Age: 71
- Tenure: 11 years (Since 2012)

Public boards (0):

Education:
- BA from ITESM
- MBA from IPADE
- PGD in Economics from Cambridge University

ANA LAURA MAGALONI KERPEL
- INDEPENDENT

› PARTNER AT MAGALONI ABOGADOS | EDITORIALIST AT GRUPO REFORMA
- Age: 60
- Tenure: 1 year (Since 2022)

Public boards (1):
- BBVA México

Education:
- BA from ITAM
- Ph.D. from Universidad Autónoma de Madrid
- Studies from the Judicial Specialization Center of the Mexican Supreme Court

RELEVANT EXPERTISE

PETROCHEMICALS | AUTOMOTIVE | ENVIRONMENTAL | SOCIAL | OPERATIONS | PUBLIC POLICY, CONSTITUTIONAL RIGHTS AND REGULATORY | CONSUMER GOODS | CONSTRUCTION | AUDIT & RISK MANAGEMENT | FINANCE | STRATEGIC PLANNING | ENERGY | REAL ESTATE | M & A

BOARD OF DIRECTORS

MONTSERRAT RAMIRO XIMÉNEZ
INDEPENDENT

INDEPENDENT CONSULTANT OF MEXICAN ELECTRICITY MARKET

- Age: 51
- Tenure: 1 year (Since 2023)

Public boards (1):
- BlackRock Mexico

Education:
- BA from ITAM | MEc from UCL
- GradDip from Harvard Extension School – Cambridge
- GradDip from Harvard Business School

JOSÉ ANTONIO RIVERO LARREA
INDEPENDENT

CHAIRMAN OF THE BOARD OF COMPAÑÍA MINERA AUTLÁN | CEO AND CHAIRMAN OF THE BOARD OF SFMH

- Age: 70
- Tenure: 5 years (Since 2018)

Public boards (1):
- Compañía Minera Autlán (Chairman)

Education:
- Executive OPM Program from Harvard
- Executive Program at MIT Sloan School & IMD Business School

JOSÉ DE JESÚS VALDEZ SIMANCAS

SENIOR ADVISOR OF ALFA

- Age: 71
- Tenure: 1 year (Since 2023)

Public boards (1):
- Betterware de México

Education:
- BS and MBA from ITESM
- MS from Stanford University

ALEJANDRO MARIANO WERNER WAINFELD
INDEPENDENT

FOUNDING DIRECTOR AT GEORGETOWN AMERICAS INSTITUTE

- Age: 57
- Tenure: 1 year (Since 2023)

Public boards (1):
- Acciona Energía

Education:
- BA from ITAM
- PhD from MIT

RELEVANT EXPERTISE

PETROCHEMICALS | AUTOMOTIVE | ENVIRONMENTAL | SOCIAL | OPERATIONS | PUBLIC POLICY, CONSTITUTIONAL RIGHTS AND REGULATORY | CONSUMER GOODS | CONSTRUCTION | AUDIT & RISK MANAGEMENT | FINANCE | STRATEGIC PLANNING | ENERGY | REAL ESTATE | M & A

BOARD OF DIRECTORS

JAIME ZABLUDOVSKY KUPER

- INDEPENDENT

> VP OF IQOM INTELIGENCIA COMERCIAL

- Age: 67
- Tenure: 4 years (Since 2019)

Public boards (1):
- Fibrahotel

Education:
- BA from ITAM
- Ph.D. from Yale

ENRIQUE DE JESÚS ZAMBRANO BENÍTEZ

- INDEPENDENT | AUDIT AND CORPORATE PRACTICES COMMITTEE

> CHAIRMAN OF GRUPO PROEZA, S.A. DE C.V.

- Age: 67
- Tenure: 11 years (Since 2012)

Public boards (1):
- BBVA México

Education:
- BA from ITESM & MIT
- MBA from Stanford

RELEVANT EXPERTISE

PETROCHEMICALS | AUTOMOTIVE | ENVIRONMENTAL | SOCIAL | OPERATIONS | PUBLIC POLICY, CONSTITUTIONAL RIGHTS AND REGULATORY | CONSUMER GOODS | CONSTRUCTION | AUDIT & RISK MANAGEMENT | FINANCE | STRATEGIC PLANNING | ENERGY | REAL ESTATE | M & A

MANAGEMENT TEAM

GUSTAVO TALANCÓN GÓMEZ
President of Polyester Filament and Fertilizer Business

DAVID COINDREAU GARZA
President of Specialty Chemicals Business

ALEJANDRO LLOVERA ZAMBRANO
President of Polyester Business

TERESA QUINTERO MÁRMOL
Senior Vice President Human Capital

JORGE P. YOUNG CERECEDO
Chief Executive Officer

JOSÉ CARLOS PONS DE LA GARZA
Chief Financial Officer

ALEJANDRO ALANÍS FERNÁNDEZ
President of Polypropylene Business

ANDREAS PLETTNER RUTISHAUSER
President of Expandable Styrenics Business

ROBERTO BLANCO SÁNCHEZ
President of Natural Gas Business

CODE OF CONDUCT

We have a code of conduct for all employees, suppliers and any third party involved in our business. This document establishes the core values, standards and culture that regulate our daily behaviors. The most relevant topics the Code addresses are anticorruption practices (including bribes and gift policies), conflict of interests, proprietary information, intellectual property, Human Rights, environmental protection, community relations, and occupational health and safety.

All of Alpek's operations are carried out under a framework of legality, respect for human rights and ethical conducts.

FOR MORE INFORMATION ON OUR CODE OF CONDUCT, PLEASE VISIT **OUR WEBSITE.**

FINANCIAL REVIEW

MANAGEMENT'S ANALYSIS

In the United States, the economy managed to continue to grow as consumer spending remained robust throughout the year amid challenges, including a run up in interest rates to fight inflation, higher mortgage rates, which caused lower home sales, federal budget policy volatility and growing geopolitical tensions.

The Mexican economy benefited from multiple factors that led to Mexico´s economic growth in 2023. The economy experienced a boom in private consumption, which remained resilient even during a period of high inflation from increased real wages, which encouraged consumption, and a strong labor market throughout the year. Nearshoring and public investments also triggered the economy to exceed expectations.

Throughout the year, the Mexican peso strengthened, closing the year at 16.89[d] pesos per dollar. The Mexican peso was the second most appreciated currency, after the Colombian peso. This appreciation was due to factors such as dollar flows from exports, remittances, and foreign direct investment, in addition to the wide interest rate differential between Mexico and the United States.

Argentina economic conditions were affected which by the end of year presented a record increased inflation in more than 30 years, reaching 211.4%. This situation is mainly caused by a shortage of reserves, elections and change of government. Additionally, the Argentine peso during the last month of the year experienced a devaluation of the exchange rate of more than 50%, ~ 800 Argentine pesos per dollar. This is one of the measures of an austerity plan with the objective of reducing the public deficit and inflation.

The behavior of the GDP and other variables in Mexico and the United States, which is essential to understanding the context of Alpek's results, is described below:

- In the United States, Gross Domestic Product (GDP) increased 2.5%[a] in 2023, higher than the 1.9%[a] reported in 2022. Consumer inflation was 3.4%[a] in 2023, lower than the 6.5%[a] recorded in 2022.
- Mexico's Gross Domestic Product (GDP) increased 3.1%[b] in 2023, compared to 3.1[b] in 2022. Consumer inflation was 4.7%[c] in 2023, lower than the 7.8[c] recorded in 2022. The Mexican peso experienced an annual appreciation of 12.7[d] in 2023.
- In Mexico, the average Interbank Equilibrium Interest Rate (TIIE) was 11.4%[e] in nominal terms, as compared to 7.9%[e] in 2022. In real terms, there was an increase in the annual aggregate of 6.2%[e] in 2023 and 0.3%[e] in 2022. Regarding interest rates, the annual average nominal 3month US dollar SOFR rate, was 5.2%[c] in 2023, compared to 2.2%[e] in 2022.

SOURCES:
(a) Bureau of Economic Analysis (BEA)
(b) National Institute of Statistics and Geography (INEGI)
(c) Bank of Mexico (Banxico)
(d) Banxico: Exchange rate for settling liabilities denominated in foreign currency payable in Mexico
(e) Internal calculation based on INEGI, Bureau of Economic Analysis (BEA), and Bureau of Labor Statistics (BLS), Bloomberg

Unless otherwise specified, figures are expressed in millions of nominal pesos, while certain figures are expressed as millions of dollars (US$) due to the high dollarization of Alpek's revenues. Percentage variations are stated in nominal terms. All information is presented in accordance with International Financial Reporting Standards (IFRS).

VOLUME [Thousand of tons]	2023	2022	2021	'23 VS '22 [%]	'22 VS '21 [%]
POLYESTER	3,785	4,099	3,796	-8	8
PLASTICS & CHEMICALS	849	966	1,002	-12	-4
TOTAL VOLUME	4,635	5,065	4,798	-8	6

PRICE INDEX	2023	2022	2021	'23 VS '22 [%]	'22 VS '21 [%]
POLYESTER					
MILLIONS OF PESOS	105	133	100	-21	33
MILLIONS OF DOLLARS	119	134	100	-11	34
PLASTICS & CHEMICALS					
MILLIONS OF PESOS	69	102	100	-33	2
MILLIONS OF DOLLARS	78	103	100	-24	3
TOTAL					
MILLIONS OF PESOS	92	129	100	-29	29
MILLIONS OF DOLLARS	104	130	100	-20	30

VOLUME

Alpek experienced a shift in industry and market conditions affecting our product portfolio reaching 4,635 thousands of tons in 2023, 8% lower than the 5,065 thousands of tons in 2022.

REVENUES	2023	2022	2021	'23 VS '22 [%]	'22 VS '21 [%]
POLYESTER					
MILLIONS OF PESOS	102,154	140,717	98,000	-27	44
MILLIONS OF DOLLARS	5,739	6,991	4,828	-18	45
PLASTICS & CHEMICALS					
MILLIONS OF PESOS	27,709	46,804	47,470	-41	-1
MILLIONS OF DOLLARS	1,556	2,321	2,342	-33	-1
OTHERS					
MILLIONS OF PESOS	8,296	24,914	10,754	-67	132
MILLIONS OF DOLLARS	464	1,243	528	-63	135
TOTAL REVENUES					
MILLIONS OF PESOS	138,159	212,435	156,224	-35	36
MILLIONS OF DOLLARS	7,759	10,555	7,697	-26	37

REVENUES

Alpek's total revenue in 2023 was $138,159 million (US $7,759 million), 35% lower than the $212,435 million (US $10,555 million) in 2022. This decrease was primarily driven by a decrease in average prices of 29% and 20% in pesos and dollars, respectively, from decreased feedstock prices along with a subdued consolidated volume.

REVENUES BY BUSINESS SEGMENT

Polyester's net revenues in 2023 were $102,154 million (US $5,739 million), 27% less than the $140,717 million (US $6,991 million) in 2022. This segment posted a decrease of 21% and 11% in average sale prices in pesos and dollars, respectively. Volume decreased 8% when compared to 2022 mainly due to lower consumer spending impacting demand. Plastics & Chemicals posted revenues of $27,709 million (US$1,556 million) in 2023, in comparison to the $46,804 million (US$2,321 million) in 2022. The average sale prices in pesos and in dollars decreased by 33% and 24%, respectively, with a volume decreased by 12% year-over-year, from additional PP capacity in the region and tempering demand, resulting in an overall 35% decrease in revenues.

EBITDA [Millions of pesos]	2023	2022	2021	'23 VS '22 [%]	'22 VS '21 [%]
POLYESTER	5,062	17,923	12,560	-72	43
PLASTICS & CHEMICALS	4,108	11,391	10,173	-64	12
OTHERS	90	110	501	-18	-78
TOTAL EBITDA	9,260	29,424	23,234	-69	27

EBITDA [Millions of dollars]	2023	2022	2021	'23 VS '22 [%]	'22 VS '21 [%]
POLYESTER	281	886	618	-68	43
PLASTICS & CHEMICALS	228	564	503	-60	12
OTHERS	5	5	25	-	-78
TOTAL EBITDA	514	1,455	1,145	-65	27

OPERATING PROFIT AND EBITDA

In 2023, the operating (loss) income was -$6,437 million (US -$386 million), 126% lower than the $24,539 million (US $1,212 million) in 2022. As of December 31, 2023, consolidated EBITDA was $9,260 million (US $514 million) a decrease of 69% compared to the $29,424 million (US $1,455 million) of 2022. The consolidated EBITDA includes a net negative effect from extraordinary items of $3,831 million (US $221 million), resulting in a Comparable EBITDA of $13,092 million (US $734 million), 53% lower than in 2022.

OPERATING PROFIT AND EBITDA BY BUSINESS SEGMENT

In 2023, the EBITDA for the Polyester segment decreased by 72% to $5,062 million (US $281 million), including a net negative effect from extraordinary items of $3,781 million (US $216 million). Adjusting for these items, the Comparable EBITDA for the Polyester segment was $8,842 million (US $497 Million), a decrease of 47% year-over-year from a softness in demand driven from normalization of ocean freight costs, an imbalance between supply and demand. The EBITDA for the Plastics & Chemicals segment decreased 64% to $4,108 million (US $228 million), compared to $11,391 million (US $564 million) in 2022, including a net negative effect from extraordinary items of $51 million (US $5 million). Adjusting for these items, the Comparable EBITDA for the Plastics & Chemicals segment was $4,159 million (US $232 million), a decrease of 64% year-over-year, from greater influence from Asian imports in the Americas, mainly for the EPS businesses and additional PP capacity in the region.

NET FINANCIAL RESULT

In 2023, the net financial cost was -$2,668 million (US -$151 million), 11% lower than in 2022. The net financing expenses that comprise this item increase from -$2,302 million (US -$114 million) in 2022, to -$2,665 million (US -$149 million) in 2023. In addition, variations in exchange rates resulted in the recognition of a non-cash foreign exchange loss of -$3 million (US -$1 million) in 2023, versus -$695 million (US -$34 million) in 2022.

TAXES

In 2023, an income tax was posted for -$727 million (US -$39 million) as a result of a decreased pretax income, while 2022 posted an income tax of -$5,509 million (US -$272 million).

FINANCIAL RESULT, NET [Millions of pesos]	2023	2022	2021	'23 VS '22 [%]	'22 VS '21 [%]
FINANCIAL EXPENSE	-3,982	-3,224	-3,082	-23	-5
FINANCIAL INCOME	1,317	922	590	43	56
FINANCIAL EXPENSES, NET	-2,665	-2,302	-2,492	-16	8
LOSS DUE TO EXCHANGE FLUCTUATION, NET	-3	-695	-652	100	-6
FINANCIAL RESULT, NET	-2,668	-2,997	-3,144	11	5

TAXES [Millions of pesos]	2023	2022	2021	'23 VS '22 [%]	'22 VS '21 [%]
Income (loss) before taxes	-9,306	21,475	14,311	-143	50
Income tax rate	30%	30%	30%		
Statuory income tax rate (expenses) benefit	2,792	-6,443	-4,293	143	-50
Taxes for permanent differences between accounting-taxable profit	-3,519	934	178	-477	423
TOTAL INCOME TAX	-727	-5,509	-4,115	87	-34
Effective tax rate	8%	26%	29%		
COMPRISED AS FOLLOWS					
Current income tax	-2,358	-5,345	-4,304	56	-24
Deferred income tax	1,631	-164	189	1,095	-187
TOTAL INCOME TAX	-727	-5,509	-4,115	87	-34

STATEMENT OF INCOME [Millions of pesos]	**2023**	**2022**	**2021**	**'23 VS '22** [%]	**'22 VS '21** [%]
OPERATING (LOSS) INCOME	-6,437	24,539	17,494	-126	40
FINANCIAL RESULT, NET	-2,668	-2,997	-3,144	11	5
EQUITY IN INCOME OF ASSOCIATES AND JOINT VENTURES	-201	-67	-39	-200	-74
INCOME TAX	-727	-5,509	-4,115	87	-34
CONSOLIDATED NET (LOSS) INCOME	-10,033	15,966	10,196	-162	57
(LOSS) INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	-10,914	13,744	7,756	-178	77

NET (LOSS) INCOME ATTRIBUTABLE TO THE CONTROLLING INTEREST

In 2023, consolidated net (loss) income attributable to the controlling interest was -$10,914 million (US -$636 million), 178% lower than the $13,744 million (US $679 million) in the previous year, stemming from lower operating income.

INVESTMENTS IN FIXED AND INTANGIBLE ASSETS

In 2023, investments in fixed and intangible assets totaled $4,965 million (US $277 million), 71% lower than the $17,339 million (US $862 million) posted in 2022. A portion of the resources were allocated to CCP, asset replacements as well as schedule maintenance.

NET DEBT[1]

Net debt was $29,205 million (US $1,729 million) as of December 31, 2023, 19% below the $36,005 million (US $1,860 million) as of December 31, 2022. The cash balance and cash equivalents totaled $7,714 million (US $457 million) Including restricted cash at year end 2023.

FINANCIAL INDICATORS [Times]	2023	2022	2021
NET DEBT / EBITDA	3.4	1.3	1.1
INTEREST COVERAGE	3.4	11.4	8.7
TOTAL LIABILITIES / STOCKHOLDERS' EQUITY	2.1	1.6	1.5

SHORT AND LONG TERM DEBT[2] [Millions of Dollars]	2023	2022	'23 VS '22	INTEGRATED 2023	INTEGRATED 2022
SHORT-TERM DEBT	41	49	-16%	2%	2%
CURRENT PORTION OF LT DEBT	0	300	-100%	0%	15%
2 YEARS	0	25	-100%	0%	1%
3 YEARS	133	0	100%	7%	0%
4 YEARS	503	50	905%	25%	2%
5 YEARS	200	500	-60%	10%	25%
6 YEARS	499	0	100%	25%	0%
7 YEARS	0	499	-100%	0%	25%
8+ YEARS	605	605	0%	31%	30%
TOTAL	1,981	2,027	-2%	100%	100%
AVG. MATURITY LONG-TERM DEBT (years)	5.2	5.4			
AVG. MATURITY TOTAL DEBT (years)	5.2	5.5			

(1) Net Debt = Current debt plus non-current debt (excluding debt issuance costs), plus accrued interest payable, less cash and cash equivalents, less restricted cash and cash equivalents.
(2) Excludes leases and lease interests.

APPENDIX

GLOSSARY

Arcel®

- A Polystyrene (PS) & Polyethylene (PE) copolymer used in protective packaging for high-end products like electronics. Due to its resistance to tearing, puncturing, cracking, and flaking, it absorbs shocks without decreasing its protection.

Circularity

- All products that have a circularity focus are manufactured in a way so they can be disassembled or come to their end-of-life and their materials will either be broken down by nature or returned to production. It means that these products are designed, and developed with their end-of-life taken into consideration.

Clean industry Certification

- Certification granted by The mexican environmental Protection agency (profepa) To companies that comply with Environmental legislation.

Co_2 emissions

- Unit to measure the carbon dioxide produced by the burning of solid, liquid and gaseous fuels, Including natural gas.

Comprehensive responsibility administrative system (National Association of the Chemical Industry, ANIQ)

- Certification given to companies that comply with the six comprehensive responsibility requirements established by the ANIQ, covering Process safety, Health and safety in the workplace, Product safety, Transportation and distribution, Prevention and control of environmental pollution and Community protection.

ESG

- Environmental, Social and Governance.

Ethane

- Hydrocarbon part of the natural gas liquids, which at room temperature is colorless and odorless. It is used as a raw material to produce ethylene.

Ethylene

- Compound produced from ethane. It is the raw material used to produce vinyl acetate, ethyl chloride, styrene, ethylene oxide and polyethylenes.

Ethylene oxide

- Compound produced from ethylene and used as an intermediate in the production of MEG and other chemicals.

Expandable polystyrene (EPS)

- Light, rigid, cellular plastic, product of the polymerization of styrene monomer. EPS is a versatile material because of its properties as an impact reducer and thermal insulator, with customized molding capacity. These properties, combined with the ease with which it can be processed, make EPS a popular packaging for impact-sensitive items and for protecting perishables. It is also widely used in construction systems, to lighten floor and roof structures, and as an insulator.

Greenhouse gases (GHG)

- Components of the atmosphere that absorb and emit radiation within the infrared range, causing the Earth's surface temperature to increase.

LTIR

- Lost Time Incident Rate is a standard OSHA metric that calculates the number of incidents that result in time away from work.

Megawatt (MW)

- Unit of power, equal to 1 million watts.

Paraxylene (PX)

- Hydrocarbon in the xylene family used to produce PTA. It is also a component of gasoline.

Polyethylene terephthalate (PET/vPET)

- Material widely used to manufacture bottles and other containers for liquids, food and personal hygiene, household and healthcare products. PET flakes and films are used to produce caps, trays and recipients. Because of its transparency, strength, durability and high protection barriers, PET presents no known health risks, is light and recyclable, and has a wide range of applications in reusable, temperature-sensitive packaging. PET

GLOSSARY

has replaced glass and aluminum, as well as other plastics such as PVC and polyethylene, for making containers.

Recycled polyethylene Terephthalate (rPET)

- PET bottles are cleaned and crushed to produce new PET products. Other rPET uses include carpets, fabrics for the clothing industry, and fibers.

Polypropylene (PP)

- Thermoplastic polymer, produced from the polymerization of propylene monomer. Its properties include a low specific gravity, great rigidity, resistance to relatively high temperatures and good resistance to chemicals and fatigue. PP has diverse applications, including for packaging, textiles, recyclable plastic parts and different kinds of containers, autoparts and polymer (plastic) banknotes.

Propylene

- Unsaturated, 3-carbon hydrocarbon, coproduct of the cracking process at petrochemical complexes and a by-product at oil refineries. It is used in the petrochemical industry to produce PP, propylene oxide, cumene, isopropanol, acrylic acid and acrylonitrile. It is also converted into a gasoline component by alkylation with butanes or pentanes

Propylene oxide

- Compound produced from propylene and used to manufacture commercial and industrial products, including polyols, glycols and glycol-ethers.

Purified terephthalic acid (PTA)

- Aromatic dicarboxylic acid, the main raw material in polyester production. PTA is produced by the oxidation of paraxylene. It is used to manufacture PET, which is then used to make bottles for water, soft drinks and other beverages, containers and other packaging, and polyester fiber for rugs, clothing, furniture and industrial applications, as well as other consumer products.

SBTi

- Science Based Targets initiative (SBTi) is a collaboration between the Climate Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) to help companies define a target of emissions reduction.

Scope 1, 2 and 3

- Scope 1 are emissions directly related to the operations, Scope 2 are emissions related to utilities (indirectly) and scope 3 are emissions that are generated up and down the chain of a product creation and use (suppliers and customers).

SDGs

- Sustainable Development Goals.

Single-pellet technology™

- The Single-pellet Technology creates a pellet where mechanically Recycled PET (rPET) flake is used as a raw material feedstock in the virgin PET production process. Once injected into the PET manufacturing process, the rPET flake melts and the polymer is chemically integrated allowing the rebuilding of polymer chains to create a new PET resin pellet with an integrated recycle content of up to 25% with performance equal to that of virgin PET.

Styrene monomer

- Unsaturated hydrocarbon used to make a variety of plastics, synthetic rubber, protective coatings and resins. It is the main raw material in EPS production and used as a solvent and chemical intermediate.

TRIR

- "Total Recordable Incident Rate." It is a calculation that takes into account how many OSHA recordable incidents your company has per number of hours worked.

Watt

- Unit of power in the International System of Units (SI).

WEPs

- Women's Empowerment Principles

OUR FOOTPRINT

GO BACK TO **MARKET PRESENCE**

NOTE: rPET flake capacity was modified to reflect inputs / totals and may reflect rounding.
Kta: Thousand tons per year.
SOURCE: Alpek estimates.

MEXICO (3,310)

SITE	PTA	RESIN	SHEET	FLAKE	PELLET	SPT	FIBERS	PP	EPS	ARCEL	OTHER
MONTERREY							160				
ALTAMIRA	1,000							640	240		
SALAMANCA											360
COSOLEACAQUE	610	185				15					
LERMA											100

USA (2,753)

SITE	PTA	RESIN	SHEET	FLAKE	PELLET	SPT	FIBERS	PP	EPS	ARCEL	OTHER
FAYETTEVILLE, NC		170		64							
CHARLESTON, SC		170				15					
COLUMBIA, SC	640	725									
BAY ST. LOUIS, MS		430				15					
RICHMOND, IN				66	31						
DARLINGTON, SC					26						
MONACA, PA									123	36	
CINCINNATI, OH			33						45		
READING, PA				115	49						

OUR FOOTPRINT

GO BACK TO **MARKET PRESENCE**

Canada (144)

SITE	PTA	RESIN	SHEET	FLAKE	PELLET	SPT	FIBERS	PP	EPS	ARCEL	OTHER
MONTREAL		144									

Argentina (246)

SITE	PTA	RESIN	SHEET	FLAKE	PELLET	SPT	FIBERS	PP	EPS	ARCEL	OTHER
ZÁRATE		190									
PACHECO				22	15						
GENERAL LAGOS									19		

Brazil (1,226)

SITE	PTA	RESIN	SHEET	FLAKE	PELLET	SPT	FIBERS	PP	EPS	ARCEL	OTHER
GUARATINGUETA									46		
IPOJUCA	640	450					90				

Chile (28)

SITE	PTA	RESIN	SHEET	FLAKE	PELLET	SPT	FIBERS	PP	EPS	ARCEL	OTHER
SANTIAGO											5
PUERTO MONTT											2
PUNTA ARENAS											1
CONCÓN									20		

OUR FOOTPRINT

GO BACK TO **MARKET PRESENCE**

Oman (1,072)

SITE	PTA	RESIN	SHEET	FLAKE	PELLET	SPT	FIBERS	PP	EPS	ARCEL	OTHER
SALALAH		576	400		48	48					

Saudi Arabia (11)

SITE	PTA	RESIN	SHEET	FLAKE	PELLET	SPT	FIBERS	PP	EPS	ARCEL	OTHER
RIYADH											11

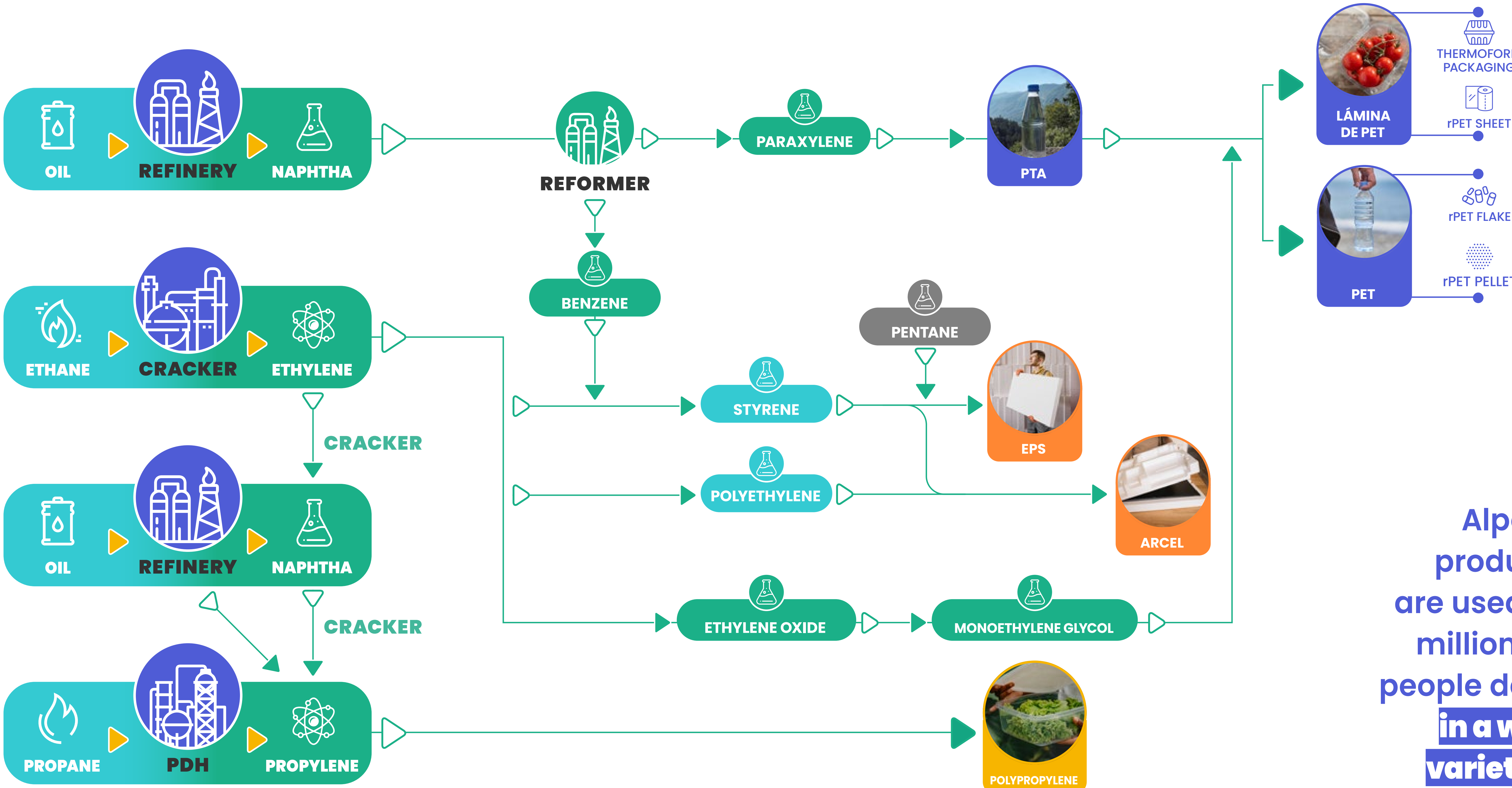
UK (220)

SITE	PTA	RESIN	SHEET	FLAKE	PELLET	SPT	FIBERS	PP	EPS	ARCEL	OTHER
WILTON		220									

TOTAL: 9,011 Kta

PTA	RESIN	SHEET	FLAKE	PELLET	SPT	FIBERS	PP	EPS	ARCEL	OTHER
2,890	3,260	433	268	169	93	250	640	493	36	479

OUR VALUE CHAINS



Alpek's products are used by millions of people daily, **in a wide variety of applications.**

OUR APPROACH TO REPORTING

This report was prepared with reference to the GRI Standards 2021 and 2016 versions, ensuring compliance with the clarity, balance, comparability, completeness, and timeliness principles, as a minimum.

Striving to improve how we manage ESG issues, in addition to the GRI contents and our contributions to the Sustainable Development Goals, we include information to meet the Sustainability Accounting Standards Board (SASB) applicable to Chemicals and our performance within the framework developed by the Task Force for Climate-related Financial Disclosures (TCFD).

The publication of our sustainability performance information, aligned with our financial materiality, represents a significant step towards integrating environmental, social, and governance (ESG) criteria into our core business strategy. This initiative not only underscores the company's commitment to sustainability but also highlights its recognition of the growing importance of sustainable practices in today's corporate landscape.

Likewise, we maintain our commitment to contribute to the Sustainable Development Goals (SDG) of the United Nations, 2030 Agenda.

FOR ADDITIONAL INFORMATION, WE PREPARED AN ESG BOOKLET AVAILABLE ON:
HTTPS://WWW.ALPEK.COM/ESG/GOVERNANCE/

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021, AND INDEPENDENT AUDITORS' REPORT DATED JANUARY 31, 2024

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 Filling 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

	Note	2023	2022	2021
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	(127,863)	(181,401)	(131,537)
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	(10,883)	448	(1,157)
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	(3)	(695)	(652)
Financial result, net		(2,668)	(2,997)	(3,144)
Equity in loss of associates and joint ventures recognized using the equity method		(201)	(67)	(39)
(Loss) income before taxes		(9,306)	21,475	14,311
Income taxes	20	(727)	(5,509)	(4,115)
Net consolidated (loss) income		$ (10,033)	$ 15,966	$ 10,196
(Loss) income attributable to:				
Controlling interest		$ (10,914)	$ 13,744	$ 7,756
Non-controlling interest		881	2,222	2,440
		$ (10,033)	$ 15,966	$ 10,196
(Losses) earnings per basic and diluted share, in Mexican pesos		$ (5.18)	$ 6.52	$ 3.67
Weighted average outstanding shares (millions of shares)		2,107	2,108	2,111

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:				
Items that will not be reclassified to the statement of income:				
Remeasurement of employee benefit obligations, net of taxes	19, 20	5	(19)	344
Items that will be reclassified to the statement of income:				
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	(5,923)	(2,652)	110
Total other comprehensive (loss) income for the year		(5,154)	(3,525)	22
Consolidated comprehensive (loss) income		$ (15,187)	$ 12,441	$ 10,218
Attributable to:				
Controlling interest		$ (15,381)	$ 10,556	$ 7,586
Non-controlling interest		194	1,885	2,632
Comprehensive (loss) income for the year		$ (15,187)	$ 12,441	$ 10,218

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)

	2023	2022	2021
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	US$ 657.2

[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 plan; 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	47
Gain from a bargain purchase	(1)
Paid consideration	$ 46

[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 assured. 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:

		Shareholding (%) [2]			Functional
	Country[1]	**2023**	2022	2021	Currency
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
Octal [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 21).

[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:

	Local currency to Mexican pesos					
	Closing exchange rate at December 31,			Average annual exchange rate		
Currency	**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
Financial assets measured at amortized cost:			
Trade and other accounts receivable	13,236	19,669	20,725
Other non-current assets	3,140	3,960	4,085
Financial assets measured at fair value through profit or loss			
Derivate financial instruments [1]	95	10	351
	$ 24,184	$ 30,511	$ 35,715
Financial liabilities measured at amortized cost:			
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
Financial liabilities measured at fair value:			
Derivative financial instruments [1]	265	1,241	254
	$ 63,053	$ 74,451	$ 63,512

[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		2022		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 ("TIIE" 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' 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	$ 2,143	$ (12,659)	$ 933

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 Currency	Hedging Instrument	Notional Value	Hedged Item	Net assets of the 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 Currency	Hedging Instrument	Notional Value	Hedged Item	Net assets of the 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 Currency	Hedging Instrument	Notional Value	Hedged Item	Net assets of the 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:

	Forwards EUR/USD			
Characteristics	**2023**	**2023**	**2022**	**2021**
Currency	GBP	EUR	EUR	EUR
Notional amount	10	29	24	8.1
Strike (average)	1.2639	1.0877	1.0738	1.2421
Maturity	Monthly through December 30, 2024	Monthly through December 30, 2024	Monthly through December 30, 2023	Monthly through December 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%

Characteristics	As of December 31, 2021 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%	99.9%	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 derivate 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	$ 7,391	$ 6,319	$ 10,541

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	$ 17,473	$ 23,248	$ 24,502

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]	0.65%	3.42%	(31)	(1)	16	-	(16)
Total			$ (2,531)	$ (180)	$ 209	$ 415	$ (2,087)

[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]	0.81%	8.22%	(77)	-	46	-	(31)
Total			$ (2,928)	$ (119)	$ 320	$ 196	$ (2,531)

[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			$ (2,714)	$ (188)	$ 53	$ (79)	$ (2,928)

[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
	$ 23,322	$ 33,893	$ 25,705

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	$ 750	$ 772	$ 717

[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	$ 3,995	$ 5,273	$ 24,581	$ 139	$ 735	$ 3,276	$ 1,406	$ 39,405
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	$ 3,995	$ 5,273	$ 24,581	$ 139	$ 735	$ 3,276	$ 1,406	$ 39,405
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	$ 3,853	$ 9,356	$ 29,480	$ 131	$ 735	$ 3,258	$ 1,638	$ 48,451
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	$ 3,853	$ 9,356	$ 29,480	$ 131	$ 735	$ 3,258	$ 1,638	$ 48,451

	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	$ 3,451	$ 6,778	$ 25,660	$ 124	$ 616	$ 2,927	$ 1,396	$ 40,952
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	-	(10,682)	(50,704)	(245)	(1,617)	-	-	(63,248)
Net carrying amount as of December 31, 2023	$ 3,451	$ 6,778	$ 25,660	$ 124	$ 616	$ 2,927	$ 1,396	$ 40,952

(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

			Definite life					Indefinite life		
Cost	Development costs	Non-compete agreements	Customer relationships	Patent	Software and licenses	Trademarks with definite life	Intellectual property, and others	Goodwill	Other	Total
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	$ 841	$ 71	$ 893	$ 1,392	$ 292	$ 181	$ 3,186	$ 338	$ 8	$ 7,202

Amortization and Impairment	Definite life							Indefinite life		
	Development costs	Non-compete agreements	Customer relationships	Patent	Software and licenses	Trademarks with definite life	Intellectual property, and others	Goodwill	Other	Total
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	$ (561)	$ (71)	$ (630)	$ (217)	$ (181)	$ (121)	$ (1,927)	$ -	$ -	$ (3,708)
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	$ 280	$ -	$ 263	$ 1,175	$ 111	$ 60	$ 1,259	$ 338	$ 8	$ 3,494

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	$ 3,140	$ 3,960	$ 4,085
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	$ 4,381	$ 13,987	$ 14,179

[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		$ 261	$ 9,162	$ 9,045

[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
		$ 881	$ 2,222	$ 2,440	$ 4,530	$ 5,291	$ 5,870

[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
	$ 27,129	$ 31,985	$ 29,853

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]	$ 689	$ 7,712	$ 2,660

	As of December 31,		
	2023	2022	2021
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	$ 32,648	$ 31,369	$ 29,333

[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		18,527	(95)	216	18,648	27,271	30,895		
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		14,119	(30)	88	14,177	10,177	619		
Other loans	USD	127	-	-	127	147	156	Various	Various
Total		32,773	(125)	304	32,952	37,595	31,670		
Less: current portion and interest of non-current debt		-	-	(304)	(304)	(6,226)	(2,337)		
Non-current debt		$ 32,773	$ (125)	$ -	$ 32,648	$ 31,369	$ 29,333		

(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
	$ -	$ -	$ 2,209	$ 30,868	$ 33,077

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:

a) 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	$ 701	$ 821	$ 733
Non-current portion:			
USD	$ 2,671	$ 2,686	$ 2,641
MXN	261	308	304
Other currencies	524	630	663
	3,456	3,624	3,608
Less: Current portion of lease liability	(701)	(821)	(733)
Non-current lease liability	$ 2,755	$ 2,803	$ 2,875

As of December 31, 2023, 2022 and 2021, respectively, changes in the lease lability 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	$ 3,456	$ 3,624	$ 3,608

[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	$ 3,456	$ 3,624	$ 3,608

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	$ 1,488	$ 1,854	$ 1,381

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
	500	676	697
Defined contribution plans	380	349	332
Employee benefits in the consolidated statement of financial position	$ 880	$ 1,025	$ 1,029
Charge to the consolidated statement of income for:			
Pension benefits	$ (271)	$ (76)	$ (79)
Post-employment medical benefits	(4)	(3)	(4)
	$ (275)	$ (79)	$ (83)
Remeasurements of employee benefit obligations recognized in other comprehensive income of the year	$ (5)	$ (39)	$ 453
Remeasurements of accrued employee benefit obligations recognized in other comprehensive income	$ 285	$ 290	$ 329

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	$ 500	$ 676	$ 697

The movements of defined benefit obligations are as follows:

	2023	**2022**	**2021**
As of January l,	$ 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,	$ 2,535	$ 3,107	$ 4,329

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	$ (2,035)	$ (2,431)	$ (3,632)

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	$ (275)	$ (79)	$ (83)

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

Sensibility 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	$ 2,035	$ 2,431	$ 3,632

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%
Omán [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	1,631	(164)	189
Income taxes expenses	$ (727)	$ (5,509)	$ (4,115)

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	30%	30%	30%
Statutory income tax rate expense	2,792	(6,443)	(4,293)
(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	(61)	20	12
Total income taxes	$ (727)	$ (5,509)	$ (4,115)
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	(85)	(9)	(23)
Deferred tax asset	$ 1,334	$ 1,709	$ 1,630
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	$ (2,024)	$ (3,845)	$ (4,124)

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
	$ 24,034	

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	$ (4,863)	$ (291)	$ (5,154)	$ (3,872)	$ 347	$ (3,525)	$ (30)	$ 52	$ 22

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	$ 390	$ 1,410	$ 1,871

[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	$ 493	$ 560	$ 246

[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	$ 36	$ 39	$ 37

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 service	(1,727)	(2,216)	(1,839)
Other (insurance and bonds, water, containers and packing, etc.)	(2,270)	(3,315)	(3,513)
Total	$ (133,713)	$ (188,344)	$ (137,573)

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	$ (10,883)	$ 448	$ (1,157)

[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	$ 1,317	$ 922	$ 590
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	(3,982)	(3,224)	(3,082)
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	$ (3)	$ (695)	$ (652)
Financial result, net	$ (2,668)	$ (2,997)	$ (3,144)

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	$ (6,976)	$ (7,538)	$ (7,348)

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	-

	2023	2022	2021
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
Short-term accounts receivable:				
Holding company				
Alfa, S. A. B. de C. V.	Administrative services	$ 87	$ 140	$ 174
Affiliates				
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	-	-
Affiliates outside Alfa				
Nemak México, S. A. de C. V.	Energetics	-	-	1
Associates				
Clear Path Recycling, LLC	Financing and interest	63	-	-
Stockholders with significant influence on subsidiaries				
BASF	Sale of goods	120	184	286
Basell	Sale of goods	60	40	26
Basell	Energetics	-	6	6
		$ 454	$ 497	$ 622

	Nature of the transaction	As of December 31, 2023	2022	2021
Long-term accounts receivable:				
Holding company				
Alfa, S. A. B. de C. V. [1]	Financing and interest	$ 763	$ 849	$ 876
		$ 763	$ 849	$ 876
Short-term accounts payable:				
Holding Company				
Alfa, S. A. B. de C. V.	Administrative services	$ 37	$ 65	$ 19
Affiliates				
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	-
Affiliates outside Alfa				
Nemak Exterior, LTD	Administrative services	-	-	1
Associates				
Tepeal	Administrative services	6	1	-
Stockholders with significant influence over subsidiaries				
BASF	Purchase of raw materials	87	138	202
BASF	Purchase of products	-	-	26
Basell	Energetics	12	-	-
		$ 153	$ 224	$ 261

[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	-
Income from external customers	$ 102,153	$ 27,709	$ 8,297	$ 138,159
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
Adjusted EBITDA	$ 5,062	$ 4,107	$ 91	$ 9,260
Investments in fixed and intangible assets	$ 2,149	$ 376	$ 3	$ 2,528

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	-
Income from external customers	$ 140,717	$ 46,804	$ 24,914	$ 212,435
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
Adjusted EBITDA	$ 17,923	$ 11,391	$ 110	$ 29,424
Investments in fixed and intangible assets	$ 2,487	$ 497	$ 3	$ 2,987

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	$ 98,000	$ 47,470	$ 10,754	$ 156,224
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	$ 12,560	$ 10,173	$ 501	$ 23,234
Investments in fixed and intangible assets	$ 3,774	$ 653	$ 4	$ 4,431

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	(6,437)	24,539	17,494
Financial result, net	(2,668)	(2,997)	(3,144)
Equity in loss of associates and joint ventures	(201)	(67)	(39)
Income before income taxes	$ (9,306)	$ 21,475	$ 14,311

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	$ 138,159	$ 212,435	$ 156,224

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	$ 3,494	$ 4,425	$ 3,348

	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	$ 40,952	$ 48,451	$ 39,405

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.

CONTACT US

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

Av. Gómez Morín 1111 Sur
Col. Carrizalejo, San Pedro
Garza García Nuevo León,
CP. 66254, Mexico
www.alpek.com

Investor Relations

- Bárbara Amaya
- Alejandra Bustamante

IR@alpek.com