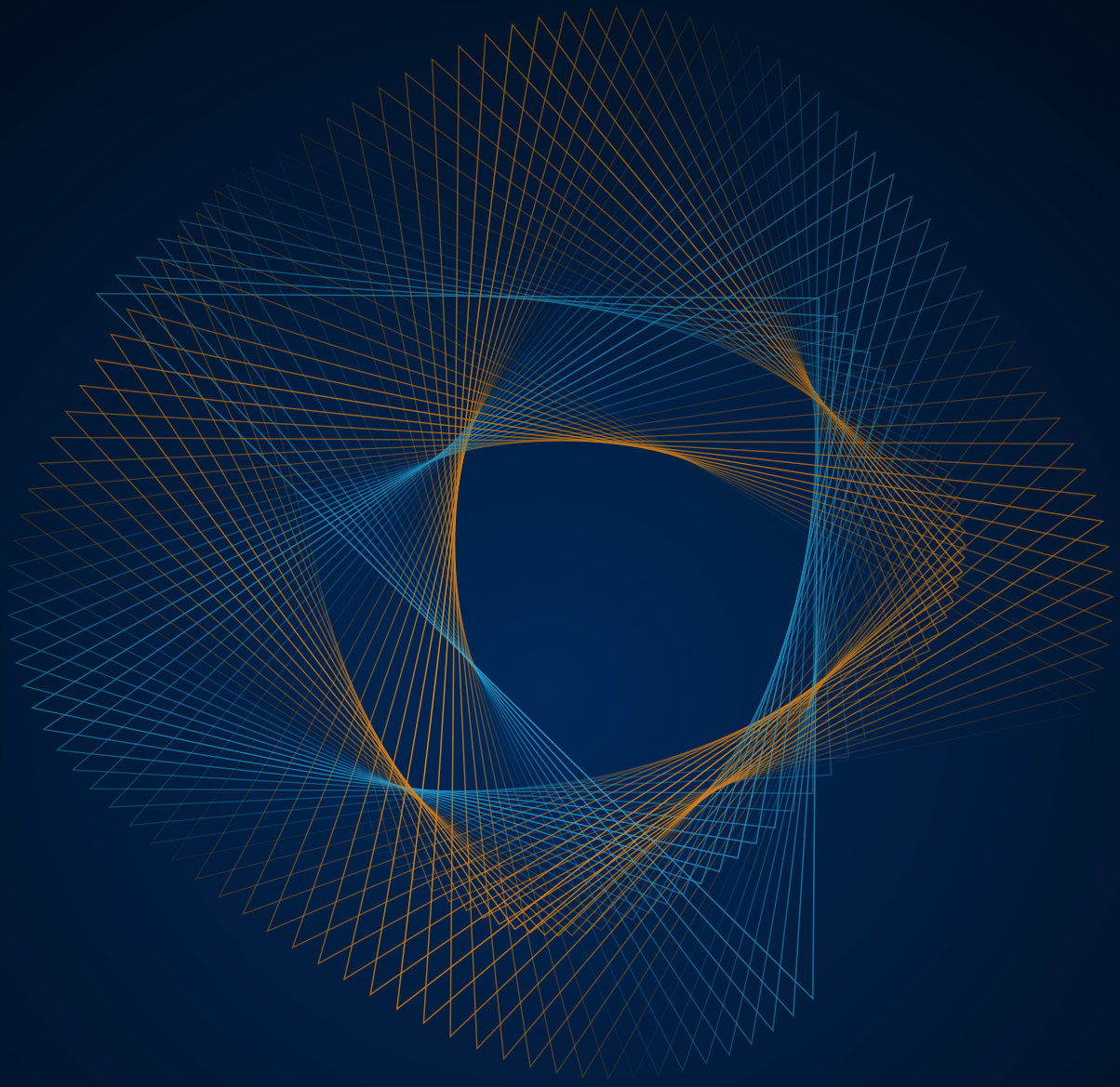


alfa

ANNUAL REPORT 2020

GRI 102-2, 102-6, 102-10

ALFA is a Mexican company with global presence that manages a diversified portfolio of businesses.

TABLE OF CONTENTS

4 Financial Highlights
6 Business Groups
7 Presence
8 Letter to Shareholders
16 Sigma
21 Alpek
25 Axtel
28 Newpek
30 Nemak
33 Sustainability
53 Board of Directors
55 Management Team
56 Corporate Governance
58 Consolidated Financial Statements
190 About This Report
191 ESG Content Index
199 Glossary

SIGMA

Leading multinational food company, that produces, commercializes, and distributes cooked meats, cured meats, cheese, yogurt, other refrigerated, frozen and plant-based foods.

ALPEK

Leading petrochemical company in the Americas in the production of polyester (PTA, PET, fibers and rPET), plastics and chemicals, as polypropylene, expanded polystyrene and ARCEL®.

AXTEL

Company that offers cutting-edge solutions in Information and Communication Technology (ICT) to enterprise, government, and mass-markets operators through its business units Alestra (services) and Axtel Networks (infrastructure).

NEWPEK

Oil and gas exploration and production company with operations in Mexico.

NEMAK (spun-off on December 14, 2020)

Leading provider of innovative lightweighting solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for powertrain and structural components for electric vehicles.

GRI 201-1

REVENUES

US $12.325 BILLION

MXN $263,867 MILLION

EBITDA[1]

US $1.536 BILLION

MXN $32,595 MILLION

[1] EBITDA = operating income + depreciation + amortization + impairments.

NOTE: All consolidated figures for 2020 and 2019 exclude Nemak, unless otherwise specified.

FINANCIAL HIGHLIGHTS

ALFA AND SUBSIDIARIES	MXN $ MILLION			US $ MILLION [4]		
	2020	2019	% VAR.	**2020**	2019	% VAR.
INCOME STATEMENT						
Net Income	**263,867**	260,401	1	**12,325**	13,521	(9)
Operating Income	**17,566**	18,220	(4)	**834**	945	(12)
Majority Net Income	**3,929**	5,807	(32)	**190**	300	(37)
Majority Net Income per Share[1] (MXN $ & US $)	**0.80**	1.15	(30)	**0.04**	0.06	(35)
EBITDA[2]	**32,595**	31,954	2	**1,536**	1,656	(7)
BALANCE SHEET						
Total Assets	**256,156**	339,709	(25)	**12,841**	18,026	(29)
Total Liabilities	**202,804**	244,783	(17)	**10,166**	12,989	(22)
Stockholders' Equity	**53,352**	94,926	(44)	**2,674**	5,037	(47)
Majority Interest	**38,499**	71,762	(46)	**1,930**	3,808	(49)
Book Value per Share[3] (MXN $ & US $)	**7.79**	14.25	(45)	**0.39**	0.76	(48)

NOTE: In this annual report, monetary figures are expressed in nominal Mexican pesos (MXN $), and in nominal dollars (US $) unless otherwise specified. Conversions from pesos to dollars were made using the average rate of the month in which the revenues or transactions were made. The variation percentages between 2020 and 2019 are expressed in nominal terms.

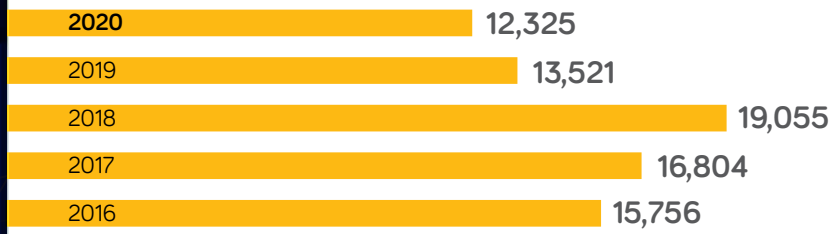
[1] Base on the weighted average number of thousands of outstanding shares (4'942,227 in 2020 and 5'036,993 in 2019).

[2] EBITDA = operating income + depreciation + amortization + impairments.

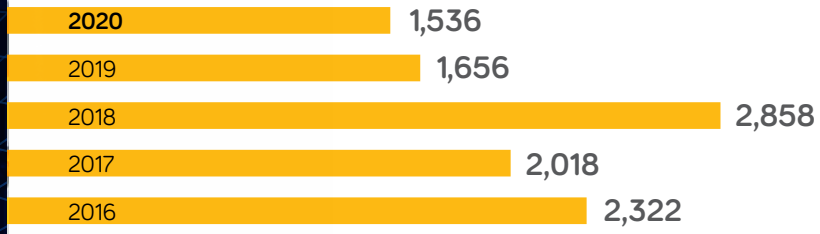
[3] Based on the number of thousands of outstanding shares (4'942,227 at the end of 2020 and 5'036,993 at the end of 2019).

[4] Due to the dollarization of its revenues and because of the holding of shares by foreign investors, ALFA provides equivalent US $ amounts for some of its most important financial data.

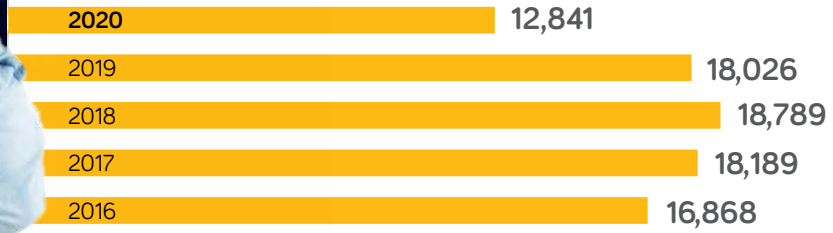
REVENUES
US $ MILLION



EBITDA
US $ MILLION



ASSETS
US $ MILLION

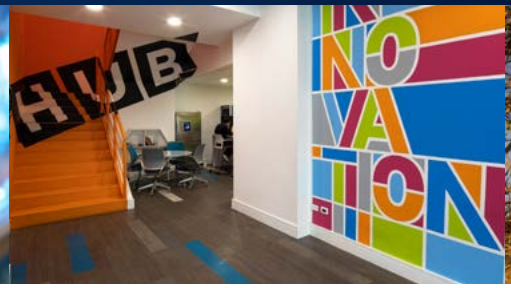


Note: Revenues, EBITDA and Assets figures for 2018, 2017 and 2016 include Nemak, as well as the 2019 Assets.

BUSINESS GROUPS

GRI 102-2, 102-6, 102-7, 102-10

Through its businesses, ALFA elaborates and offers a wide range of essential products and services.



FOOD PRODUCTS

FINANCIAL HIGHLIGHTS

REVENUES:
US $6.347 BILLION

EBITDA:
US $684 MILLION

MAIN PRODUCTS

- Cooked meats: Ham, sausage, bacon, pork sausage, among others.
- Cured meats: Serrano, prosciutto, salami, fuet, among others.
- Dairy: Yogurt, cheese, among others.
- Others: Frozen food, drinks, among others.

PETROCHEMICALS

FINANCIAL HIGHLIGHTS

REVENUES:
US $5.326 BILLION

EBITDA:
US $565 MILLION

MAIN PRODUCTS

- Polyester: PET, PTA, fibers y rPET.
- Plastic and chemicals: Polypropylene, EPS, ARCEL®, caprolactam, chemical specialties and industrial chemicals.

IT & TELECOM

FINANCIAL HIGHLIGHTS

REVENUES:
US $578 MILLION

EBITDA:
US $308 MILLION

MAIN PRODUCTS

ALESTRA:
- Collaboration solutions and networks.
- Systems integration.
- Digital transformation.
- Cybersecurity.
- Cloud services.

AXTEL NETWORKS:
- Last mile access.
- IP Transit.
- Radioelectric spectrum.
- Fiber to the tower and data centers.

OIL & GAS

FINANCIAL HIGHLIGHTS

REVENUES:
US $24 MILLION

EBITDA:
US $38 MILLION

MAIN PRODUCTS

- Hydrocarbons.
- Oil and gas services.

PRESENCE

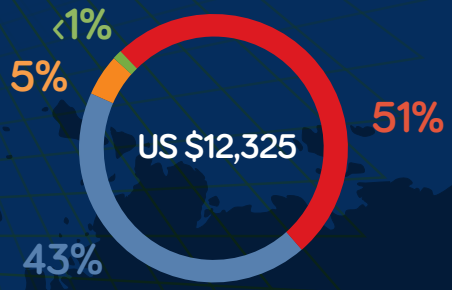
GRI 102-4

ALFA OPERATES 101 PLANTS IN 19 COUNTRIES:

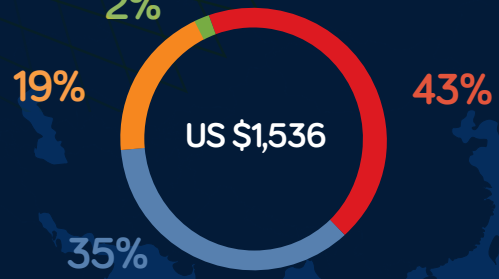
ARGENTINA
BELGIUM
BRAZIL
CANADA
CHILE
COSTA RICA
ECUADOR
EL SALVADOR
DOMINICAN REPUBLIC
FRANCE
ITALY
MEXICO
NETHERLANDS
PERU
PORTUGAL
ROMANIA
SPAIN
UNITED KINGDOM
UNITED STATES

SIGMA
ALPEK
AXTEL
NEWPEK

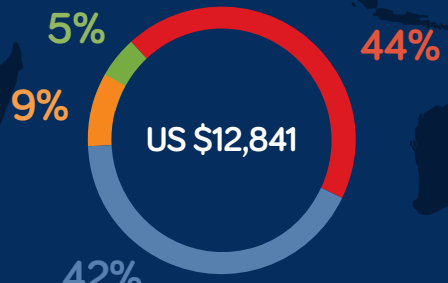
REVENUES



EBITDA



ASSETS



LETTER TO SHAREHOLDERS

GRI 102-10, 102-14, 102-15

TO OUR SHAREHOLDERS:
WE HOPE THAT YOU AND YOUR FAMILIES ARE WELL AND IN GOOD HEALTH. OUR THOUGHTS AND PRAYERS GO OUT TO EVERYONE WHO HAS BEEN AFFECTED BY THE CORONAVIRUS.

ÁLVARO FERNÁNDEZ GARZA
President

ARMANDO GARZA SADA
Chairman of the Board

2020

STRENGTHENED ALFA'S ABILITY TO ADAPT AND FACE THE PANDEMIC

2020 was a year full of challenges and opportunities for ALFA. On the one hand, the company overcame the extraordinary challenges brought on by the pandemic and achieved financial results above pre-crisis expectations. On the other, ALFA initiated a transformational process towards a fully independent business management model to unlock its great value potential.

COVID-19 had a significant impact on the global community and our daily lives. To combat the spread of the virus, social distancing and lockdown measures were introduced around the world, resulting in an abrupt slowdown of economic activity. However, a gradual transition towards a new normal started in the second half of the year.

ALFA's adaptability, supported by our highly capable and committed team, along with resilient demand for our main products, was crucial to face the pandemic. Our response focused on two fronts: guaranteeing the safety of all our stakeholders and ensuring business continuity.

988

TONS OF FOOD DONATED BY SIGMA IN THE FIRST MONTHS OF THE PANDEMIC

We rapidly increased hygiene and safety protocols in all our operations; significantly reduced face-to-face interactions through virtual collaboration; restricted business travel; and cooperated with public health agencies in global efforts to control the transmission of the virus, among other initiatives.

To maintain the continuity and sustainability of our operations, we put together special task forces at the local, business and corporate levels to monitor the situation and coordinate our response to serve customers responsibly and without disruptions.

At the same time, we reinforced our financial position and flexibility through various sources of liquidity and an optimization plan which resulted in cost savings and cash flow benefits of more than US $850 million in 2020.

In addition to the internal efforts, ALFA and all its businesses found different ways to support their communities in the fight against the pandemic.

We donated 6 million food portions, as well as gloves, masks, expandable polystyrene (EPS) coolers and other medical supplies to hospitals and health agencies in Mexico. Nemak contributed to the design of components for emergency ventilators as well as its 3D printing technology and other manufacturing processes to increase Mexico's health system capacity.

Moreover, Axtel donated connectivity services and software to the National Epidemiological Contingency and Disaster Support Center (CENACED), which were used in a free remote psychological counseling service throughout Mexico.

From a global standpoint, the pandemic caused extreme conditions during the second quarter: the benchmark price of Brent crude oil fell to its lowest level since 2002; the Mexican peso depreciated to an average of 24 pesos per dollar in April; demand for food in hotels, restaurants and other consumption centers fell due to lockdown measures; and automotive production dropped by more than 90% in North America and Europe.

"We provide essential products for the medical industry."

Paulo Bravo
Alpek - Chile

Three of our four main businesses operated continuously even in the toughest months of the crisis. Sigma maintained the supply of food in all its regions; Alpek provided essential materials for the healthcare, food and beverage packaging industries; and Axtel maintained fundamental connectivity, collaboration, cybersecurity, and cloud services without interruption.

In contrast, Nemak faced production shutdowns in the global automotive industry. Thanks to the extraordinary efforts of its team, the company was able to rapidly adjust its cost structure and successfully restart operations in all regions, achieving a remarkable recovery in the third quarter and even reaching record levels of EBITDA per equivalent unit.

In addition to our efforts related to COVID-19, we advanced in four strategic long-term priorities:

1. Unlock shareholder value
2. Innovation in high-growth segments
3. Business realignment
4. Expansion

The most significant step we undertook in 2020 was toward our goal of unlocking shareholder value. Over the years we have built a portfolio of leading companies in their respective industries. However, the solid fundamentals of each business have not been fully reflected in the value of ALFA's stock.

We are convinced that the most effective way to achieve a fair valuation is to evolve from the current conglomerate structure to fully independent businesses.

The transformation plan follows three key implementation directives:

i. Enhance business independence
ii. Reduce debt and strengthen the balance sheet
iii. Focus on core businesses

A key milestone was achieved when Nemak became ALFA's first fully independent company.

Nemak has consolidated its position as a leading provider of lighweighting solutions for the automotive industry. Today one out of every four cars made in the world contains at least one component produced by the company. Nemak's outlook is promising thanks to its world-class capabilities to drive sustainable mobility, including electric vehicle components.

ALFA transferred all of its Nemak shares to a new listed entity: Controladora Nemak, S.A.B. de C.V. (Controladora Nemak). ALFA investors received one share of Controladora Nemak per every ALFA share they owned. The new company started trading on the Mexican Stock Exchange (BMV) on December 14, 2020.

25%
LESS NET DEBT
2020 VS. 2019

This transaction provided absolute autonomy and optionality to our shareholders, as part of our strategic priority to unlock value.

As an independent company, Nemak should be valued on its own merits, performance and growth prospects. The company has a highly talented team that we are sure will continue to create sustainable, long-term value for all its stakeholders.

As to the directive of reducing debt and strengthening the balance sheet, we continue the process of selling Axtel's two business units (Infrastructure and Services).

In 2020, Axtel attracted a high number of participants to its competitive sale process. After an exhaustive evaluation of the proposals received for the whole company, Axtel's Board of Directors decided that it would be in its shareholders' best interest to redirect efforts to attract strategic proposals for the two separate business units, maintaining all options open to maximize value.

Axtel has the crucial infrastructure and proven capabilities to reach its value maximization goal, supported by its advanced functional separation process and the solid position of its two business units to capitalize on the growing demand for connectivity and services related to virtual collaboration and digitalization.

ALFA reaffirms its commitment to reduce debt through of the potential sale of Axtel's two business units or other strategic alternatives.

In line with the directive of focusing on core businesses, ALFA advanced on its goal to exit the oil and gas business with the sale of Newpek's assets in Texas. The transaction had an implied value of US $88 million and generated an extraordinary gain of US $58 million in EBITDA.

In a year marked by a profound decline in global economic activity, we were pleased to see the adaptability and resilience reflected in ALFA's financial performance.

It is important to note that the following figures do not include Nemak, unless otherwise indicated. In accordance with International Financial Reporting Standards (IFRS), Nemak was classified as a Discontinued Operation[1] in ALFA's Consolidated Financial Statements as a result of its spin-off.

Consolidated revenues declined 9% from 2019, to US $12.32 billion, while consolidated EBITDA was US $1.54 billion, 7% less than the year before. However, consolidated EBITDA was better than ALFA's pre-pandemic guidance, adjusted for Nemak as discontinued operations.

EBITDA benefited from margin expansion, partially offsetting lower sales caused by the decline in oil and feedstock prices, the depreciation of the Mexican peso and lower demand for food in hotels and restaurants, among others.

Our strict financial discipline, a comprehensive savings program and immediate access to diverse sources of funding enabled us to reinforce our balance sheet and maximize liquidity amid the uncertainty.

ALFA's cash position reached a maximum of US $1.75 billion in the second quarter, at which time we began to reduce the excess liquidity as conditions normalized. By the close of 2020, cash totaled US $1.63 billion, compared to US $1.04 billion at the end of 2019.

In addition to the cash balance, ALFA has more than US $2.96 billion in available credit lines.

Net Debt as of December 31, 2020 totaled US $4.70 billion, down year over year, even without adjusting for Nemak as discontinued operations. The Net Debt to EBITDA ratio was 3.1 times, flat versus the previous year for the combined businesses excluding Nemak.

Although Alpek and Nemak revoked their dividends as part of their efforts to preserve liquidity, ALFA paid out US $100 million in 2020 and distributed an additional US $25 million in January 2021 as a result of the recent recovery.

CAPEX totaled US $399 million, 30% less than in 2019 as the majority of non-essential investments were postponed in response to the pandemic.

[1] The Consolidated Income Statement presents Nemak's income and expenses in a single line: "Consolidated net income from discontinued operations", for the period ended December 14, 2020. The Consolidated Statements of Financial Position excludes all items associated to Nemak.

In addition to their contribution in financial terms, all our subsidiaries advanced on their individual strategic priorities and achieved progress that strengthens their current and long-term competitive position:

SIGMA

- Increased its focus on high-growth categories.

  Created a new Global Plant-based business unit to boost its participation in this fast-growing category across all regions.

- Capitalized on its innovation capabilities to launch more than 500 new products during the year.

- Accelerated digital initiatives like its Grill House app.

ALPEK

- Ensured the recovery of US $160 million in secured debt with the approval of a restructuring plan for M&G Mexico.

  US $40 million were recovered in the fourth quarter.

- Strengthened its Plastics & Chemicals segment with the acquisition of NOVA Chemicals' expanded styrenics business in the United States.

- Successfully integrated its first PET production site in the United Kingdom.

AXTEL

- Closed the sale of three data centers to Equinix for US $175 million, in a transaction that also expanded its service portfolio.

- Advanced in the functional separation process of its two business units to enhance their value offering and consolidate their leadership in key markets.

- Monetized unused spectrum concessions.

NEMAK

- Continued its growth in structural and electric vehicle components, with approximately US $110 million in new contracts awarded during 2020.

SUSTAINABILITY

Since our foundation, we have aligned our practices and strategies to ensure sound corporate governance; offer a healthy, safe and inclusive working environment; maintain supportive and collaborative relations with our communities; reduce the environmental footprint of our operations; and support our value chains.

All these topics fall under the umbrella of Sustainability, a concept that has increased its relevance in recent years, and even more so during the pandemic.

We participate in evaluations by international organizations regarding environmental, social and governance (ESG) matters in order to share our progress on these fronts, receive feedback to optimize internal processes, and compare our performance against our peers in the industry and the region.

In 2020, ALFA increased its rating from 23 to 32 on the S&P SAM scale, above average for conglomerates. Also, our rating in the CDP assessment increased from "D" to "C", which is higher than the average for our region, and in line with the industry.

Since 2006, ALFA has been a signatory of the United Nations Global Compact, which promotes social development, economic welfare and universal values.

Sigma and Nemak continued to work on their sustainability commitments, which are aligned with the U.N. Sustainable Development Goals. Alpek also joined this initiative as an individual signatory in 2020.

ALFA and Nemak were both included in the new S&P BMV Total Mexico ESG index. Nemak is also a member of the Dow Jones Sustainability MILA Pacific Alliance Index and the London Stock Exchange's FTSE4Good, two of the leading indexes in the world.

Moreover, Axtel began identifying and compiling the information needed to comply with the Sustainability Accounting Standards Board (SASB) criteria for the software, ICT and telecommunications industry.

Regarding our social responsibility, we are convinced that education is a key factor to drive Mexico's development. Hence, our community investment is focused on the educational program designed by ALFA Fundación to promote social mobility through the development of talented and underprivileged youth in the state of Nuevo León.

In 2020, 147 students graduated from our third high school generation, and 98% of them were admitted to prestigious universities in Mexico and the United States.

As for our commitment to the environment, ALFA works continuously to reduce the environmental footprint of its operations.

During 2020, we invested 26% more in environmental initiatives compared to the previous year, thus reducing emissions by 9%, compared to 2019.

The company continued to promote the use of clean energy sources and recycling. For example, 56% of the power consumed by Sigma comes from clean sources, and Alpek consolidated its position as the leading producer of recycled PET (rPET) in the Americas.

During the year we continued to strengthen employee health, safety and development programs through a total investment of US $53 million.

Although we made significant progress on multiple sustainability fronts in 2020, we acknowledge there is still much to be done. ALFA and its companies are committed to build upon their progress on environmental, social and corporate governance to benefit employees, the community, shareholders and our entire value chain.

26%

MORE INVESTMENTS IN THE ENVIRONMENT VS. 2019

OUTLOOK

Looking forward, we are optimistic about a gradual global recovery. We believe that the worst of the economic impact caused by the pandemic may be behind us, amid the increasing availability of vaccines and treatments.

Two fundamental elements sustain our confidence in our short, medium and long-term view.

First, our companies supply essential products and services - a major commitment that we take on with great pride and responsibility.

The extraordinary circumstances in 2020 brought about changes in consumer habits and trends that may have a positive long-term impact on our businesses. For example, the focus on safe packaging materials like those that Alpek produces; more food consumption at home, which is simplified by Sigma's product offering; and the exponential growth in digitalization and virtual collaboration, which requires connectivity and services provided by Axtel.

Second, a transformational, gradual and orderly process is underway to unlock ALFA's full value potential, based on transferring absolute autonomy and optionality to our businesses and shareholders.

The effective and timely response implemented by our teams around the world enabled us to overcome the worst of the pandemic and return rapidly to pre-crisis performance levels. ALFA and its subsidiaries will continue to focus on their respective strategic priorities and operate under the strictest safety standards.

Together with our Board of Directors, we express our sincere recognition, admiration and gratitude to each one of the 57,000 ALFA team members. Together, we succeeded in transforming an uncertain present into a promising future.

We are also grateful to our clients, suppliers, financial institutions and to you, our shareholders, for the trust you once again placed in this Board of Directors.

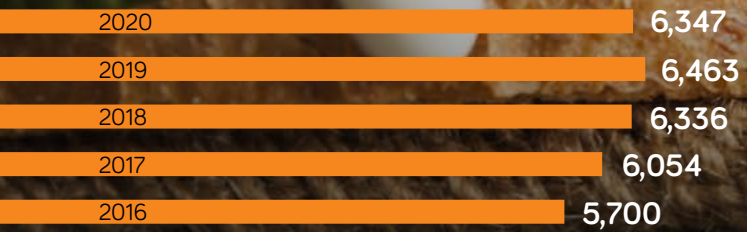
Armando Garza Sada
Chairman of the Board of Directors

Álvaro Fernández Garza
President

SIGMA

- **Leading producer** of cooked meats, cured meats, cheese and yogurt
- **+640,000** points of sale around the world

REVENUES
US $ MILLION



REVENUE BREAKDOWN

SIGMA

Sigma's successful adaptability during COVID-19 relied on its robust tools and infrastructure to implement rapid solutions, as well as its focus on innovation to test new methods and technologies to face the challenges.

EBITDA

US $ MILLION

+500
products launched on the market in 2020.

9%
of sales comes from innovation portfolio.

Approximately
1,300
new products developed during the last 36 months.

"We continue working on the strategy to strengthen Sigma."

Rodrigo Fernández
President of Sigma

2020 was a year like no other, in which Sigma's strength and resilience were put to test.

The company proved once again its determination and its adapting capabilities to overcome adversity and to offer the favorite foods to the communities where it operates, according to strict safety and quality standards.

The company's highest priority during the pandemic has been and will continue to be the health of its employees, suppliers, clients and consumers. For this reason, it has devoted unprecedented amount of resources to preventive measures and retrofitting facilities for physical distancing, staggered working shifts, temperature control and other tests for personnel, as well as home-office schemes in positions that permit it, among others.

"We have made modifications to safeguard the health and safety of employees."

Nancy Báez
Leader of Human Development
North Region - Mexico

For Sigma, the year results show solid performance in most regions, with record sales and EBITDA levels in the U.S. The main effect of the pandemic's impact was in the sales of the Foodservice channel, which serves hotels and restaurants, businesses that were heavily affected by reduced mobility and expanding lockdown measures, along with changing consumer habits.

By the end of 2020, EBITDA stood at US $684 million, evidence of the company's resilience even in the pandemic. Excluding the results of Foodservice, and adjusting for exchange-rate fluctuations, annual Revenues and EBITDA were 7% and 11% higher than in 2019, respectively.

STRATEGY:

Sigma intensified efforts to pursue its four-pillar strategy in 2020, focusing on:

GROWING THE CORE BUSINESS.

- **Brand and categories diversification.**
- **Technology and efficiency in operation.**
- **Innovation based on design thinking.**
- **Strengthening the relationship with business partners.**
- **Consumers focus.**
  - Quality and nutrition.
  - Compliance with new labeling regulations.
    - 90% of sales in Mexico come from unlabeled or single-label SKUs.

EXPLORING AND DEVELOPING NEW AVENUES FOR GROWTH.

- **Agile filtering, analyzing, incubation, piloting and scaling of high potential opportunities:**
  - Protein snacks.
  - Plant-based products.
- **Digital channels:**
  - Sigma Foodservice Go.
  - Grill House.

STRENGTHENING THE ORGANIZATION.

- **Drive the company's potential through enablers such as:**
  - Culture.
  - Management Style.
  - Innovation.
  - Entrepreneurship.
  - Talent development.
  - Agility.
  - Refocusing and optimization of resources.

MARGIN GROWTH.

- **Through optimization and efficiency.**
- **Taking advantage of the business scale.**

SUSTAINABILITY

The company set its own sustainability goals for 2025, aligned with the U.N. Sustainable Development Goals (SDG). During 2020, we launched projects and initiatives that resulted in significant progress on all four pillars of action.

Pillars of Action	Topic	SDG related
Shared Value	• Food Donations • Responsible Sourcing • Stakeholder Engagement	2 ZERO HUNGER; 17 PARTNERSHIPS FOR THE GOALS
Health and Nutrition	• Sustainable Innovation • Nutritional Information • Food Safety • Food Waste	2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Wellbeing	• Health & Safety • Inclusion • Professional Development • Volunteering	2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 10 REDUCED INEQUALITIES
Environment	• Climate Action • Clean Energy • Water Management • Sustainable Packaging	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- For the third year in a row, the Sustainability Forum was held, this time 100% online, involving employees from all our operations and the participation of global leaders who shared their points of view on trends and challenges in areas like climate innovation and added value actions for contributing to the SDG.

- The company also met the requirements of sustainability initiatives like CDP.

ESG Scores	2020	2019
CDP Climate Change	C	C
CDP Water	C	C

2,599
TONS OF FOOD DONATED IN 2020

ALPEK

- **Leading** producer of PTA, recycled PET (rPET), polyester and EPS in the Americas
- World's **second** largest producer of PET

REVENUES
US $ MILLION

REVENUE BREAKDOWN

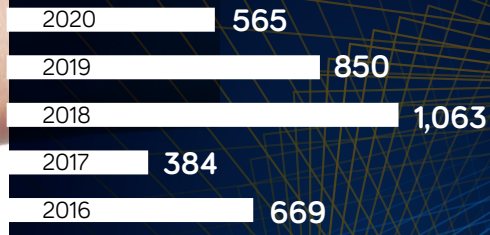
ALPEK

Alpek's goal for 2025 is to support its consumer base to use an average of 25% of recycled content in their products.

Today it has the capacity to mix 30 thousand tons of rPET with virgin PET and generate 120 thousand tons per year.

EBITDA

US $ MILLION



PROGRESS FROM

30 to 44

IN THE S&P SAM 2020 SUSTAINABILITY INDEX.

"There are two elements that we have reinforced in the company: talent and teamwork."

José de Jesús Valdez
President of Alpek

During 2020, in a context deeply affected by COVID-19, Alpek was able to continue its operations without interruption, strengthen the safety of its employees and continue its long-term strategy of building its position as a leading petrochemical company in the Americas and the world.

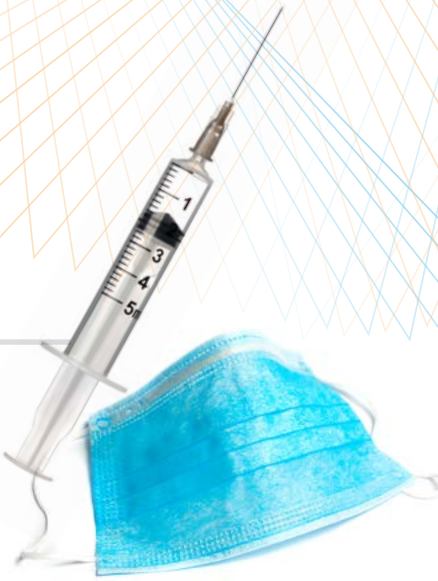
In an era in which rigorous personal hygiene protocols, isolation measures and medical protection equipment are crucial for the everyday life, the raw materials produced by Alpek play an indispensable role: in food and drink containers, masks, face shields, syringes, insulated recipients for handling medicines, and many other vital supplies.

In fact, because of its excellent insulating properties, expandable polystyrene is the ideal and most widely used material for the shipment and deployment of vaccines against the COVID-19.

The history of 2020 was marked by a recovery in demand and improved margins in all categories.

Alpek achieved record production volume and revenues of US $5.32 billion in 2020. Adjusted for extraordinary items, comparable EBITDA was US $601 million, better than the company had projected at the start of the year.

The EBITDA of US $565 million allowed to substantially reduce the company's debt and improve leverage; while the sale of the cogeneration assets in 2019 permitted the payment of an extraordinary dividend of US $143 million.



VOLUME

10%

HIGHER VS. 2019

"To see home office as something totally positive."

Stefanía Herrera
Alpek Argentina

The company implemented preventive measures that proved to be successful:

- Home office for employees in functions that allow it.
- Sanitary control points in work centers.
- Strict use of protective equipment in all its facilities.

STRATEGY

FOCUSED AND STRATEGIC GROWTH.

- Acquisition of expandable polystyrene (EPS) business from NOVA Chemicals in the U.S.
- Positioned among the global leaders.

STRENGTHENING THE CORE BUSINESS.

- Cost reduction.
- Operating efficiency.
- Capex management to keep them at levels adequate to the circumstances.

PROMOTING THE CIRCULAR ECONOMY.

- Lead recycled PET (rPET) supply in the Americas.
- Acquisition of two lines of production of flake to pellet in South Carolina, U.S.
- Improvement in rPET production processes.
- Sustainable alternatives:
  - Biodegradable EPS and polypropylene (PP).

- Among the year's highlights was the financial restructuring agreement reached with M&G Polímeros México, S.A. de C.V., under which Alpek expects to recover US $160 million in secured debt plus interest over the next five years, while continuing to supply the PTA this company requires. At the end of 2020, Alpek received the first US $40 million.
- The purchase of Nova Chemical Corporation's styrenics division. Alpek acquired a plant located in Monaca, Pennsylvania, with an annual capacity of 123,000 tons of EPS and 36,000 tons of ARCEL®, another plant in Painesville, Ohio, with annual capacity of 45,000 tons of EPS, and a world-class pilot plant for research and development of new products.

Looking ahead, prospects are positive.

Demand is expected to continue in 2021, which will allow Alpek to bolster its long-term strategy for ensuring growth, positioning and market opportunities that have opened up in this new global reality, and the benefits its products offer.

SUSTAINABILITY

Alpek is focusing on sustainability as a priority aspect for its growth.

Main progress in 2020 were:

1. Materiality review.
2. Monitoring and integration of ESG goals into its business strategy.
3. Operational alignment to address the requirements of initiatives like S&P SAM, Sustainalytics and CDP.

ESG scores	2020	2019	Industry Average
S&P SAM	44	30	36
CDP Climate change	C	D	C
CDP Water	B-	F	B

AXTEL

Operates the **second largest fiber optic** network in Mexico, with more than 43,000 km.

REVENUES
US $ MILLION

CONTRIBUTION TO EBITDA

55% INFRASTRUCTURE

45% SERVICES