alfa

2022

ANNUAL REPORT

CONTENTS

GRI 2-6

ALFA is a Mexican company that manages leading businesses with a global presence.

Sigma

Leading multinational food company that produces, markets, and distributes cooked meats, aged meats, cheeses, yogurts, and other refrigerated, frozen, and plant-based foods.

Alpek

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

Axtel

Company that offers cutting-edge Information and Communication Technologies (ICT) solutions for the enterprises, government, and mass-market operators through its business units Alestra (services) and Axtel Networks (infrastructure).

GRI 201-1

REVENUES

US $18.1

BILLION
($363,864 MILLION PESOS)

EBITDA [1]

US $2.1

BILLION
($42,020 MILLION PESOS)

[1] EBITDA = Operating income, plus depreciation and amortization, plus impairments.
NOTE: All consolidated financial figures for 2022, 2021, and 2020 exclude Axtel, unless otherwise specified.

GRI 201-1

Financial Highlights

ALFA AND SUBSIDIARIES with Axtel as Discontinued Operations	MXN $ MILLION 2022	MXN $ MILLION 2021	MXN $ MILLION % VAR.	US $ MILLION [4] 2022	US $ MILLION [4] 2021	US $ MILLION [4] % VAR.
Income Statement						
Net Income	**363,864**	296,803	23%	**18,085**	14,626	24%
Operating Income	**32,504**	25,491	28%	**1,608**	1,259	28%
Majority Net Income	**11,723**	4,106	186%	**578**	211	174%
Majority Net Income per Share[1] (MXN $ & US $)	**2.42**	0.84	188%	**0.12**	0.04	197%
EBITDA[2]	**42,020**	37,383	12%	**2,082**	1,841	13%
Balance Sheet						
Total Assets	**275,447**	269,107	2%	**14,227**	13,074	9%
Total Liabilities	**217,659**	214,286	2%	**11,242**	10,411	8%
Stockholders' Equity	**57,788**	54,821	5%	**2,985**	2,663	12%
Majority Interest	**41,941**	39,085	7%	**2,166**	1,899	14%
Book Value per Share[3] (MXN $ & US $)	**8.63**	7.96	8%	**0.45**	0.39	14%

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 2022 and 2021 are expressed in nominal terms.

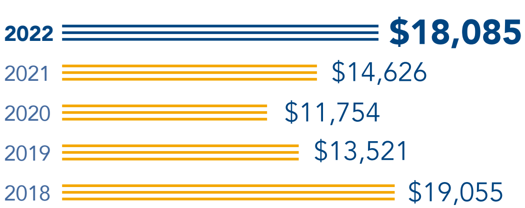
(1) Based on the weighted average number of thousands of outstanding shares (4'859,106 in 2022 and 4'909,115 in 2021).

(2) EBITDA = operating income + depreciation + amortization + impairments.

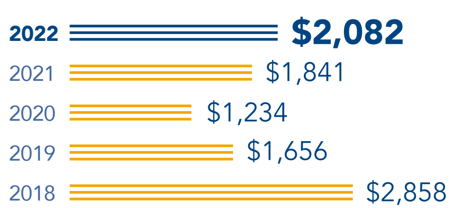
(3) Based on the number of thousands of outstanding shares (4'859,106 in 2022 and 4'909,115 in 2021).

(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: Revenue, EBITDA and Assets figures present Axtel and Nemak as discontinued operations in the corresponding years. See Note 24 of the Financial Statements.

Business groups

GRI 2-6

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

FOOD PRODUCTS

FINANCIAL HIGHLIGHTS

REVENUES: **US $7,425 MILLION**
EBITDA: **US $652 MILLION**

MAIN PRODUCTS

- Cooked meats: ham, sausage, bacon, pork sausage, among others.
- Aged meats: serrano, prosciutto, salami, fuet, among others.
- Dairy: yogurt, cheese, among others.
- Others: frozen food, plant-based products, drinks, among others.

PRESENCE: 18 countries

FACILITIES: 64 and 183 distribution centers

POINTS OF SALE: 670,000+

PERSONNEL: 44,000 +

PETROCHEMICALS

FINANCIAL HIGHLIGHTS

REVENUES: **US $10,555 MILLION**
EBITDA: **US $1,455 MILLION**

MAIN PRODUCTS

- Polyester: PTA, PET, recycled PET (rPET) and fibers.
- Plastics and chemicals: polypropylene, expandable polystyrene, ARCEL®, chemical specialties, and industrial chemicals.

PRESENCE: 9 countries

FACILITIES: 35

PERSONNEL: 7,200 +

INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

FINANCIAL HIGHLIGHTS

REVENUES: **US $521 MILLION**
EBITDA: **US $150 MILLION**

MAIN PRODUCTS

ALESTRA:
- Connectivity
- Managed Networks
- Collaboration
- Cloud
- Systems Integration
- Cybersecurity
- Digital Transformation
- Mobility

AXTEL NETWORKS:
- Fiber to Tower
- Long-haul
- Internet
- Spectrum for links
- Data Center Connect
- Metro Access
- Colocation

PRESENCE: Mexico (72+ cities)

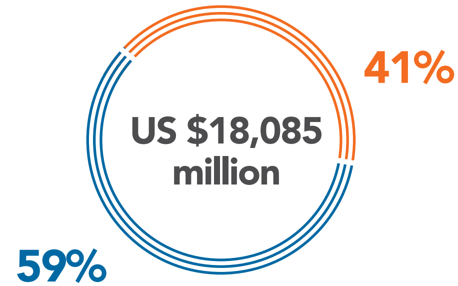
PERSONNEL: 4,000 +

Presence

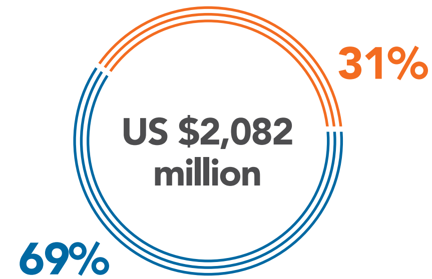
ALFA IS PRESENT IN 25 COUNTRIES AND OPERATES 103 PLANTS IN 21 OF THEM.

Argentina
Belgium
Brazil
Canada
Chile
Costa Rica
Dominican Republic
Ecuador
El Salvador
France
Germany
Guatemala
Honduras
Italy
Mexico
Nicaragua
Oman
Peru
Portugal
Romania
Saudi Arabia
Spain
The Netherlands
United Kingdom
United States

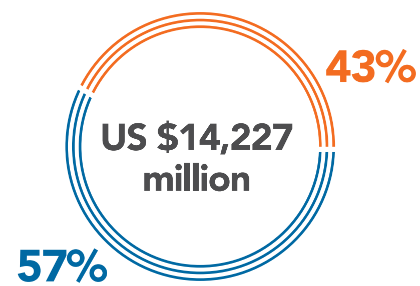
REVENUES:



EBITDA



ASSETS



Note: Contribution ratios exclude Axtel, Newpek and others.

LETTER TO SHAREHOLDERS

GRI 2-22, 2-23

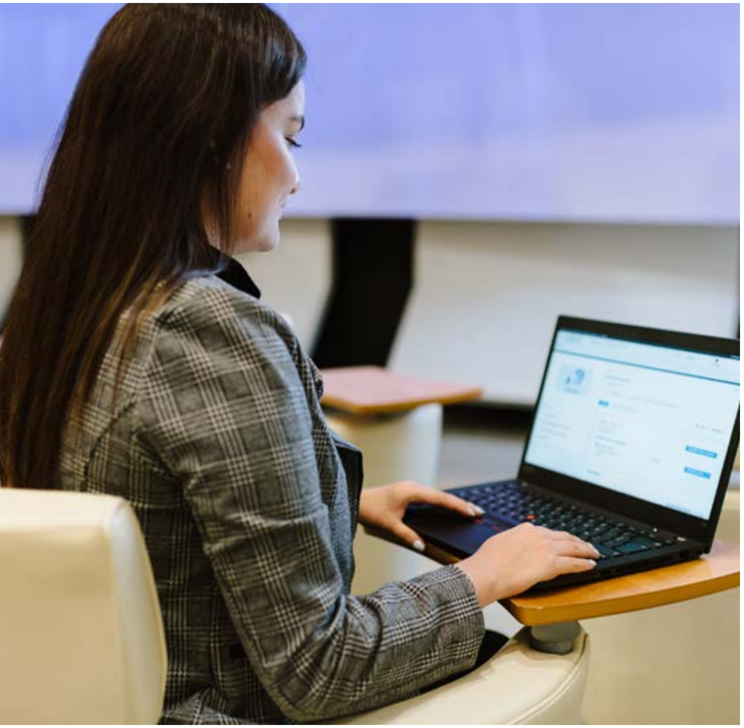
Dear shareholders:

We hope you and your families are doing well. ALFA made progress in its transformation and achieved a solid performance in a year that was marked by inflationary pressures at a global level.

Consolidated Revenues grew 24% and EBITDA was up 13%, year over year, reaching a record US $18.085 billion and US $2.082 billion, respectively. These results were driven mainly by Alpek, which successfully capitalized on higher-than-expected industry margins and the integration of its most recent acquisition in the Middle East.

Sigma increased its Revenues by 9%, supported by solid demand and effective pricing actions amid rising raw material costs and other unexpected inflationary pressures. It is important to note that all its regions recorded higher Revenues, denominated in local currencies. Nonetheless, EBITDA declined 12% year-over-year. The solid performance in Mexico, the U.S., and Latam was offset by Europe, which was particularly affected by increased energy prices and the depreciation of the euro.

ALFA made progress in its transformation with the start of the Axtel spin-off process.



With respect to Axtel's results, they are presented as discontinued operations in ALFA's consolidated financial statements due to the spin-off approved in 2022. Axtel faced lower demand in the Government segment and a lower contribution from a large wholesale customer. However, it achieved a clear trend of sequential recovery in Revenues and EBITDA during the second half of the year.

ALFA advanced with its gradual and orderly transformation process, driving the subsidiaries' independence, reinforcing the Company's financial position, and strengthening the businesses through strategic projects. The objective is to maximize the benefits for all key stakeholders. Considering the flexibility in terms of time for an adequate execution, multiple alternatives have been evaluated to simplify the corporate structure and achieve ALFA's full value potential.

One of the most significant developments was the ongoing process to spin off ALFA's stake in Axtel. Similar to the Nemak spin-off in 2020, ALFA will transfer its entire share ownership in Axtel to a new legal entity called "Controladora Axtel". ALFA shareholders will receive one share of "Controladora Axtel" for each share they own in ALFA. As a result, ALFA will further simplify its corporate structure, and its shareholders will obtain greater autonomy through the option of holding individual positions in ALFA, Nemak and soon "Controladora Axtel".

Axtel begins a new era as an independent company from ALFA. It has a leading position in its industry and attractive prospects to resume profitable growth. On April 26, 2022, its Board of Directors appointed Armando de la Peña as the new CEO, who has a 21-year career at ALFA. Strengthening the commercial strategy and refinancing Axtel's debt are two of his top priorities.

Another important step towards business independence was seen in the 65% reduction in corporate expenses between 2019 and 2022. Throughout the transformation process, functions that were centralized in ALFA have been gradually transferred to the subsidiaries. The allocation of these capabilities has been a key driver in simplifying the corporate structure in an orderly manner.

ALFA's transformation process also envisions strengthening the subsidiaries' leadership positions and capturing attractive growth opportunities. In 2022, the Business Units invested US $1.111 billion in Capital Expenditures & Acquisitions (Capex), which was more than double the amount invested during the previous year.

The most important investment in 2022 was carried out by Alpek, which acquired the leading global PET sheet producer. With this transaction, Alpek entered a high-value adjacent business, accelerated the achievement of its ESG objectives, and expanded its capacity to meet the growing needs of its customers, among other benefits. The successful integration of these operations achieved better-than-expected results, which contributed to the year's historic performance.

ALFA invested US $1.1 billion, more than double than the previous year.

Alpek also resumed construction of the integrated PTA-PET plant in Corpus Christi, Texas, through a joint venture with two partners. This new plant is expected to have the most competitive cost structure in the Americas and begin operations in 2025 with a capacity of 1.3 and 1.1 million tons of PTA and PET, respectively. Each partner will receive one-third of the site's total production, which will increase Alpek's capacity to supply the growing demand for these materials.

At the end of the year, Alpek announced the start of its CEO's succession process. We would like to express our heartfelt gratitude to José de Jesús Valdez ("Pepe") for his outstanding 46-year career. Under his leadership, Alpek sustained growth and diversified its product portfolio, making numerous acquisitions and forming strategic alliances with other important industry players. We are pleased that Pepe will continue to contribute as a Senior Advisor at ALFA as of March 1, 2023.

Alpek's Board of Directors appointed Jorge Young as Chief Executive Officer, following his 32-year career with the Company. Jorge is CEO of Alpek Polyester, a business that contributes 66% of Alpek's revenues. We are confident in his leadership to extend the successful trajectory that characterizes our petrochemical division.

Regarding the strengthening of Sigma, US $250 million was invested in Capex to enhance competitiveness in all its regions during 2022. In addition, it continued its global Fuel program, which has achieved benefits of approximately US $41 million through several cost saving and avoidance initiatives.

Resources from Fuel are also used to explore high-potential opportunities in the New Growth Business Unit. Sigma has developed a dedicated team with entrepreneurial skills that is focused on generating, incubating, launching and scaling new businesses. Several highlights of 2022 were the global launch of Better Balance®, the plant-based products brand, which went from 100 to more than 1,300 points of sale in Spain, Mexico and the United States. Also, the third edition of Tastech by Sigma®, a global open innovation program whose objective is to transform the food industry, which expanded to new geographies receiving applications from startups from 41 countries and carrying out pilot tests with 12 of them in different regions. In addition, the seven exclusive agreements signed by Netport®, a new business aimed at marketing and distributing Hispanic products in the US.

US $41 million
in benefits for Sigma from savings and cost avoidance through Fuel program.

Going forward, Sigma will incorporate new perspectives into its strategy through the newly formed Advisory Board. This corporate governance body is made up of a talented group of individuals with diverse profiles. Their extensive experience will complement Sigma's efforts to stay ahead of changing consumer preferences, as well as drive innovation and brand equity.

Sigma's EBITDA growth and ALFA's debt reduction are relevant factors to maintain a strong financial position in the next stage of our transformation. ALFA, Alpek and Sigma have investment grade ratings from Fitch, Moody's and Standard & Poor's, supported by the strength of their debt metrics and individual capital structures. The financial discipline and solid generation of Consolidated EBITDA are reflected in ALFA's leverage ratio (Net Debt to EBITDA) at the end of the year of 2.3 times, compared to 2.3 and 3.1 times in 2021 and 2020, respectively.

ALFA maintains financial flexibility while transferring value to its shareholders through a balanced approach that combines transformation, the payment of dividends, the repurchase of shares and debt reduction. In 2022, US $196 million in dividends were paid and US $60 million in shares were repurchased. Together, they represent a benefit to our shareholders of 7.5% with respect to the average price per share during the year. In addition, ALFA reduced net debt at the Corporate level by US $66 million against the end of 2021.

SUSTAINABILITY

Both ALFA and the Business Units took actions to improve their performance in environmental, social, and governance (ESG) issues. As a result, they improved their ratings from internationally recognized evaluations, including S&P Global Corporate Sustainability Assessment (CSA), CDP's Climate Change and Water, and MSCI.

In the context of the transformation process, ALFA also updated its materiality and identified 11 topics relevant to the Company and its stakeholders. It also determined its role and focus going forward with respect to each of these items and the strategies of the Business Units.

Regarding social initiatives, ALFA Fundación completed its first cycle of supporting middle school, high school, and university students. In December, 47 students obtained their professional degrees, which contributes to social mobility of talented young people through education. The integrated system served 1,967 students in the 2021-2022 school year, of which 138 graduated from high school this year.

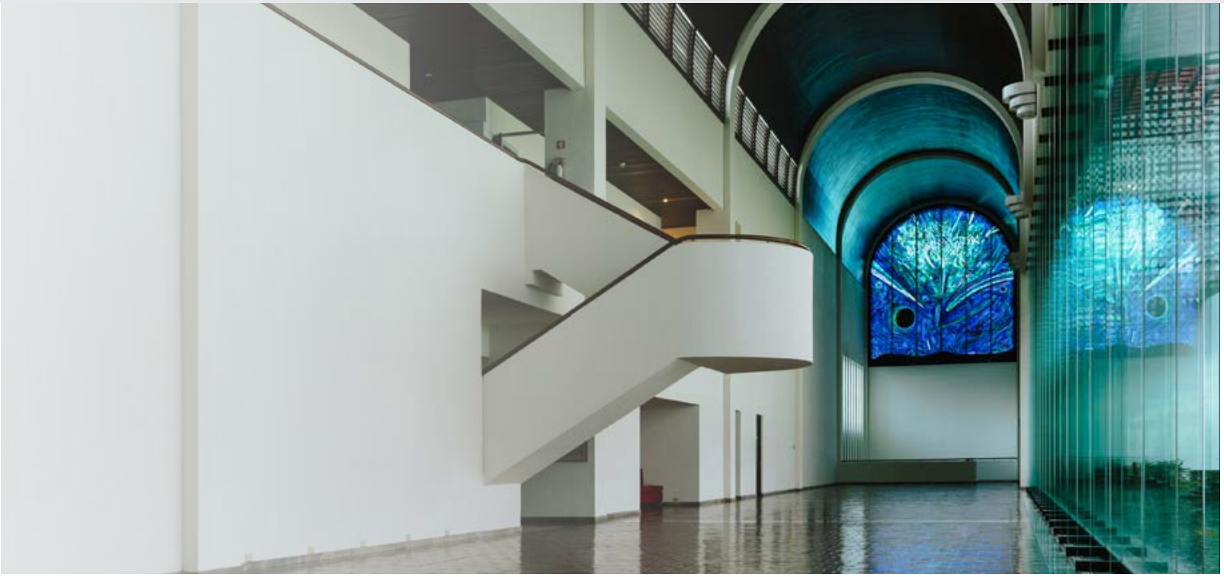
30,000+

solar panels installed by Sigma in work centers in all regions.

The main achievements of the Business Units were:

Sigma advanced in its goal to reduce emissions from its operations. More than 62% of the electricity used in its operations comes from cleaner or renewable energy sources, such as wind and solar. In addition, it is in the process of having its targets approved by the Science Based Targets initiative (SBTi). With respect to becoming a water steward, this year it achieved a 14% reduction in water use per ton produced in its global operations compared to 2021.

The Science Based Targets initiative approved Alpek's 2030 goals for reducing GHG emissions.



Alpek received SBTi approval for its green-house gas (GHG) emissions reduction targets, which contribute to the goal of keeping global warming below 2°C. In addition, through the acquisition of OCTAL, it obtained a new direct-to-sheet technology called DPET® that eliminates several energy-intensive steps in the conversion process. Additionally, it continued to promote circularity in its operations by joining Cyclyx, a consortium that facilitates the recycling of expandable polystyrene (EPS).

These sustainability actions empower our business models to continue operating responsibly and to fulfill our commitments to all our stakeholders.

2023 OUTLOOK

ALFA enters 2023 in an exceptional position, having simplified its corporate structure consistently since 2020, and with record-high results over the last two years. The global economy is poised to have a slower growth rate given the cycle of interest rate hikes implemented by central banks to combat inflation.

In this environment, Alpek and Sigma expect contrasting dynamics in their respective industries. For Alpek, the normalization of global reference margins and the moderation of other temporary market conditions that it capitalized successfully. At Sigma, the recovery in the performance of its European operations and the reduction of certain global inflationary pressures would reflect a sequential improvement. In the long term, both companies maintain attractive individual prospects, supported by a robust set of strategic projects.

At the consolidated level, ALFA will continue to focus on unlocking its great value potential by maintaining a balanced approach and an orderly transformation process.

We are very proud that the recent CEO appointments at Alpek and Axtel came from internal talent. This highlights ALFA's extraordinary talent pool and its solid culture of professional development.

Together with the Board of Directors, we are sincerely grateful to the team of more than 57,700 members who drove the year's positive results. ALFA is very fortunate to have their great capacity and dedication to achieving its goals.

We also would like to thank our customers, suppliers, financial institutions, and especially you, our shareholders, for your support and trust.

Armando Garza Sada
Chairman of the Board

Álvaro Fernández Garza
President

11 brands with annual sales of over **US $100 million** each.

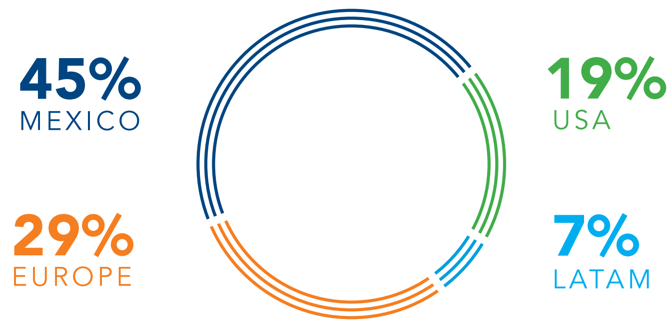
SIGMA

We are focused on improving the way we think, work, and interact, and challenging the status quo to accelerate the organization's potential, increase competitiveness, and achieve sustainable growth.

Rodrigo Fernández
CEO of Sigma

REVENUES
US $ Million

REVENUE BREAKDOWN



EBITDA
US $ Million

1,700+

new products launched during the last 36 months in all regions.

Advisory Board

MEMBER	EXPERIENCE
María Teresa Arnal*	Entrepreneur; 25+ years of technology experience. Google, Twitter and Microsoft
Diego Calderón	Proprietary Independent
María Eugenia Casar*	Former Assistant Executive Director - The World Food Program, UN
Juan Enríquez*	Chairman and CEO – Biotechonomy, LLC
Álvaro Fernández	President – ALFA
Armando Garza	Chairman of the Board of Directors – ALFA
Brenda Garza	Proprietary Independent
Ángel Losada*	Executive President and Chairman – Grupo Gigante
Eduardo Padilla*	Former CEO – FEMSA
Anthony Pralle*	Former Partner anda Managing Director – BCG, Consumer and Operations in Spain
Alejandro Ruiz	Proprietary Independent
Ricardo Saldívar*	Former CEO and President - Home Depot Mexico
Silvia Sonneveld*	SVP Corporate and Nutrition Strategy - DSM

*Independent member

During 2022, Sigma strengthened the operation through revenue management strategies, cost savings actions, and efficiency initiatives to face a challenging environment defined by inflationary pressures, especially in Europe.

In this extraordinary and temporary context, the Company recorded revenues of US $7.425 billion, 9% higher than in 2021; EBITDA reached US $652 million, 12% lower compared to the previous year. The Net Debt to EBITDA leverage ratio was 2.7 times and the Interest Coverage ratio was 5.5 times at the end of 2022.

Sigma assembled a world-class Advisory Board composed of a diverse and talented group of individuals with extensive experience and an outstanding track record to further strengthen the Company's ability to create long-term value.

During this first year, Sigma went through an operational and financial onboarding process to prepare the Board with necessary data and knowledge about the Company. This laid the groundwork to sharing new perspectives and foster in-depth discussions that, together with its talented teams, will enable them to remain at the forefront of changing consumer preferences, as well as reinforce innovation and brand equity.

The actions and programs carried out were aligned with the three pillars of the strategy:

1. **Grow the core business.**
2. **Develop new revenue sources.**
3. **Strengthen the organization through business enablers.**

To grow the core business, in addition to efforts to protect profitability, Sigma designed and

better balance

implemented efficiency initiatives throughout the organization. One example is its Fuel program, which is focused on reducing the complexity of the cost structure and optimizing budgeting and procurement processes, among others.

An expert multidisciplinary team of more than 250 people across all geographies was responsible for analyzing, redesigning, and sharing best practices across more than 200 initiatives throughout the Company. The efforts achieved savings and cost avoidance of US $41 million during 2022.

Two years after the creation of the New Growth Business Unit, the company has been able to understand consumer preferences and design an offering that has become a market favorite. At the same time, new business models were created, tested, piloted, and scaled. Some of the main examples are:

- **Better Balance®**, the global plant-based food brand continued its rollout in Spain, the U.S. and Mexico and reached more than 1,300 points of sale during 2022. In addition, it consolidated its position as the market leader in Spain in plant-based franks in just 5 months.

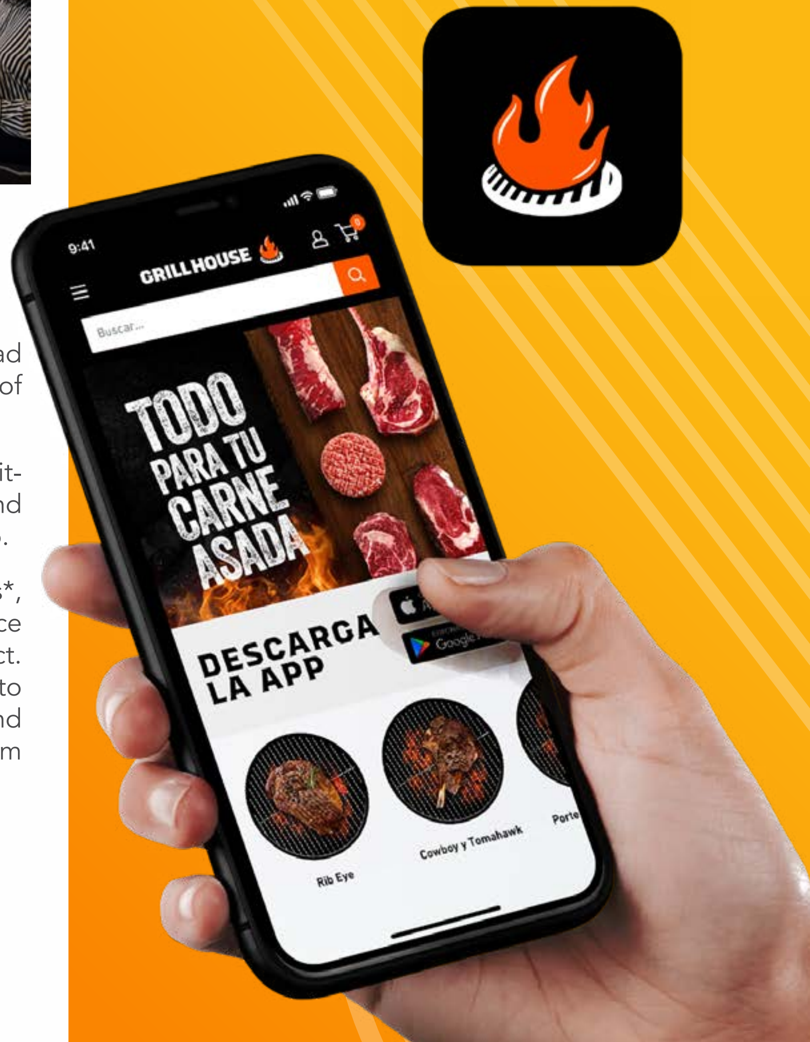
Tastech By Sigma

900+ startups
from 41 countries have participated in its three editions.

- **Tastech by Sigma®**, held its third edition with the participation of more than 420 startups with projects in four verticals: **1) New Business Models, 2) Food of the Future, 3) Value Connections, and 4) Green Technology.** Twelve startups were selected to carry out pilot programs with Sigma.
- Direct-to-consumer e-commerce businesses also made progress.
  - o **Grill House by Sigma®**, the premium service mobile app focused on grill-loving consumers, achieved a monthly compound growth of 10% since its launch in August 2020. It currently operates in 7 Mexican cities: Monterrey, Mexico City, Guadalajara, Querétaro, Saltillo, Chihuahua, and Metepec. In addition, it received the Excellence in Innovation award from Certified Angus Beef®.
  - o **CONVY®**, an online supermarket pilot specializing in everyday proteins: meat, poultry, fish, and seafood, as well as groceries, snacks, and ready-to-eat meals, currently serves 767 weekly orders.
- ***Netport***, an initiative focused on connecting U.S. consumers with nostalgic and specialized products from Mexico and Latin America. At the end of 2022, it had 7 exclusive agreements for the distribution of products in the U.S. Hispanic market.
- ***Snacking*** conducted a national launch of fruit-chip snacks, as well as meat protein Sticks and Bites in a large supermarket chain in Mexico.

Finally, Sigma continues to develop Enablers*, focused on the set of behaviors that influence the way in which they think, work, and interact. It encourages open and early discussions to break down silos, uncover root causes, and implement better solutions that drive long-term competitiveness.

10%
Grill House monthly compounded growth since August 2020.



* Entrepreneurship, Essential behaviors, Impeccable leadership, Agility, Innovation, Talent, Redirection of resources, Sustainability.

2023 OUTLOOK

In 2023, Sigma will maintain its financial strength in the face of a complex, volatile, and inflationary operating environment. The Company expects to capture the resilient demand in Mexico through product offerings in various consumer segments. In the United States, volume levels are expected to remain strong due to the presence of Bar-S in the smart choice brand segment. Meanwhile, the conflict between Russia and Ukraine and inflationary pressures will continue to be relevant factors in Europe, although to a lesser extent. Finally, in LATAM, a Foodservice recovery is expected.

Sigma will continue to focus on understanding consumer tastes and preferences, adapting operational processes and value offerings, exploring new business models, and accelerating the organization's potential to ensure long-term competitiveness and growth.

SUSTAINABILITY

We added Sustainability to our enablers because we want environmental, social and governance criteria to be present in all of our processes and daily decision making.

Rodrigo Fernández
CEO of Sigma

The evolution and importance of Sustainability at Sigma is reflected in the actions and progress seen in 2022 results.

Based on 4 pillars:

- **WELL-BEING**
- **HEALTH AND NUTRITION**
- **SHARED VALUE**
- **ENVIRONMENT**

Focused on the priority lines of work and the fulfillment of 2025 commitments and goals.

Priority lines of work

- **Decarbonize operations**
- **Reducing the environmental impact of its supply chain**
- **Becoming a water steward**
- **Promoting a circular economy**

Some of the main examples were:

- Signed and submitted its emissions reduction targets to the Science Based Targets (SBTi) initiative, which will validate Sigma's contribution to the reduction of green-house gases (GHG) required to avoid global warming.

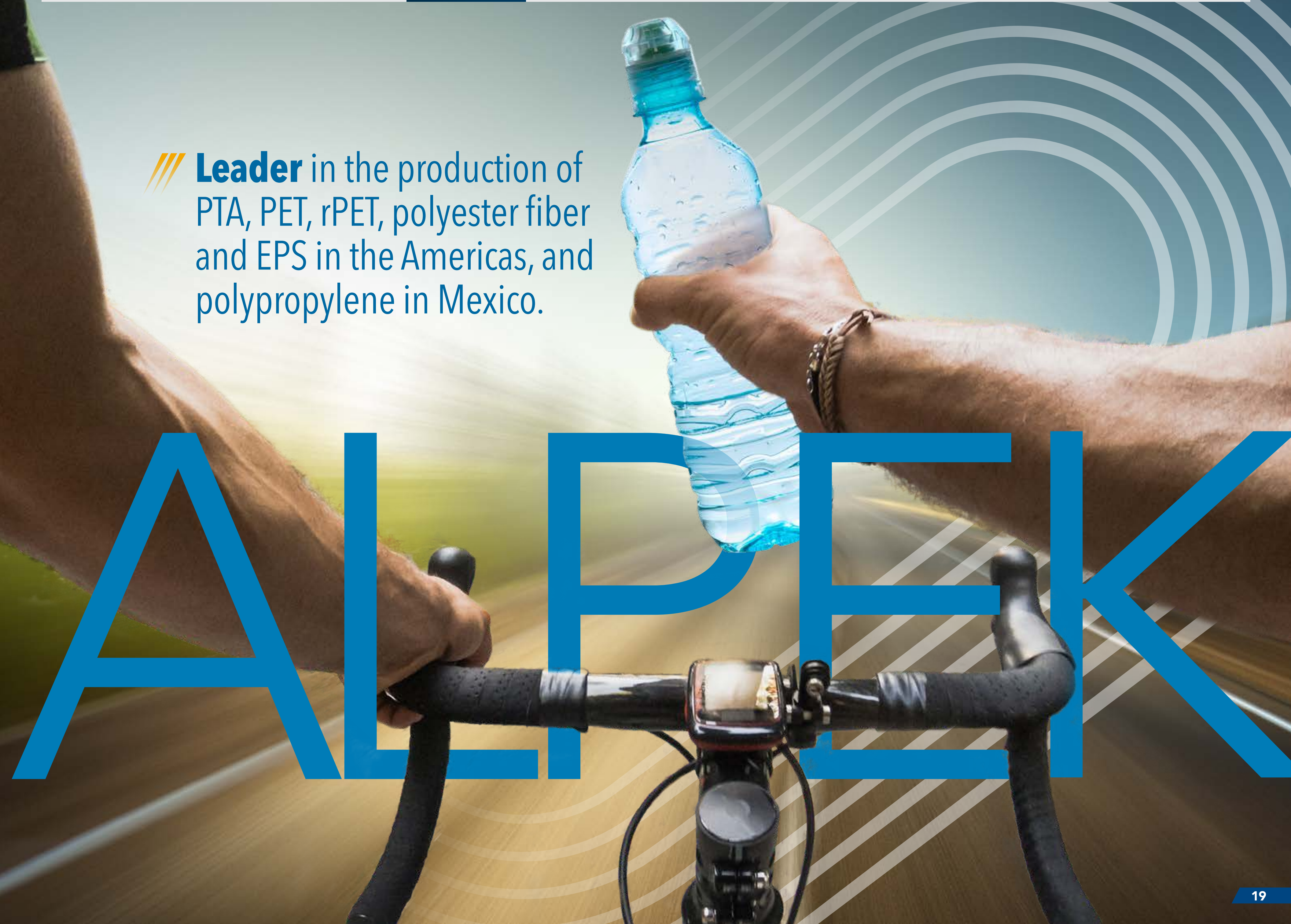
- Implemented a pilot program of 19 all-electric utility and last-mile delivery vehicles in Mexico as part of its carbon emissions reduction efforts. The pilot test will evaluate the units' performance to determine the most efficient path towards the electrification of its fleet.
- New refrigeration systems for the fleet were also piloted. This will have an impact on carbon footprint and energy efficiencies.
- Executed the strategic water plan and achieved a significant 14% year-on-year reduction in water use intensity.
- Regarding Diversity, a global plan to drive gender equity in all geographies was carried out, and operations in Mexico adhered to the Global Compact's "Women's Empowerment Principles" program.

Sigma also participated in international evaluations, where it continued to make progress. Below is a summary of its performance over the last three years.

Index		2022	2021	2020	2019
CDP	Climate Change	**B**	B	C	C
	Water	**B**	B	C	C
	Supply Chain Involvement	**A-**	B-	-	-
Global Compact		**Direct Member**	Direct Member	-	-

Leader in the production of PTA, PET, rPET, polyester fiber and EPS in the Americas, and polypropylene in Mexico.

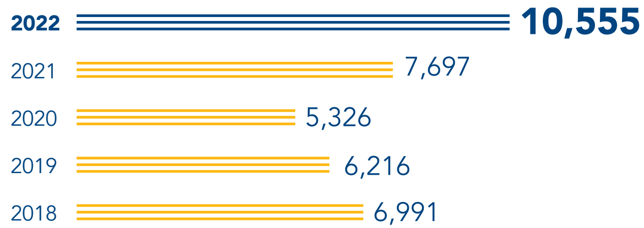
ALPEK



It has been a great honor to be part of Alpek's growth and transformation process. I am proud and grateful to the team that has allowed us to achieve record results and a solid financial position once again. Together we have made the Company a global leader with sustained growth and a diversified portfolio. I am confident in Jorge Young's leadership to continue Alpek's successful trajectory.

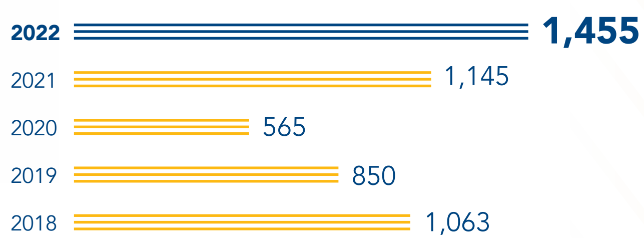
José de Jesús Valdez
CEO of Alpek

REVENUES
US $ Million



REVENUE BREAKDOWN

EBITDA
US $ Million



Alpek entered the global pet sheet market after the acquisition of OCTAL.

Lower carbon footprint with patented DPET® technology.

For Alpek, 2022 was a year of record financial results and geographic growth. The Company was able to capitalize on its industry's favorable environment, which presented better-than-expected demand and margins for most of the year.

Alpek recorded Revenues of US $10.555 billion, EBITDA of US $1.455 billion and Comparable EBITDA of US $1.396 billion, 37%, 27% and 45% higher than in 2021, respectively. During 2022 it made Investments and Acquisitions (Capex) totaling US $862 million. Additionally, it paid US $372 million in dividends to its shareholders. Its leverage ratio (Net Debt to EBITDA) by year-end was 1.3 times and maintained its investment grade rating, thanks to its solid financial position.

Alpek's progress and achievements during the year reinforced of the Company's strategy three pillars:

1. Strategic and focused growth

2. Strengthen key businesses

3. Capture ESG-related opportunities

The acquisition of 100% of OCTAL's shares was debt-free and financed through a combination of free cash flow generated by existing businesses and bank loans. Alpek assumed control of the operations as of June 1, 2022 and achieved a successful integration with better-than-expected results.

With this transaction, Alpek entered the global PET sheet business, which represents a highly attractive opportunity for Alpek. This product has excellent growth prospects to meet the increasing need for 100% recyclable packaging in the take-out food, baked goods, fruit and vegetable industries, among others.

In addition, it acquired the new DPET® Sheet technology, which eliminates several energy-intensive conversion steps. This production system has a lower carbon footprint than the industry standard, which represents an improvement in Alpek's carbon intensity and provides it with additional tools to achieve its sustainability goals.

The acquisition added more than one million tons of installed capacity, distributed among four sites:

- **PET Sheet:** 400,000 tons (Salalah Free Zone, Oman)
- **PET Sheet Recycling:** 33,000 tons (Cincinnati, United States)
- **PET Thermoformed Packaging:** 11,000 tons (Riyadh, Saudi Arabia)
- **PET resin:** 576,000 tons (Salalah Free Trade Zone, Oman)

In addition, Alpek resumed, together with its Corpus Christi Polymers (CCP) partners, the construction of an integrated PTA-PET plant, with an expected completion date of early 2025. It is expected to be the most competitive plant in the Americas. Each partner will have access to one-third of the annual capacity of 1.1 and 1.3 million tons of PET and PTA, respectively. For Alpek, this equates to approximately 367,000 tons of PET and 433,000 tons of PTA, enabling it to continue to meet growing customer demand.

Alpek continued to promote the circular economy of its products. One example was Styropek, its subsidiary producer of expanded styrenics, which joined Cyclyx International, LLC ("Cyclyx"). This consortium is dedicated to supplying customized batches of raw materials from waste that meet the necessary chemical and physical properties to ensure their recyclability. The increased availability of feedstock will significantly improve Alpek's projected expandable polystyrene (EPS) recyclability and enable it to move towards its goal of increasing its recycled content in certain products to at least 30% by 2030.

More than 50% of the EPS manufactured by Alpek is used in industries that require materials for durable applications, such as construction, since its thermal insulation properties reduce the carbon footprint of homes and buildings.

Resumed construction of the most competitive PET and PTA integrated plant in the Americas.

Driving circularity: Styropek joined Cyclyx.

2023 OUTLOOK

Alpek began the year with a strong financial position and made progress in its growth strategy by capitalizing on market conditions, especially in the first nine months of 2022.

For 2023, Alpek expects a solid performance considering the normalization of reference margins for PET, PP and EPS, as well as other factors such as ocean freight costs.

CEO SUCCESSION PROCESS

On December 14th, Alpek initiated the succession process for its Chief Executive Officer. The Board of Directors appointed Jorge Young, who assumed the role on March 1, 2023.

After an outstanding 46-year career in the organization, José de Jesús Valdez retires from Alpek and will take on a role as Senior Advisor at ALFA.

His strategic vision as CEO for 35 years transformed Alpek into a global leader, with 35 plants in 9 countries and a committed team of more than 7,000 employees. Under his leadership, Alpek achieved sustained growth and diversified its product portfolio by making numerous acquisitions, and formed strategic alliances with other relevant players in the industry, turning it into a company with annual sales of US $10.6 billion such as those achieved during 2022.

We are deeply grateful to José de Jesús for his valuable contribution to the petrochemical business, and we look forward to continuing to count on his contributions as part of ALFA's transformation process.

José de Jesús Valdez   Jorge Young

I appreciate the trust of the Board of Directors and I am very enthusiastic about this opportunity. You have my commitment to work with all of you to maintain Alpek's successful track record.

Jorge Young
CEO of Alpek
Appointed on March 1, 2023

SUSTAINABILITY

SBTi endorsed our short-term reduction of GHG emissions target, validating our commitment to fighting climate change and complying with the Paris Agreement. We remain committed to achieving carbon neutrality by 2050.

José de Jesús Valdez
CEO of Alpek

One of Alpek's main sustainability achievements was the approval of its emissions reduction targets by the Science Based Targets initiative (SBTi). This approval validated its commitment to reduce absolute Scope 1 and 2 greenhouse gas (GHG) emissions 27.5% by 2030 with respect to the 2019 baseline, as well as Scope 3 emissions by 13.5% within the same timeframe. In doing so, it will contribute to keeping global warming below 2°C to mitigate climate change.

Alpek is confident that by transitioning to renewable energy sources, improving energy use, and generating emission-free steam, among other initiatives, it will be on track to meet its targets and continue efforts to achieve carbon neutrality by 2050.

100%
of the polyester business migrated to renewable energy sources.

Leader in solutions of Information and Communication Technologies in Mexico.

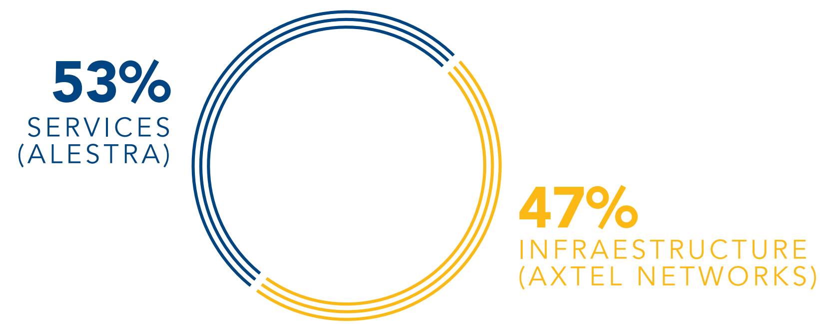
AXTEL

During this stage of change, we have proposed to promote a cultural transformation, strengthen collaboration with our technological partners and achieve a closer relationship with our market, thus laying the foundations to resume sustained growth with a focus on profitability. All this, supported by agile and specialized processes that allow us to accompany our clients in their digital evolution.

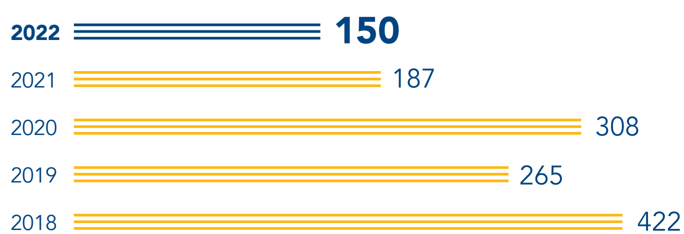
Armando de la Peña
CEO of Axtel

REVENUES
US $ Million

CONTRIBUTION TO EBITDA



EBITDA
US $ Million



2022 featured two events that marked Axtel's forward strategy.

In April, Axtel's Board of Directors appointed Armando de la Peña as Chief Executive Officer, replacing Eduardo Escalante, ALFA's Chief Financial and Human Capital Officer, in his interim. This appointment represents a new era for the Company, with attractive prospects for executing its strategic agenda, prioritizing the strengthening of its commercial strategy to resume profitable growth.

Additionally, ALFA's shareholders approved the transfer of its entire share ownership of Axtel to a new legal entity called "Controladora Axtel". The registration process is at an advanced stage with the corresponding authorities.

During 2022, Axtel strengthened its operating and commercialization model, which allowed it to improve the comprehensive services offered to customers and to rebound the levels of acquisitions towards the end of the year.

Axtel recorded Revenues of US $521 million and EBITDA of US $150 million, 7% and 20% lower than in 2021, respectively. The leverage ratio was 3.6 times. The Company advanced the refinancing process of its 2024 Senior Notes and received offers from holders for US $88.6 million of principal.

The Infrastructure Unit had lower revenues due to the decrease in sales of dark fiber contracts and the lower contribution to revenues related to a relevant wholesale customer. On the other hand, the Government segment in the Services Unit presented lower revenues, as well as delays in the implementation of projects caused by the global shortage of semiconductors, mainly during the first half of the year.

13%

increase in new projects acquisitions.

Among the different initiatives and actions being carried out to boost results, the following stand out:

1. **Focus on specialized services such as cybersecurity, consulting, and hybrid cloud solutions.**
2. **Focus on increasing market share in industries where it has a strong position.**
3. **Implementation of processes to streamline decision making.**
4. **Evaluation of opportunities to partner or make joint investments to accelerate growth in market segments with high performance.**

For example, in the Enterprise segment they continue to promote lines of services to provide highly specialized and close attention to their customers. In addition, it continued to strengthen the relationship with its strategic technology partners, jointly creating comprehensive value solutions for customers.

In the Government segment, Alestra is expanding its customer base to states in Mexico where it did not have a presence and which represent attractive opportunities, as well as strengthening relationships with new and existing federal entities. For its part, Axnet continues its recovery driven by the implementation of dark fiber capacity contracts.

2023 OUTLOOK

Axtel has encouraging prospects in 2023 backed by the knowledge and experience of its teams, as well as the strengthening and diversification of its business model that have attracted new contracts. With these capabilities and positioning, the Company can take advantage of trends such as nearshoring, 5G, and digital transformation. Axtel will maintain its focus on service lines such as cloud, cybersecurity, and Internet of Things, where it expects to achieve higher growth.

SUSTAINABILITY

We created the Sustainability Steering and Operative Committees to establish the strategic vision and define actions on sustainable development.

Armando de la Peña
CEO of Axtel

Axtel is promoting the adoption and development of corporate sustainability policies and practices that contribute to increasing the Company's productivity and competitiveness.

During 2022, it focused on updating its Sustainability materiality analysis, whereby it identified the most relevant topics for its stakeholders:

- Cybersecurity
- Energy and emissions
- Customer privacy
- Risk management
- Network quality and reliability
- Operational resilience
- Digital inclusion
- Circular economy and e-waste

58 points score achieved by Axtel in its last participation in the S&P CSA evaluation, 12% higher than in 2021.

In addition to these eight topics, Axtel covers the following as material topics:
- Information Security
- Ethics, anti-corruption, and values
- Product and service innovation
- Community engagement
- Talent attraction and retention
- Respect for and promotion of human rights
- Employee health and safety
- Environmental policies
- Employee education and training
- Diversity and Inclusion
- Integrating social and environmental aspects in supplier evaluation.

To manage and make progress in the tasks necessary to be a cutting-edge company, Axtel created the Sustainability Steering and Operating Committees. These are responsible for establishing the strategic vision and defining actions to maintain and accelerate the implementation of the sustainable development model in the organization.

To measure its progress and position in the sector, Axtel also participates in national and international evaluations. In 2022, Axtel scored 58 points in the S&P Global Corporate Sustainability Assessment (CSA), an increase of 12% over the previous year, placing it in the the telecommunications industry's 83rd percentile for this evaluation. For CDP, it maintained a C rating in the climate change category.

For the fifteenth consecutive year, the Company received the Socially Responsible Company distinction, awarded by the Mexican Center for Philanthropy, having met the required standards. It also received the CEEDA Certification (Certified Energy Efficient Datacenter Award) for its Apodaca Data Center.

In 2022, ALFA reinforced its commitment to sustainability by promoting world-class practices and procedures, as well as establishing responsible goals in its Business Units, aligned with international objectives and initiatives.

SUSTAINABILITY

GRI 2-24

As part of its commitment to development and responsible administration, ALFA integrates sustainability into its corporate guidelines to promote effective management in each Business Unit.

Each subsidiary establishes strategies, goals, programs and projects that cover the environmental, social and governance impacts both in its operations and across its value chain, considering the perspective of the various industries in which it operates.

2022 ACHIEVEMENTS

ALFA
Defined the comprehensive Diversity, Equity, and Inclusion strategic framework.

ALPEK
The Science Based Targets initiative[1] approved Alpek's emissions reduction target for 2030.

SIGMA
Established its Integrated Water Management Strategy and reduced its usage per ton produced by 14% compared to 2021.

AXTEL
Updated its Materiality Analysis and created the Sustainability Steering and Operating Committees.

ALFA FUNDACIÓN
First generation of 47 ALFA Fundación students graduated from university.

(1) Science Based Targets initiative: is a collaboration between CDP, the United Nations Global Compact, the World Resources Institute, and the World Wildlife Fund. Since 2015 more than 1,000 companies have joined the initiative to set a science-based climate target in line with the Paris Agreement.

Philosophy and Strategy

GRI 2-23

ALFA's ethical work philosophy, focused on efficiency and excellence, is the base for establishing conditions for the employees' well-being and development, promoting responsible decision-making and meeting the needs of its key stakeholders.

Mission

Become a source of pride for our workers and shareholders; exceed stakeholder expectations through leadership, innovation and long-term exceptional performance.

Vision

ALFA's commitment to its stakeholders:

Shareholders: Achieve outstanding long-term value creation through profitable growth, optimization of the portfolio, and selective investment in new opportunities.

Collaborators: Be a great place to work. Attract and develop the best talent, motivating them to achieve their full potential.

Customers: Exceed expectations through superior experiences and innovative offerings.

Suppliers: Build long-lasting, mutually beneficial relationships.

Community: Encourage safe and sustainable operations. Contribute to the development of our communities.

Values

Integrity: Our actions are governed by our commitment to ethical conduct and social responsibility.

Respect and Empathy: We consider diversity as a strength. We seek to incorporate individuals with different backgrounds and experiences. We aspire to provide a work environment that promotes trust and cooperation.

Results-oriented: We are committed to value creation and the continuous improvement of our businesses. All our collaborators embody a personal commitment to improving the performance of the company.

Innovation and Entrepreneurial Approach: Encourage and reward innovation and development of new business opportunities.

Customer Focus: Committed to exceed our clients' needs.

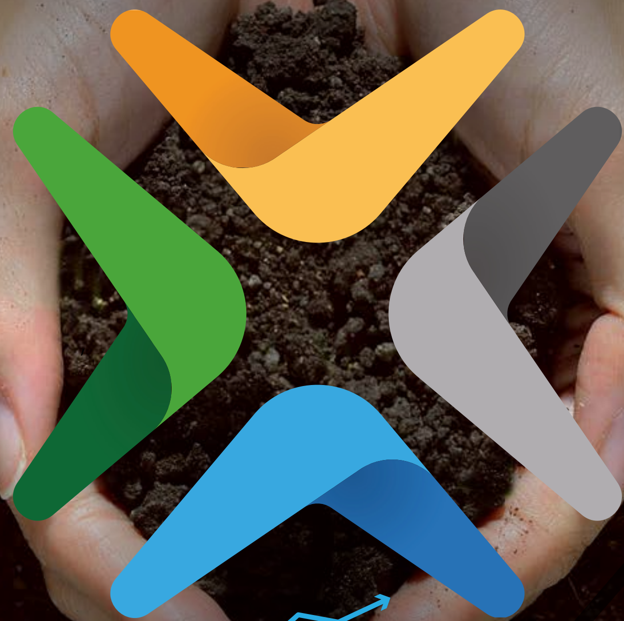
Sustainability Model

GRI 2-22

ALFA has established four pillars in a model that serves as the base for guidelines, initiatives, and progress in its sustainability strategy.

INTERNAL WELLNESS
To provide health, safety, and integral development opportunities for collaborators.

ENVIRONMENT
To control and reduce emissions into the air, soil, and water to minimize its operations' environmental footprint.



OUR COMMUNITY
To be a responsible citizen to generate positive impact and promote the development of the communities in which it participates.

ECONOMY
To obtain an adequate return on the business for shareholders, considering the investment and risk assumed.

Materiality and Goals

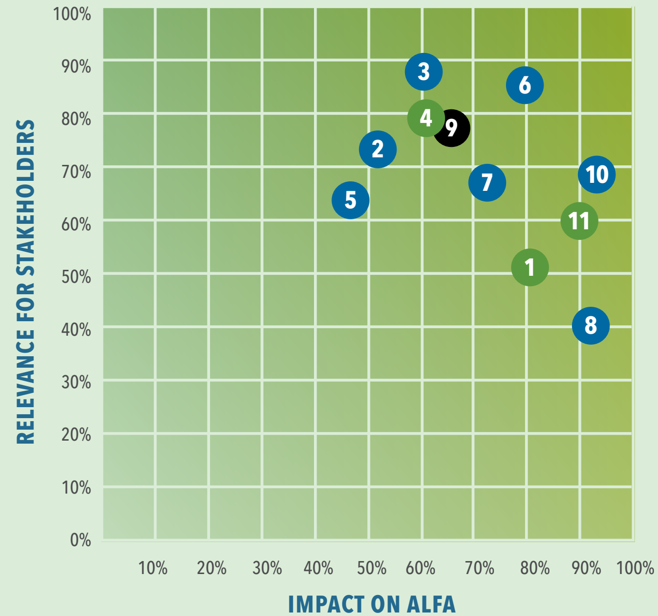
GRI 3-1, 3-2

ALFA and its Business Units conduct their materiality analyses aligned with the frameworks and principles of GRI, SASB, and TCFD, among others(2), to identify the environmental, economic, social, and governance topics that should be considered in their strategies. These issues are prioritized and ranked based on the level of risk and opportunities they may represent for sustainable management.

The process considers internal and external stakeholders' views, an industry-wide assessment, as well as key global sustainability trends and challenges.

In 2022 ALFA updated its consolidated materiality analysis, considering its Business Units' materiality analyses in the current context. As a result, the new matrix shows 11 relevant topics.

ALFA's materality matrix



- Remained unchanged
- Reclassified
- New and/or more relevant topics for reporting

1. ESG strategy and risk management
2. Corporate governance with a sustainable approach
3. Transparency, reliability, and investor relations
4. Human rights, Diversity, Equity, and Inclusion (DEI)
5. Social impact
6. Climate change strategy: energy efficiency and emissions
7. Employee well-being, safety, and development
8. Circularity approach
9. Water management
10. Value chain involvement
11. Innovation

ALFA organized its material topics based on i) immediate attention and high priority, and ii) level of governance and operability.

Even though all topics are highly relevant, their management approach is different. ALFA establishes guidelines as a reference to ensure sustainable business behavior. The subsidiaries, in turn, develop operating strategies to identify their risks and mitigate their operations' environmental, social and governance impacts.

CORPORATE

IMMEDIATE ATTENTION

1. ESG strategy and risk management
2. Corporate governance with a sustainable approach

HIGH PRIORITY

3. Transparency, reliability, and investor relations
4. Human rights, Diversity, Equity and Inclusion (DEI)
5. Social impact

BUSINESS UNITS

IMMEDIATE ATTENTION

6. Climate change strategy: energy efficiency and emissions
7. Employee well-being, safety, and development
8. Circularity approach

HIGH PRIORITY

9. Water management
10. Value chain involvement
11. Innovation

(2) GRI: The Global Reporting Initiative is an international, non-governmental organization that develops standards for measuring and communicating the social, economic and environmental impacts of companies and institutions.
SASB: The Sustainability Accounting Standards Board is an independent organization that sets standards to guide the disclosure of economically relevant sustainability information by companies to their investors.
TCFD: The Task Force for Climate-related Financial Disclosures is a group formed at the request of the G20, which seeks to get companies to report their financial impacts related to climate change, as well as related risk mitigation actions.

ALFA and its Business Units' materialities are interconnected as shown in the following chart:

ALFA	ALPEK	SIGMA	AXTEL
ENVIRONMENTAL			
• Climate change strategy: energy efficiency and emissions	• Carbon emissions and energy ecoefficiency	• Climate action • Clean and efficient energy	• Energy and emissions
• Circularity approach	• Pollution • Circularity	• Circular economy and sustainable packaging • Zero food waste	• Circular economy and e-waste
• Water management	• Water management	• Water management	
SOCIAL			
• Value chain involvement	• Customer and supplier relations	• Sustainable sourcing and value chain management	• Customer privacy • Operational resilience • Integrating ESG aspect in supplier evaluations
• Employee well-being, safety, and development	• Occupational health and safety	• Health, safety, well-being and work-life balance • Employee training and development • Organizational culture and work environment	• Employee health & safety • Talent attraction & retention • Employee training & education
• Human rights, Diversity, Equity, and Inclusion (DEI)	• Diversity, Equity, and Inclusion (DEI)	• Diversity, equal access to opportunities, and inclusion	• Diversity and inclusion • Respect for and promotion of Human Rights
• Social impact	• Community engagement	• Healthy and nutritious products • Food safety and quality • Food donation	• Commitment to the community • Digital inclusion • Cybersecurity • Network quality and reliability
GOVERNANCE			
• ESG strategy and risk management	• Active ESG risk management • Cybersecurity	• Economic performance	• Risk management • Information security • Having environmental policies
• Corporate governance with a sustainable approach	• Corporate governance with a sustainable approach	• Ethics and Integrity	• Ethics, anti-corruption and values
• Transparency, reliability, and investor relations.			
• Innovation	• Innovation	• Innovation, research, development, and scientific collaboration	• Product and services innovation

Dialogue with stakeholders

GRI 2-29

For ALFA and its Business Units, it is important to know and understand the needs and interests of the audiences with which it relates, and which may be impacted by its business activities.

Maintaining constant dialogue with these groups allows ALFA to establish strategies and programs to meet their needs. This process identifies areas of opportunity that, if properly capitalized on, can drive economic and social value generation.

STAKEHOLDER	COMUNICATION CHANNELS	RESPONSIBLE
Collaborators	Meetings	Human Capital
	Internal forums	
	E-mails	
	Intranet	
	Transparency helpline	
	Surveys and studies on organizational climate and commitment	
Investors	One-on-one meetings	Investor Relations
	Quarterly reports	
	Annual reports	
	Conferences and forums	
	Transparency helpline	
Authorities	Meetings	Institutional Relations
	Annual reports	
	Transparency helpline	
Suppliers	Audits	Services Area
	Training programs	
	Transparency helpline	
Community and Civil Society organizations	Program support	ALFA Fundación
	Volunteer work	Human Capital
	Transparency helpline	Corporate Communications
		Institutional Relations

ESG index and ratings performance

GRI 2-24

ALFA and its Business Units' participation in ESG index evaluations is considered a useful tool that allows them to strengthen their sustainability programs and initiatives while:

Sharing progress on the Company´s material topics.

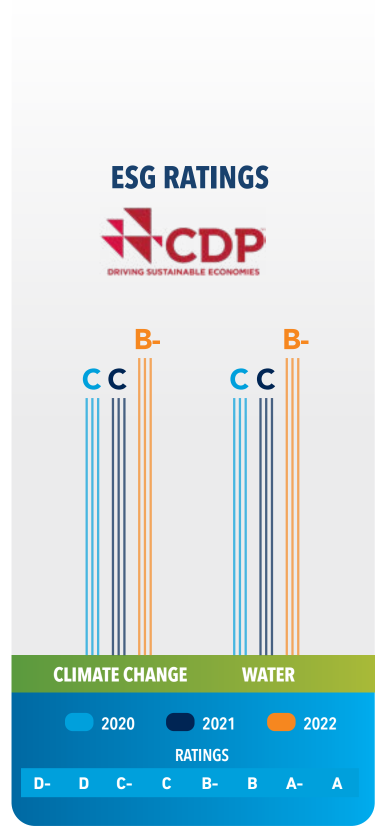
Integrating feedback into internal processes for continuous improvement.

Comparing the Company's performance against its competitors.

Identifying best practices for sustainable management.

Exploring opportunities for financial and non-financial growth.

ALFA has a track record of improvement in all assessment categories in which it has participated over the past three years. During 2022 it scored 7 more points in the S&P's overall CSA rating, as well as increases in its CDP and MSCI ratings.



The Business Units' ratings are presented below:

ESG Indices and evaluations	ALFA	SIGMA	ALPEK	AXTEL
S&P / BMV	✓	-	✓	-
S&P CSA	42	-	54	58
CDP	Climate Change: B- Water: B- Forests: D	Climate Change: B Water: B	Climate Change: B Water: C	Climate Change: C
MSCI	BBB	-	BB	-
FTSE4Good	✓	-	✓	✓

CDP: The Climate Disclosure Project is an initiative that works to reduce corporate greenhouse gas emissions and mitigate the risk of climate change by reporting the climate impact of organizations and companies globally.
S&P CSA: Is an assessment that seeks to help companies establish a sustainability baseline and obtain an independent view of their sustainability performance relative to their peers.
MSCI: The MSCI World is one of the best-known global benchmark stock market indexes and represents the economy and financial markets of the developed world, as it is comprised of more than 1,500 listed large and mid-cap companies from 23 developed countries worldwide.

BUSINESS UNITS' 2022 GOALS AND PROGRESS

GRI 3-3

The Business Units set goals to manage the environmental, social, and governance risks identified. In 2022, they showed significant progress that reflects their commitment to sustainability and boost their competitive position.

SIGMA

	2025 Goal Summary	2022 Progress
ENVIRONMENTAL	**20% reduction in** the operation's **carbon footprint.**	**More than 18% emissions reduction** vs. 2015 baseline.
	20% greater efficiency in responsible water management.	**Reduced water usage** per ton produced **by 12%** vs. 2018 baseline.
	Create packaging solutions that move the Company toward a **circular economy.**	**Avoided consumption of 1,300+ tons of virgin plastic** during 2022; 7,800+ tons vs. 2019 baseline.
	Ensure that **67%** of **energy consumption comes from cleaner energy** in operations.	**62.5% clean energy use.**
	That **80% or more of meat**, dairy and packaging purchases **are responsibly sourced.**	**Evaluated 145 suppliers** on their sustainability practices through CDP and 153 with an internal methodology.
SOCIAL	**Donate at least 25,000 tons** of food through organizations that fight hunger.	**1,520 tons of food donated** in 2022; 21,100+ tons accumulated since 2015 baseline.
	Become a **more inclusive company.**	Sigma Mexico signed the UN **Women Empowerment Principles**.
	Have at least **10%** of staff **participate in volunteering activities.**	**More than 8% of collaborators** participated in **volunteering activities**.
	Strengthen long-term relationships with stakeholders through open communication about its sustainability efforts.	**Policies** on Water, Cybersecurity, Taxes, Greenhouse Gas Emissions, Responsible Marketing, and Responsible Engagement in Public Policy Making **were established.**
	22% reduction in its accident rate.	**43% reduction in accident rate** vs. 2018 baseline.
	11% increase in average **training hours** per talent segment.	**16% increase in training hours** vs. 2018 baseline.
INNOVATION	**Double Health and Nutrition** product portfolio's sales.	**Health & Nutrition product sales of 1.8x** vs. 2019 baseline.
	Achieve **100%** of operating sites to be **GFSI certified.**	**94% of sites certified by GFSI.**

BUSINESS UNITS' 2022 GOALS AND PROGRESS

GRI 3-3

The Business Units set goals to manage the environmental, social, and governance risks identified. In 2022, they showed significant progress that reflects their commitment to sustainability and boost their competitive position.

ALPEK

	Goal Summary	2022 Progress
ENVIRONMENTAL	**Reduce 27.5%** of Scope 1 and 2 emissions by 2030 and **13.5%** for Scope 3 (both 2019 baseline). **Carbon neutrality** by 2050. **Increase PET bottle recycling** capacity to 300,000 tons by 2025. **Increase the long-term sustainable use and applications of EPS**, working on the development of biodegradable alternatives, and increasing **recycled content** in selected products to **at least 30%** by 2030. Opportunities assessment to **reduce water consumption intensity**. **Reduce potential pollution sources** from processes and products.	**Emissions and energy:** • Approval of short-term green-house gas reduction targets by the Science Based Targets initiative (SBTi) . • The closure of the caprolactam production plant in Salamanca, Mexico, as well as its Staple Fiber operations in Cooper River, U.S., had a positive effect on emission reductions, **to achieve a 19% reduction in Scope 1 and 2** emissions* against its 2019 baseline. • Its polyester fiber business migrated to 100% renewable energy. **Circularity:** • Alpek joined Cyclyx, seeking to **improve logistics to find** post-consumer EPS in suitable conditions to facilitate its recycling.
SOCIAL	Seek to be in the industry's top decile in Total Recordable Incident Rate (TRIR) for **collaborator and contractor safety.** **Investing in activities** for the education, health, access to services, and quality of life of neighboring communities. **Workforce diversification** with more equitable Human Capital strategies. Achieve a **more sustainable value chain** (suppliers and customers).	• **Alpek reduced its TRIR by 5%** vs 2021. • **Invested more than US $33,000** in activities for the education, health, access to services, and quality of life for neighboring communities.
GOVERNANCE	**Continue improving** the Board of Directors' composition and effectiveness. **Strengthening Corporate Governance** to achieve ESG objectives. Securing information with state-of-the-art **cybersecurity systems.** **Innovation that drives the improvement** of processes, products, and the search for alternatives to care for the environment.	• Appointment of Dr. Ana Laura Magaloni as a member of the Board of Directors, achieving an **18% representation of women on the Board.** • **12 ESG-specific committee** meetings were held and the institutional calendar for the following years' meetings was established.

* Excludes OCTAL operations.

BUSINESS UNITS' 2022 GOALS AND PROGRESS

GRI 3-3

The Business Units set goals to manage the environmental, social, and governance risks identified. In 2022, they showed significant progress that reflects their commitment to sustainability and boost their competitive position.

AXTEL

	Goal Summary	2022 Progress
ENVIRONMENTAL	Consume 30 GWh of **wind or photovoltaic energy** per year by 2023.	**Consumed 8.81 GWh of photovoltaic energy** and is expected to reach 15 GWh by 2030. The remaining commitment cannot be met due to changes in Power Purchase Agreement permits.
	Continue **migration to environmentally friendly refrigerants** and replace R-22.	Continued with the R-22 refrigerant migration strategy, using **environmentally-friendly refrigerant replacements** when obsolete system failures occur.
	Aim for 72% of energy consumption to come from clean sources by 2023.	**Energy consumption from clean sources represents 51.1% of total energy consumption** (1.15% cogeneration, 41.77% efficient cogeneration, 8.19% photovoltaic). Efforts to achieve a higher percentage of energy consumption from clean sources will continue.
	NPS (Net Promoter Score) results: Target score 45 in business and federal and state government markets.	**NPS Results** **• Alestra: 58** **• Axtel Networks: 73** **• Federal Government: 65** **• State Government: 81**

ALFA and its Business Units have joined the global commitment to achieve the Sustainable Development Goals, to which end they have identified specific goals they contribute to directly and indirectly.

SDG	Specific SDG targets	ALFA's Material Topic	How ALFA contributes
1 NO POVERTY	**1.5** By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social, and environmental shocks and disasters.	• Impacto social	• ALFA Fundación: quality education as a tool for social mobility.
3 GOOD HEALTH AND WELL-BEING	**3.d** Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.	• Employee well-being, safety, and development	• Goal of zero accidents in the year • Health and safety management systems • Emotional and psychological healthcare for employees • Engagement surveys
4 QUALITY EDUCATION	**4.4** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. **4.5** By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.	• Social impact	• ALFA Fundación: quality education as a tool for social mobility.
6 CLEAN WATER AND SANITATION	**6.3** By 2030, improve water quality by reducing pollution, eliminating dumping, and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and substantially increasing recycling and safe reuse globally.	• Water management	• Evaluation and development of water extraction and consumption efficiency strategies.
8 DECENT WORK AND ECONOMIC GROWTH	**8.8** Protect labor rights and promote safe and secure working environments for all workers.	• Human rights, Diversity, equity, and inclusion (DEI) • Employee well-being, safety, and development	• Employment opportunities in a safe, inclusive workplace where employees can grow in a comprehensive manner.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.3** By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses. **12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse.	• Circularity approach	• Sigma: program implementation to reduce food waste, use biodegradable packaging, and lower virgin plastic consumption. • Alpek: PET recycling.
13 CLIMATE ACTION	**13.2** Integrate climate change measures into national policies, strategies, and planning.	• Climate change strategy: energy efficiency and emissions	• Establishment of science-based targets to reduce emissions.

Governance

ALFA is committed to the adoption of strict ethical standards and the best corporate governance practices that guide the Company's performance and operation.

Through internal and external transparency mechanisms, ensures that any breach may be communicated to the organization and dealt with effectively.

ETHICS AND ANTI-CORRUPTION

GRI 2-15, 2-23, 2-24
UNITED NATIONS GLOBAL COMPACT PRINCIPLES 1,2,3,4,5,6 AND 10
S&P CSA 1.4.1, 1.4.3, 1.4.7

The President leads the creation, review and implementation of policies and procedures related to the ethical conduct expected from collaborators and other stakeholders. These policies guide strict compliance with corporate governance standards.

ALFA has a regulatory behavioral framework applicable to all Business Units' collaborators, comprised by the Code of Ethics, as well as Anti-Corruption and Conflicts of Interest policies, among others. Through the promotion of practices and behaviors based on ethics and integrity, these documents strengthen the Company's commitment to operate honestly, identifying situations that could create conflicts, with no tolerance towards any act of corruption, and in compliance with the laws and regulations applicable in each country where it operates.

ALFA adheres to the International Labor Organization's (ILO) Human Rights guidelines, and therefore rejects any discriminatory act, child labor and exploitation, forced labor, abuse, and coercion, as well as threats to prevent its Business Units' collaborators from having union associations or collective bargaining.

Ethics

ALFA's Code of Ethics is based on the Company's philosophy and includes the following principles:

1. Develop and perform all business activities with integrity.
2. Respect human dignity and the rights of all employees through honest and fair treatment.
3. Protect the health and safety of employees and the surrounding communities in relation to the company´s operations.
4. Avoid any kind of discrimination, harassment, threat, or abuse towards employees. Prohibit child labor.
5. Uphold the laws and regulations of all countries where the company has operations.
6. Avoid corruption acts of any kind.
7. Avoid situations which may create a conflict of interest between the company and employees.
8. Protect and properly utilize company assets (tangible and intangible).
9. Never use company assets for personal profit.
10. Generate accurate operating and financial information.
11. Protect the environment through the sustainable use of natural resources while developing and performing business activities.
12. Avoid the company's participation and the use of its resources or images in political activities.

Anti-corruption

GRI 205-2, 205-3

Anti-corruption Policy

ALFA is committed to conducting business with transparency and integrity and ensuring that all transactions comply with applicable anti-corruption and anti-bribery laws. This includes adherence to the U.S. Foreign Corrupt Practices Act (FCPA). ALFA maintains a zero-tolerance stance towards bribe payments or kickbacks of any kind to both government and private sector officials. This policy establishes the basic rules and framework for preventing, detecting, investigating, remediating, and, where appropriate, sanctioning any person who works for or represents the Company and has committed an act of corruption, in any of its manifestations and under any circumstances.

Transparency helpline

GRI 2-26

In the event of having ethics, governance, or compliance guidelines violations concerns or suspicions, it is important that employees and other stakeholders have secure communication channels. ALFA provides a Transparency Helpline, accessible through the website, email and 1-800 phone in all countries where it operates. It is available 24 hours a day, 365 days a year.

During 2022, 1,050 complaints were filed through the Transparency Helpline. 100% were addressed, 85% were resolved during the same reporting period, and 15% remain under investigation. In cases where the misconduct warranted it, 163 people were terminated and relations with 4 business partners were terminated.

- ALFA's Internal Audit area does the classification and analysis.
- Depending on the complaint, additional company personnel may be involved to help the investigation.
- Non-compliance or any act in violation of our Code of Conduct and/or Human Rights issues, will result in disciplinary action, which may or the making include termination of employment.

Type of complaints

13% Inappropriate collaborator treatment
11% Inappropriate customer treatment
8% Asset preservation
2% Policy compliance
2% Personal relationships
2% Corruption and/or bribery
1% Conflict of interest
61% Others

RISK MANAGEMENT

GRI 2-12, 2-13

Risk identification and management processes, including those that cover ESG risks, are carried out at each Business Unit so that proposed initiatives and strategies are optimized considering their sectors and operations. This information is integrated into the ALFA process and reported to the Board of Directors' Audit Committee, which monitors progress and performance in the main risks' management.

Each risk's nature, likelihood, and impact determine the strategy and specific work plan, as well as the times required and persons responsible for its handling.

ALFA's Internal Audit area evaluates control processes, corporate governance and risk management from a systemic approach that generates benefits such as:

- Greater possibility of achieving strategic and business objectives.
- Supporting more effective decision making by understanding risk exposures involved.
- Creating an environment that enables the Company to meet its stakeholders' performance expectations.
- Safeguarding the Company's human, physical, and reputational resources.
- Comply with legal and regulatory requirements.

In 2022, Internal Audit integrated ESG issues into its work plan, which was presented to the Audit Committee of the Board with information on:

- Identification of background, status, and goal identification for each Business's sustainability issues.
- Advice from specialists on best practices in corporate governance, internal controls, progress and objective verification, and validation of the reasonableness of the reported information.
- Incorporation of ESG risks into the Internal Audit program.

Four steps are considered in the integration of risk reports:

- Annual interviews with each Business Unit's management team for identification, evaluation, and handling
- Presentation of main risks to ALFA's Audit Committee for follow-up.
- Management by the responsible areas within the operations.
- Evaluation and treatment of the risks of each business by ALFA's Internal Audit.

POLICIES

GRI 2-23, 2-24

ALFA's regulatory framework comprises over 50 policies, from which support documents such as process and procedure manuals are derived to guarantee the correct understanding and approach to the business' operation. Among the main topics covered by these policies are:

1. **Human Capital**
2. **Technology**
3. **Auditing**
4. **Procurement**
5. **Controllership and finance**
6. **Communications**
7. **Safety & security**
8. **Legal**

All Business Units must be aligned with the regulatory framework established in ALFA's Policies. Business policies may have different conditions, but never exceed these corporate guidelines.

Value Chain

GRI 204-1, 308-1, 414-1
S&P CSA 1.5

ALFA and its Business Units' commitment to promote sustainability includes establishing synergies throughout its value chain. Suppliers are a key element in achieving optimal operation, so they must adhere to and comply with national and international regulations and be transparent about their environmental and social practices.

Each Business Unit establishes operating processes and principles for its relationship with suppliers. Below are the key aspects and some of each business's progress in this topic.

SIGMA

Goal
- 80% of raw material and packaging purchases from responsible suppliers by 2025.

Achievement
- 145 suppliers shared information on their environmental status through the CDP's Supply Chain Program platform. 35% of raw materials used in Sigma were purchased from these suppliers.

Actions
- Requested responses to the CDP questionnaire from 357 raw material suppliers of meat, dairy, and packaging through the Supply Chain Program to identify sustainable practices related to Climate Change, Forests and, starting in 2022, Water Security.
- Developed a methodology to grade suppliers and identify them as responsible. Evaluated the social and governance pillars through a survey covering strategy, nutrition, well-being, safety, and shared value topics. 153 suppliers answered it.

ALPEK

Goal
- To work with customers and suppliers to actively identify ESG-related risks and the necessary corrective actions to make the entire value chain more sustainable.

Achievement
- Increased its ratings in sustainability performance reporting platforms (CDP, S&P CSA, Sustainalytics).

Actions
- Alpek conducted a Scope 3 emission monitoring for its entire value chain for 2019, 2020, 2021 and 2022.

AXTEL

Actions
- Updated its Suppliers' Code of Ethics, which seeks to ensure that suppliers comply with Mexican Official Standards, municipal, state, and federal laws and regulations, as well as with the provisions of official agencies such as Civil Protection, the Ministry of Labor and the International Labor Organization (ILO), among others, thus promoting environmental, social, and governance (ESG) issues in its value chain.
- 95% of suppliers signed the code this year.

The Human Capital strategy is focused on establishing the right work environment, systems, and responsibilities for collaborators to achieve integral development and reach their full potential.

OUR PEOPLE

Demographics

ALFA's strength lies in its people. Fostering a mindset, processes, and practices that promote diversity, increases the wealth of perspectives that drive an inclusive and innovative culture to effectively address challenges.

GRI 2-7, 405-1

Total collaborators

57,709

Business Unit

	Women	Men
CORPORATE ALFA	**100**	**264**
ALFA FUNDACIÓN	**68**	**44**
SIGMA	18,235	26,915
ALPEK	1,190	6,065
AXTEL	1,067	3,016
ALLIAX	184	561
TOTAL	**20,844**	**36,865**
	57,709	

Position type

	Women	%	Men	%	Total
EXECUTIVE	269	22	936	78	1,205
ADMINISTRATIVE (STAFF)	6,375	33	12,801	67	19,176
OPERATIVE	14,200	38	23,128	62	37,328

By region

	Permanent contract employees	
	Women	Men
NORTH AMERICA	15,874	25,978
SOUTH AMERICA	1,088	2,567
CENTRAL AMERICA	910	2,536
EUROPE*	2,919	5,101
ASIA	53	683
TOTAL	**20,844**	**36,865**

Age range

	Women	%	Men	%	Total
UNDER 20	232	1	613	2	845
21 to 29	3,050	15	6,403	17	9,453
30 to 39	5,729	27	10,897	30	16,626
40 to 49	5,659	27	8,529	23	14,188
50 to 59	2,964	14	4,683	13	7,647
Over 60	310	1	727	2	1,037
No information available*	2,900	14	5,013	14	7,913

*Data from Sigma Europe – Campofrío; not available by European regulations.

Human Capital Policies

Human Capital policies provide teams with a clear understanding of their rights and obligations, as well as the procedures to ensure compliance.

ALFA and its Business Units adhere to the International Labor Organization's guidelines. Through this effort, respect for human rights is promoted. This includes generating a favorable work environment, implementing mechanisms to manage psychosocial risk factors and behaviors that lead to violence or discrimination, as well as child labor, among others.

The set of Human Capital policies and guidelines strengthen the criteria of equal opportunities, talent development and retention, and a culture of inclusion and zero-tolerance towards discrimination. These support the stance on protecting employee rights. Some of these documents are:

GRI 2-23, 2-24

1. **Code of Ethics (public)**
2. **Behavior guidelines**
3. **Anti-corruption policy (public)**
4. **Conflict of interest policy**
5. **Psychosocial risk factors policy**
6. **Harassment and discrimination prevention policy**
7. **Paternity/maternity policy**

ALFA recognizes and thanks the more than 57 thousand people who are part of its team for their work during 2022. Their talent, focus, and performance are key for the Company's value generation.

ANTI-CORRUPTION POLICY
ETHIC CODE

As a global company, ALFA continuously adopts best practices that enrich collaborators' experiences across different geographies and levels of responsibility. This includes building safe physical and psychological spaces that allow the potential of the Company's people to be unlocked.

The focus is on identifying the talent needed to achieve the Company's vision and aligning business objectives with the teams' capabilities, interests, and challenges, as well as providing the tools necessary to achieve them. This leads to collaborators accomplishing their personal and professional aspirations, translating into improved performance, and tangible business results.

Some of the elements considered by the Human Capital strategy are:

- Work ethics.
- Leadership style.
- Composition and competitiveness.
- Position differentiators.
- Companionship and work environment.
- Social responsibility and regulatory framework.

Investment in Human Capital totaled US $27.02 million. This included both the usual programs offered to collaborators, and the upgrades and equipment required to cover each business' specific needs during the year.

Investment (US $ million)	2022	2021	2020
Health and safety	18.4	30.4	31.4
Training and development	6.2	5.1	4.7
Well-being and recreation	2.4	4.0	2.8
Total	27.0	39.5	38.9

Collaborator Value Proposition

GRI 201-3

The Human Capital vision integrates the elements essential to ALFA's relations with collaborators: culture, attraction, development, and talent retention, as well as the creation of mutual value. The consolidation of these elements ensures the collaborators' development, permanence, and good professional performance, as well as the achievement of their personal transcendence.

CULTURE

ALFA's culture evolves as it understands and implements necessary changes to guarantee its collaborators' continuous development. The focus is on maximizing potential and promoting personal growth, which will be reflected in the Company's performance.

ALFA's cultural identity is the platform for implementing the Human Capital strategy based on three main principles:

Entrepreneurial spirit and global vision

Humility and sensitivity towards others

Passion for excellence and analytical thinking

During 2022, culture initiatives were aimed at understanding collaborators' motivators, strengthening dialogue and ties between teams, and analyzing the work environment's needs for the future. These efforts are instruments to enrich the value proposition to collaborators.

ATTRACTING TALENT

Currently, globalization and remote work trends have eliminated geographical barriers. This represents new challenges for all industries, derived from a more competitive labor market.

ALFA offers its collaborators an enriching proposition that includes growth opportunities and a diverse and inclusive work environment, as well as experiences that complement their identity and purpose.

Through tools such as the ALFA Live digital platform, the Company seeks to connect with people with different profiles, showing testimonials and experiences of what it is like to work at ALFA and its Business Units from the perspective of its collaborators. This way potential talent perceives the existing diversity and growth environment it could be integrated into.

www.alfalive.mx

DEVELOPING AND RETAINING TALENT

Talent development and retention are the core of the Human Capital vision. This is where systems and initiatives are designed and executed to strengthen the bond and commitment between the Company and collaborators.

Boosting talent

ALFA firmly believes that the better collaborators' skills and interests are matched to positions' requirements, the greater the achievement of their full potential will be, as well as the business' performance.

To enrich the collaborator's experience, there are formal Human Capital management systems that include a job definition, competitive compensation, performance evaluations, a development model, and additional benefits focused on the well-being of the individual and their families.

Connecting with talent

In addition to governance, the Human Capital processes and systems drive collaborators' development. ALFA continues to implement initiatives and ways of working that respond to new work trends and changes in the global environment.

As an example, ALFA has adopted a hybrid and flexible work scheme, which allows a combination of personal needs with the position's responsibilities. Following an assessment of job requirements, the percentage of remote work time varies. This fosters an environment based on trust towards collaborators and commitment to meeting their objectives.

Commitment between collaborators and the organization

The bilateral relationship between the Company and its workforce is at the heart of generating value for both. ALFA conducts collaborator engagement surveys every two years. The survey's approach provides a broad perspective of Company-wide performance that serves as a benchmark to regularly evaluate the work environment and employee satisfaction. Each Business Unit applies this survey according to its operations and the date it joined the exercise. The results obtained have been above average in each geography, where the average has been 75%.

Engagement survey*	Year	Commitment	Sample
ALFA	2022	82%	22,672
	2021	80%	15,499

*Includes Corporate ALFA, Sigma and Alpek participation in 2022 and 2021.

In 2022 a survey on motivators was implemented at the corporate level, which allowed a better understanding of the collaborators' styles. This improves the leaders' approach to their teams by identifying work styles that create an environment of greater collaboration and efficiency. 130 collaborators participated in this study, and the results were shared in individual and group meetings with all teams.

14% reduction in accident rate.

Health and safety

GRI 403-1, 403-3

The collaborators' physical integrity is fundamental to ALFA. With a team of 57,709 people in 25 countries, ALFA's objective is to guarantee that they all have the maximum safety measures necessary to protect their health and promote their well-being and that of their families.

All operations have Industrial Safety Systems that include strict guidelines, rules, and procedures that are implemented and rigorously supervised at each work center. In addition, there are Health and Hygiene Committees, made up of the collaborators themselves, that focus on accident and health risk prevention.

In 2022, the Company invested US $18.4 million in this topic. More than 240 specific health and safety programs and initiatives were implemented, and the accident rate was reduced by 14% year on year.

GRI 403-9

Indicator	2022	2021	2020
Accident rate	205.5	233.7	194.8
Frequency rate	5.8	7.6	5.6
Number of disabling accidents	770	940	937
Number of non-disabling accidents*	36	706	1,006
Lost days due to accidents	27,175	28,923	32,746
Physical losses	2	0	0

*Estimated for Sigma

Training and integral development

GRI 403-5

Developing and training personnel is one of the responsibilities ALFA considers essential to its success. Therefore, it promotes initiatives that strengthen the collaborators' skills and knowledge, contemplating three main elements:

- Individual's skillset and abilities.
- Mastery of subjects or specialties achieved through experience in positions and responsibilities performed.
- Academic knowledge through professional or technical studies.

GRI 404-2

In 2022, more than 1,300 training programs were offered at Alpek with a total of 20,857 attendees, mainly focused on leadership and the vision of the petrochemical business. Sigma invested more than US $3.9 million that led to reaching 30.3 hours of training on average per collaborator, surpassing the goal of 20 hours of training by 2025. These efforts were aimed at developing skills such as: leadership, communication, negotiations, health and safety, change management, and unconscious biases, as well as knowledge of Sigma's Code of Conduct. Axtel provided diversity awareness workshops throughout the company, with more than 4,000 collaborators participating in this effort.

In addition, at the group level, 207 scholarships were awarded to collaborators to continue their academic studies.

During the year, the average hours of training per collaborator amounted to 33.5 hours for all of ALFA.

GRI 404-1

	2022	2021	2020
ALFA	33	28	22
SIGMA	30	26	19
ALPEK	24	25	13
AXTEL	46	34	33

Well-being and work-life harmony

One of the Human Capital areas that has driven ALFA's growth since the beginning of its operations is well-being. Additional services are provided to collaborators to support their integral health. There are various medical, personal development, and communication programs, as well as psychological support offered, among others, that complement the collaborators' professional development.

Some well-being initiatives implemented during 2022 include were:

GRI 403-1, 403-3, 403-6

DEVELOPMENT OF AN INTEGRAL MODEL

1) **Mental and emotional**
   a) Job satisfaction surveys
   b) Stress measurement - Norm 035
   c) Psychological and emotional support services
2) **Physical and lifestyle**
   a) Various activities (meditation, yoga, classes taught by collaborators)
3) **Connections**
   a) Discussions with leaders
   b) Holiday celebrations - Children's Day, Mother's Day, Christmas, etc.
4) **Financial**
   a) Personal finance education
5) **Health and disease prevention**
   a) Personal protective equipment in facilities
   b) Communication on prevention

Diversity, Equity and Inclusion

ALFA recognizes the richness of having diverse teams, having members with different profiles, mentalities, and experiences. Each one can contribute, from their perspective, information and ideas that drive the organization's growth.

In 2022, ALFA intensified its Diversity, Equity, and Inclusion (DEI) efforts, in line with its commitment to be a workplace where employees can develop in a comprehensive manner within an inclusive culture.

ALFA is committed to consistently respecting people's dignity and creating a trustworthy environment that is physically and psychologically safe. It seeks to offer a working environment that promotes diversity, by recognizing and valuing individual differences. The Executive Team's leadership, supported by the Human Capital Department, strengthens the foundations on which the DEI strategy and initiatives have been designed.

Diversity: dimensions that differentiate team members, such as gender, race, sexual orientation, abilities, disabilities, beliefs, among others.

Equity: development and access to structures, systems, processes, and initiatives designed to promote and ensure equal and fair treatment, opportunities, and conditions for all people.

Inclusion: the collaborators' feeling of belonging in the organization and team, thanks to the dignified treatment that encourages their full participation to contribute to their daily work from their uniqueness.

References for definitions: International Labor Organization and specialized consulting companies.

DIVERSITY, EQUITY, AND INCLUSION STRATEGY

ALFA has carried out different initiatives in recent years, especially aimed at the development and empowerment of women. During 2022, an initial diagnosis was carried out in terms of DEI, which resulted in the design of a strategic framework to integrate an inclusive and diversity-driven approach in all the organization's processes, including its governance and management.

Objective

To drive the Company's evolution through talent diversification and an inclusive culture with an initial focus on gender equity, increasing the participation of women in leadership positions and ensuring the development of the capabilities required for growth.

Strategic Framework

The strategic framework was created with the aim of including the necessary changes in culture and operating processes within DEI efforts to ensure their permanent instillment. The interaction between each of its elements forms the system through which enablers and barriers are identified to propose initiatives that enhance the organization's talent.

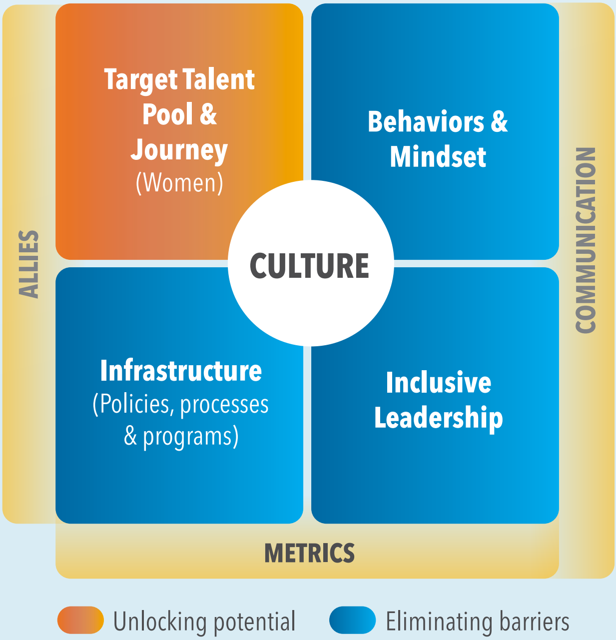
- **Empowering talent**
  This framework is designed to understand, prioritize, and address a target group's specific needs. The Company began with gender equity. Its structure is applicable to other groups with diverse backgrounds such as nationalities, ethnicities, religions, disabilities, the LGBT+ collective, and age segments, among others.

- **Eliminating barriers**
  The organization's mindset and behaviors are the first two elements worked on, especially in teams with greater responsibility with respect to the target group's particular characteristics and needs. Understanding the biased and unconscious ways of thinking that are practiced within the organization is necessary to evolve towards a conscious and inclusive leadership.

The diagnosis of the organization's infrastructure, policies, and processes' current state allows the identification of structural and enabling changes needed to promote, encourage, and recognize the benefits of diversity and inclusion.

The model's support elements are communication, allies and metrics through which the comprehensive system exchanges information and measures, with specific indicators, on each of the four key pillars' progress.

Culture is at the core of the model as it evolves, personally and organizationally, as barriers are removed and new thoughts, behaviors, processes, and practices are generated with a DEI perspective in the Company.



In 2022, Diversity, Equity and Inclusion efforts were promoted in all Business Units.

ALFA

Behaviors & mindset

- Internal diagnosis of DEI drivers and root causes.
- Participation in the McKinsey Women Matter MX 2022 study (alongside the subsidiaries).
- Benchmark study with companies and universities.

Inclusive leadership

- Presentation and in-depth sessions with CEO and Chief Financial & Human Capital Officer.

Infrastructure

- Design of strategic framework.
- Synergy with DEI teams within ALFA and Business Units.
- Definition of lines of work and detailed plan:
  - Analysis of talent processes.
  - Definition of immediate actions in Human Capital.
  - Definition of operational KPIs (work in progress).
  - DEI Policy Development.
  - Committee Management.
  - Evaluation of relevance of DEI indicator for variable compensation scheme.

Target talent group

- Diagnosis with internal ALFA and Business Units teams.

SIGMA

Established a DEI strategic framework with three pillars: **i)** Inclusive leadership, **ii)** Inclusive talent processes, **iii)** Inclusive culture. Additionally, it developed activities to strengthen the fundamentals that support this framework. Some examples are:

- Focus groups to identify needs.
- Establishment of DEI-focused teams.
- Awareness & sensibilization campaigns, and identification of unconscious biases.
- Review of recruitment processes.

ALPEK

DEI was established as a material topic for the organization to drive the best execution of its strategy. Some activities of this year were:

- Analysis across all business segments to identify key points to promote diversity.
- Publication of DEI policy in 4 languages.
- Establishment of DEI committees and Women's Networking in some of its business segments.

AXTEL

- Institutional diversity awareness course.
- Update and publication of the policies that comprise its commitment to diversity on its website.

2023 OUTLOOK

Going forward, ALFA will continue to deploy its DEI strategy in coordination with its subsidiaries. It plans to establish strategic goals and actions that will lead the Company to further evolve its Diversity, Equity, and Inclusion culture.

VALUE CREATION

This last element is focused on ensuring value creation for both people and the organization. ALFA's work philosophy considers that a person who is capable, responsible, and motivated to fulfill his or her tasks will perform better. This has an impact on the achievement of business objectives.

To ensure that reciprocal value is being generated between the involved parties, individual and organizational performance evaluation processes and systems that align personal objectives and goals with those of the Company. In addition, some teams' compensation is correlated to financial results, providing a recognition that allows the Company's success to be shared.

The tools used in the alignment of the business' strategy and goals with individual performance are:

1. **Definition of performance goals and expected behaviors per organizational area:**
   a) Business objectives - aligned to the strategy.
   b) Observable behaviors - aligned to culture.

2. **Periodic evaluation of individual performance.**

3. **Feedback linked to performance.**

4. **Variable compensation for some teams subject to:**
   a) Business financial indicators.
   b) Individual performance evaluation.

It is proven that intellectual capital created within the Company has resulted from the experiences, processes, and systems offered by ALFA to leverage the talent, knowledge, and skills that people bring to their daily tasks.

COMMUNITY

ALFA remains committed to the development of the communities in which it operates.

Community involvement

ALFA's business philosophy includes the responsibility to contribute to the development of the communities where it operates. Social investment is mainly focused on promoting education. Additionally, it supports non-profit organizations with financial and in-kind contributions, as well as volunteering actions.

Alliances and collaborations

GRI 2-28

As part of the community, ALFA participates in and develops projects in conjunction with civil society organizations and the business community to promote development and social well-being. In 2022 it worked with more than 183 chambers and associations.

The Company participates in global initiatives that promote sustainability within companies' operations as an integral part of economic momentum. One example is the United Nations Global Compact (UNGC), of which it is a signatory since 2006.

In 2022, ALFA ratified its adherence to the Compact's principles by having its CEO sign the corresponding commitment letter. In addition, during the year ALFA used the new UNGC platform to report progress in human and labor rights, environmental, and anti-corruption activities, among others. Sigma, Alpek, and Axtel are also direct signatories since 2021, 2020 and 2011, respectively. Being signatories of this pact also allows the Company to support the Sustainable Development Goals (SDGs) of the United Nations. This report represents ALFA's Communication on Progress (CoP) 2022.

ALFA Fundación: first cycle accomplished

GRI 203-1, 203-2

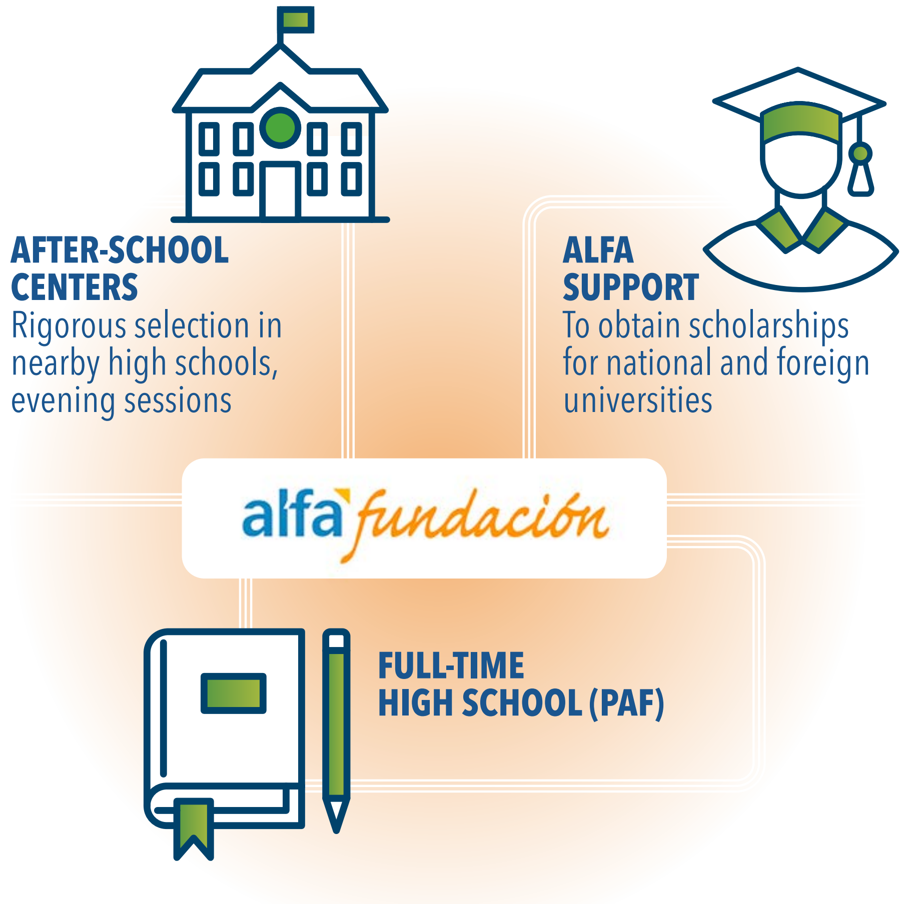
The ALFA Fundación project seeks to demonstrate that quality education is an effective tool for social mobility. The program was carefully designed by experts and looks to accompany talented, low-income students from the Metropolitan area of Monterrey, Mexico, to ensure that they obtain their university degree.

The program consists of three phases:

1. **Secondary level:** consists of after-school sessions to reinforce knowledge in math, science, Spanish, and English.
2. **High school level:** full-time program developed entirely by Fundación and recognized by the Mexican Ministry of Public Education.
3. **University level:** direct scholarships or support to obtain them, to study a professional career of their choice in prestigious universities in Mexico and abroad.

ALFA Fundación covers the costs and materials necessary for middle and high school students.

The first cycle was completed in 2022, when 47 students from the ALFA Fundación system obtained their university degrees. Additionally, the fifth high school cohort graduated with 138 students, 100% of whom received scholarships and continued their professional careers in Mexico and the United States.



• The system currently serves 1,967 students as follows:

AFTER-SCHOOL CENTERS
821 STUDENTS

ALFA HIGH SCHOOL
427 STUDENTS

UNIVERSITY
719 STUDENTS

Social impact

ALFA Fundación has served 5,221 students.

2021-2022 CYCLE: IMPACT ON STUDENTS

244 Monterrey after-school center
245 San Nicolás after-school center
332 Escobedo after-school center
427 ALFA Fundación High School
672 In University
47 University graduates

ALFA FUNDACIÓN EDUCATION PROJECT

	2022	2021	2020	2019
Students served*	**1,967**	1,906	1,325	1,259
High school graduates	**138**	132	147	158
Teachers	**63**	75	75	75
After-school Centers students	**821**	911	911	823

*Graduates supported in their university studies are considered.

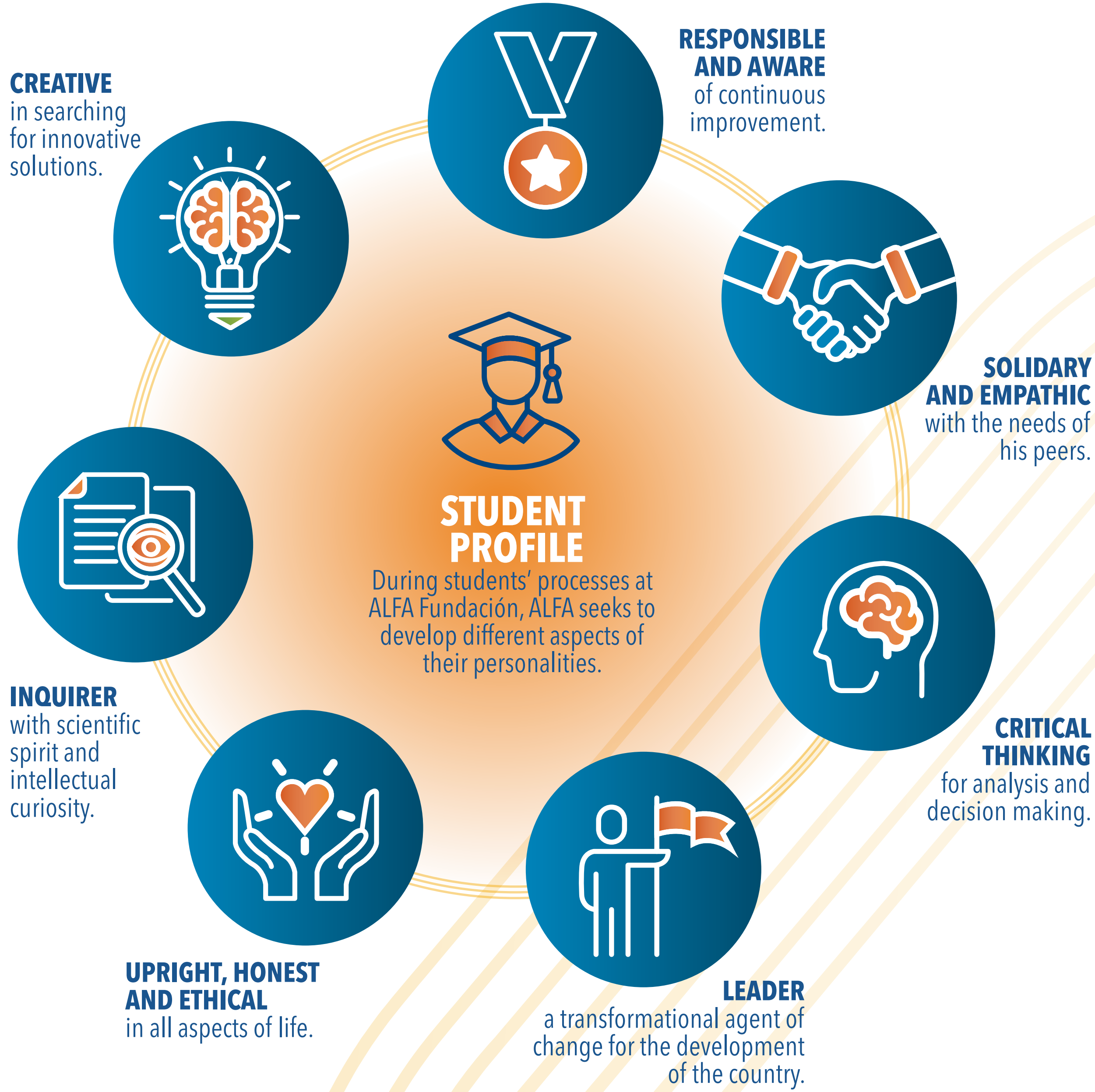
Educational model: personal and individual responsibility

The educational model is focused on the student as a person and active learning activities. In this way, students become the protagonists of their education and develop the capacity to transform themselves through a teaching process that involves cognitive, affective, and social spheres.

Through challenging activities, students learn to diagnose situations, as well as to propose, design, and execute solutions. This allows them to share results, learn from others and continuously build knowledge.

Student profile: comprehensive skills beyond knowledge

ALFA Fundación selects students with a specific profile that considers, in addition to intellectual abilities and outstanding academic performance, personal qualities necessary for their full development.



Student achievements

Congratulations to the 47 students from ALFA Fundación's first generation who graduated from university in 2022. We are proud that their talent and focus have driven them to complete their university degrees and start their career.

Erika Treviño

22 years old.
Mathematical Economics,
University of Pennsylvania.

Current position: Research Assistant at Blueprint Labs., MIT.

Aspiration: Master's degree in Data Science or Economics, with a focus on education.

"I would not be where I am right now, nor would I have had all the experiences I have had up to this point had it not been for the Foundation's support."

"Thank you for supporting so many students [...] whose lives you've changed."

Mauricio Araiza

23 years old.
Chemical Engineering,
University of Rochester.

Current position: Research Assistant at Francklab, University of Wisconsin – Madison.

Aspiration: PhD candidate at University of Wisconsin – Madison.

"I thank the Foundation for the support they gave me. [...] it is one of the things that have changed my life."

"I would like them to continue supporting boys in Mexico."

Ximena Mercado

23 years old.
Economics and Mathematics, University of Texas at Austin.

Current position: Empirical Research Fellow at Kellogg School of Management - Northwestern University.

Aspiration: PhD in Economics and Public Policy to impact the design of social programs in Mexico.

"I am grateful to the Foundation for giving me a purpose."

UNIVERSITY GRADUATES' TESTIMONIALS

Clarissa Rodríguez

23 years old.
Journalism, University of Texas at Austin.

Current position: Synthesis Analyst at Vaco, Google.

Aspiration: to continue her studies.

"Eternally grateful for changing my life."

David Torres

22 years old.
Biotechnology Engineering, Tecnológico de Monterrey.

Current position: Master in Computer Science candidate at Tecnológico de Monterrey.

Aspiration: to practice Bioinformatics and Genomic Data Science.

"To help young people reach their dreams in the future [...] to achieve a positive change in the community."

Carlos Efraín Quintero

23 years old.
Mathematics, Universidad Nacional Autónoma de México (UNAM).

Current position: in application processes in California, U.S.

"Thanks to the support of the Foundation during high school, I was able to participate in various activities and competitions that helped me in my development."

Jessica Alejandra Narváez

22 years old.
Industrial and Systems Engineering, Tecnológico de Monterrey.

Current position: Process Engineer, British American Tobacco.

"I'm committed to continue contributing to society so that one day I can return all the opportunities that have been given to me."

ALFA FUNDACIÓN

AFTER-SCHOOL CENTERS

3 after-school centers

START DATE

2013 MONTERREY

2014 SAN NICOLÁS

2014 ESCOBEDO

31 Teachers in after-school centers

9 years of operation

+50% of graduates receive a high school scholarship

89 public secondary schools which the students come from

4 extracurricular subjects

98% entering high school

26,640 class hours taught per year

HIGH SCHOOL

ALFA Fundación High School started in 2015

32 teachers at ALFA Fundación High School

100% entering university

719 ALFA Fundación high school graduates

2018 the first generation of PAF graduates

UNIVERSITY

2022 the first generation of graduates from University

47 students graduated University

719 receive support to attend university

Donations

Another element that drives social development is supporting Civil Society Organizations. ALFA and the Business Units maintained their donation programs and volunteer actions during the year.

ALFA and BU's contributions

	2022	2021	2020
Social assistance institutions supported	101	169	97
Volunteer collaborators	6,051	4,090	3,738

Some of the main activities of the year included:

ALFA

- Due to a drought, the metropolitan area of Monterrey, Mexico, faced a water supply crisis during the year. ALFA and its Business Units participated in several actions to mitigate it. Among these, and in conjunction with other companies and an investment of Ps $20 million (~US $1 million), a well with a capacity of 3.1 million cubic meters of water per year was built. In total, the entire industry in the region contributed 25.2 million cubic meters of water in the form of wells and rehabilitation, as well as treated water donations to affected communities.

25.2 million cubic meters equivalents

1,261.7 million carboys

33.6 million water deposits

2.5 million water trucks

SIGMA

- **Sigma focuses on food donations main activity to collaborate with communities.** The Company has established the goal of donating 25,000 tons by 2025. During 2022 it donated 1,521 tons across all geographies, which is equivalent to more than 12.6 million food servings. In total, 21,100 tons have been donated since 2015, equivalent to 175 million servings.
- Included **tons of food in the donation budget** that do not go to organizations that grant fiscal receipts.
- **Food donations were optimized,** ensuring the reduction of food waste.

ALPEK

- **Promoted education** through construction and rehabilitation activities of five and two classrooms, respectively, as well as the construction of a sanitary services module and a dome for a multipurpose space. It also donated furniture to schools in Mexican communities, benefiting more than 6,800 students.
- **Carried out various social assistance activities** to support blood donation institutions, promotion of breast cancer prevention, bicycles donation for the "Toys for Tots" campaign, beach clean-up, reforestation, and promotion of environmental care, among others.
- **Sponsored fundraising events** in conjunction with various chambers of commerce and other institutions.

AXTEL

- **Donated computer equipment** to three rural schools in Tamaulipas, Mexico.
- **Offered professional internships** to 130 students at its facilities.
- **Promoted campaigns for employees to support social well-being institutions** that have a proven track record in society, such as: Red Cross, Nuevo Amanecer Institute, Ciudad de los Niños, Alianza Anticáncer Infantil and the John Langdon Down Foundation.
- **In-kind donations were provided** through the creation, administration, and maintenance of Movimiento Congruencia's job bank.
- Created a Corporate Philanthropy Policy.

Volunteering

ALFA and its Business Units encourage their employees to participate in activities that promote community development and improve quality of life. A clear example is Sigma, which has established a goal for 10% of its personnel to participate in volunteering programs in all regions by 2025.

Key achievements and activities during 2022 include:

SIGMA

- Face-to-face volunteering initiatives were resumed, taking advantage of a new platform that was developed to better manage this topic in some Business Units.
- Europe exceeded the participation target with 9% of employees participating in volunteering activities during the year. Globally, a participation rate of 8%+ was achieved.
- Different activities were carried out on World Food Day at a global level.
- Donated 4 hectares of the Cumbres Monterrey National Park with Reforestemos México, A.C. In three of these, 2,100 magueyes (succulents) were planted and in another, invasive exotic plants were extracted.
- Member of Voluntare in Spain, which promotes volunteering processes and methodologies in companies.

ALPEK

- More than 30 volunteer activities and programs in which approximately 1,700 employees participated to support communities. Some included school visits to give talks on environmental care, advice at state university job fairs, cleaning of parks and roads, and sponsorship and participation in sporting events. With these and other actions, Alpek was able to benefit more than 13 thousand people in its communities, reiterating its commitment to their well-being.

AXTEL

- Through its participation in the Nuevo León Chamber of the Transformation Industry, (CAINTRA), the Company supports the professional development of women by actively and voluntarily participating in the organization's Women's Commission.
- It works with the business organization Movimiento Congruencia, which seeks to provide employment opportunities for people with disabilities.

ENVIRONMENT

GRI 302-1 TO 4, 303-1 TO 5, 305-1 TO 7

TCFD: GOVERNANCE AND CLIMATE CHANGE STRATEGY

Our vision on the environment

ALFA and its Business Units are committed to developing their business activities in a responsible and sustainable manner, minimizing environmental impacts, and maximizing the value generated for society.

From ALFA, environmental governance includes the following guidelines and lines of action.

Main guidelines

Comply with environmental legislation in the countries where the Company operates.

Promote practices and procedures that generate an increasingly environmentally friendly operation.

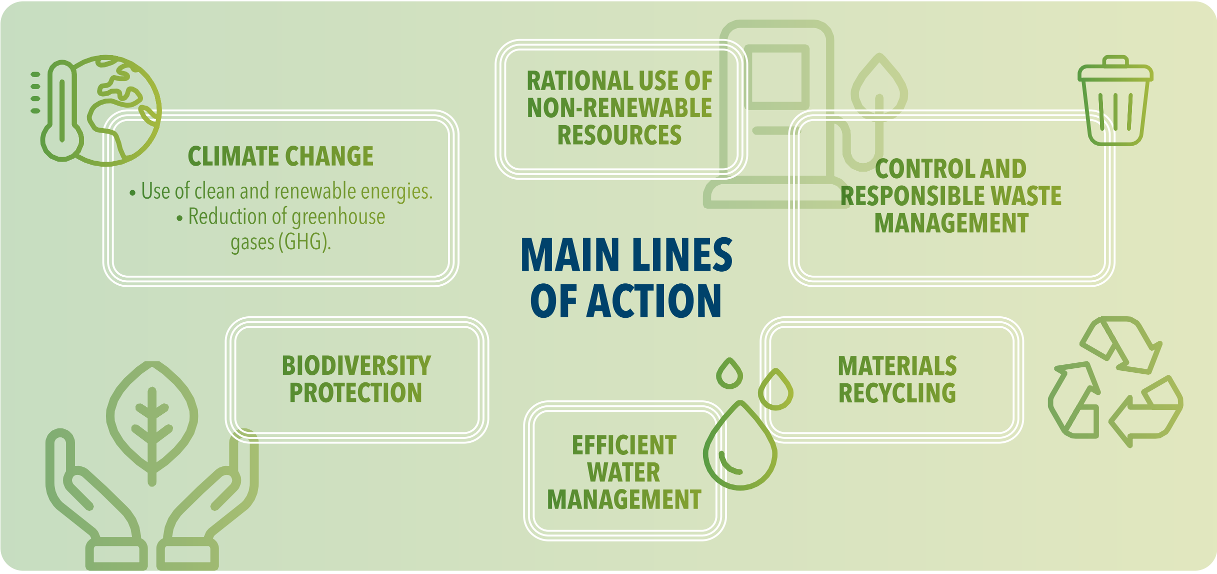
Investment in the prevention, reduction, or elimination of our negative impact on nature.

Strengthen environmental care in daily activities.

Respond to the containment of incidents that may represent a risk to the environment in a timely and responsible manner.

Contribute to a better environmental performance in the value chain.

Promote a culture of environmental awareness among our collaborators and the community.



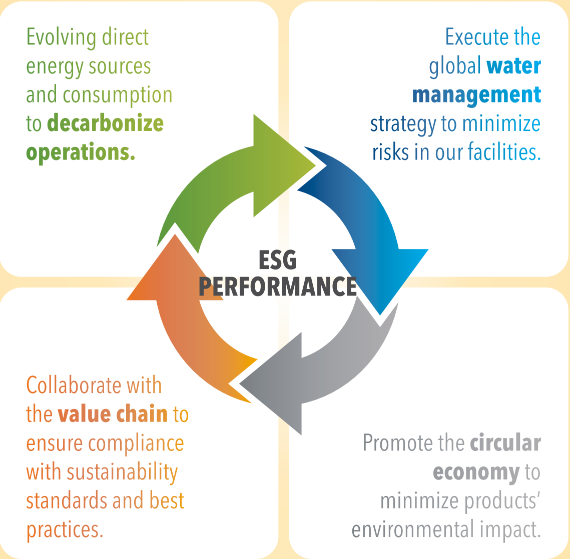
Strategy

Considering ALFA's governance on the preservation and care of the environment, each subsidiary establishes strategies to mitigate its impacts and manage its operations' risks. These strategies are shaped according to the specific characteristics of the industries in which they participate.

SIGMA

Sigma has developed a sustainability strategy based on four pillars: **Wellness, Health and Nutrition, Shared Value, and Environment.**

Within these four strategic pillars, it promotes transformative themes for long-term sustainable growth, which are:



These guidelines are deployed in each of Sigma's organizational units to align efforts globally.

ALPEK

Alpek's environmental strategy focuses on four lines of action. These allow to identify and mitigate the environmental impacts of its operations based on the responsible use of resources, while at the same time responding to our stakeholders' expectations.

1. **Carbon emissions reductions and eco-efficiency.**
2. **Circularity.**
3. **Efficient water use and management.**
4. **Pollution.**

The framework for the implementation of Alpek's ESG strategy is based on the TCFD structure, which considers four thematic areas:

1. **Governance:** the executive team's role in assessing and managing risks and opportunities related to climate change.
2. **Strategy:** initiatives implemented to reduce carbon emissions.
3. **Risk management:** identification, management, and mitigation of climate change related risks.
4. **Metrics and objectives:** establishment of goals and performance indicators for emissions reduction and energy efficiency.

AXTEL

Axtel recognizes that although its environmental impacts are not significant, it can still seek to reduce them through four main actions:

1. **Diversify** the energy sources used.
2. **Take advantage** of high-efficiency lighting technologies.
3. **Implementing responsible** material disposal processes.
4. **Develop** better cooling practices.

Investments

ALFA and its Business Units' investments in initiatives to strengthen their commitment to environmental well-being increased to US $71.7 million in 2022.

Environmental investments (US $ millions)	2022	2021	2020
Emissions reduction	15.4	9.1	14.9
Energy consumption reduction	3.4	-	-
Implementation of renewable energies	6.9	-	-
Water management	3.7	-	-
Recycling	25.8	-	-
Waste reduction and disposal	8.7	10.5	15.3
Prevention and remediation costs	2.4	2.8	15.4
Environmental management	4.9	0.5	9.8
Development of sustainable products	0.2	-	-
Others	0.2	1.9	0.2
Total	71.7	24.8	55.5

Performance

ALFA and its Business Units have been participating with various organizations and sustainable management rating agencies since 2015 to measure their performance, obtain feedback, and analyze best practices in environmental responsibility.

In 2022, ALFA improved its Climate Change and Water ratings, both from C to B-, on the CDP scale.

Achievements in main lines of action

Climate change: energy efficiency and emissions reduction

ALFA recognizes climate change as a highly relevant global issue. Energy consumption mainly comes from its Business Units' operating activities, which have developed and implemented initiatives aimed at reducing their emissions by improving their energy efficiency.

ENERGY EFFICIENCY

Refers to the use and consumption of energy as part of ALFA and its Business Units' operating strategy. In 2022, this topic became even more relevant given the validation processes by the Science Based Target initiative (SBTi) of Alpek's and Sigma's emission reduction targets. In addition to the continuous efforts to reduce energy consumption in operations by replacing obsolete equipment and modernizing plants with the latest available technologies, the Business Units have intensified their search for alternative energy sources.

The various programs carried out by ALFA and its Business Units resulted in a decrease in energy and fuel consumption of 10% and 16%, respectively, compared to 2021. During 2022, investments by ALFA and the Business Units in energy efficiency initiatives totaled US $10.3 million.

The Company's energy intensity in 2022 was 0.017*.

Consolidated data for ALFA and Business Units are presented below.

GRI 302-1 TO 302-4

ENERGY CONSUMPTION (GJ X 10⁶)	2022	2021	2020
Direct consumption	**17.12**	20.38	18.60
Indirect consumption	**21.19**	22.00	22.12
Total consumption	**38.30**	42.38	40.72

CONSUMPTION BY FUEL TYPE (GJ X 10⁶)	2022	2021	2020
Natural gas	**15.01**	17.95	16.04
LP gas	**0.13**	0.11	0.11
Gasoline	**0.07**	0.17	0.16
Diesel	**0.13**	1.81	1.75
Coal	**-**	-	-
Fuel oil	**0.27**	0.23	0.35
Ethanol	**0.01**	-	0.10
Biomass	**0.08**	-	-
Biogas	**0.00**	-	-
Others	**1.41**	0.11	0.09
Total	**17.12**	20.38	18.60

*Energy intensity: ratio of total energy consumption vs EBITDA. Figure considers Axtel's EBITDA as discontinued operations (Million GJ / US $ Million).

Among the main goals and achievements recorded by the Company are:

SIGMA

Goal

- Ensure that 67% of energy consumption comes from cleaner and renewable energy in operations.

Achievement

- Achieved 62.5% energy consumption from cleaner and renewable sources.
- 74 sites in Mexico and Peru consumed 208 GWh of wind energy, 8 sites in Spain and the Dominican Republic consumed 8 GWh of solar energy, and 31 sites in Mexico consumed 34 GWh of energy from efficient cogeneration. Also, 4 sites* in Peru and the Dominican Republic consumed 10.4 GWh from renewable sources.

Actions

- Investment in solar projects in Spain and the Dominican Republic, together with the signing of a Power Purchase Agreement (PPA) in Mexico. As a result, more than 30,000 solar panels were installed to promote the use of renewable energy.
- Created a responsible supply assessment based on international best practices, obtaining responses from suppliers, which represent 35% of Sigma's raw material spending.

ALPEK

Goal

- To reduce its Scope 1 and 2 emissions by 27.5% by 2030 (2019 baseline) as well as Scope 3 emissions by 13.5% within the same timeframe.

Achievement

- During 2022, the polyester fiber business migrated to 100% renewable energy.

Actions

- During 2022, the transition to renewable energy use was completed in one of its business units, and Alpek continued analyzing and evaluating opportunities for the others.

* "Sites" include plants, storage centers, etc., and Sigma efforts only, excludes clean energy from governments.

EMISSIONS REDUCTION

In 2022, Sigma and Alpek, which account for 95% of ALFA emissions, finalized the development of their science-based emissions reduction targets, and began the validation process by the Science Based Targets initiative. Alpek received its validation in the first half of the year, while Sigma's process continues. This represents a significant step forward in ALFA's overall strategy to contribute to mitigating its impact on climate change.

In addition to this, the Business Units implemented various programs and actions that allowed the reduction of more than 280 thousand tons of CO2eq, equivalent to 62,308 cars in use for a year, using gasoline.

ALFA's consolidated emissions data are presented below:

GRI 305-1 TO 305-4

T CO_2 EQ x 10^6	2022	2021	2020
Direct emissions (Scope 1)	**1.20**	1.46	1.32
Indirect emissions (Scope 2)	**1.47**	1.49	1.55
Total	**2.64**	2.95	2.87

The Company's emission intensity in 2022 was 0.0012*.

SIGMA

Goal
- 20% reduction in CO_2 emissions related to its plants and transportation fleet, per ton of food produced, by 2025.

Achievement
- 18%+ reduction of its emissions vs 2015.

Actions
- Implemented a pilot program of 19 electric utility and last-mile vehicles in Mexico.
- Initiated the process for an efficient cogeneration project in Mexico, which generates electrical energy and thermal heat from the same source (natural gas), reducing fuel use.
- The first energy storage system to reduce its use at times of peak consumption from the Peruvian grid began operations, also reducing the operation's energy costs.
- In France, it established an agreement to deliver a plant's waste as input for biogas generation by an external company. Additionally, the reduction of waste transfers to discharge point reduced scope 3 emissions.

ALPEK

Goal
- Reduce Scope 1 and 2 GHG emissions by 27.5% by 2030 from the 2019 baseline, as well as to reduce Scope 3 emissions by 13.5% within the same timeframe.

Achievement
- During 2022, Alpek achieved a cumulative Scope 1 and 2 emissions** reductions equivalent to 19% against its 2019 SBTi baseline.

Actions
- All Alpek operations are implementing initiatives within their processes that contribute in various magnitudes to achieve the emissions reduction goal. These include process optimization, energy efficiencies, and transitioning to renewable energies, among others.

*Emissions intensity: ratio of total emissions vs EBITDA. Figure considers Axtel's EBITDA as discontinued operations (Million TonCO2 eq / US $ Million).
**Excludes OCTAL operations.

WATER MANAGEMENT

GRI 303-1

During 2022, the Business Units worked continuously to optimize water consumption, implement maintenance routines to ensure leak-free systems, install water recycling systems, and monitor effluents quality. The greatest progress with respect to water use and consumption came from Sigma, which established a global strategy in its operations.

The consolidated data for 2022 are presented below.

GRI 303-3

SOURCES AND EXTRACTION VOLUMES IN ML	2022	2021	2020
Municipal water	**4,598**	2,828	1,558
Rivers, lakes, and seas	**141,660**	145,500	109,900
Wells, wetlands, and springs	**7,369**	2,100	1,500
Rainwater	**-**	-	-
Wastewater from other organizations	**-**	-	-
Other	**4,385**	19,007	21,101
Total	**158,012**	169,435*	134,059*

During 2022 and in compliance with regulations, ALFA's total discharges corresponded to 98,647 megaliters (ML).

GRI 303-4

DISCHARGES IN ML	2022	2021	2020
Total	**98,647**	103,431	93,460

Total water consumption in ALFA and the Business Units was 59,365 ML. Water intensity was 26.7**.

GRI 303-5

CONSUMPTION IN ML	2022	2021	2020
Total	**59,365**	66,003	40,599

*Includes adjusted figure for Axtel in 2020 and 2021.
**Water intensity: ratio of total water consumption vs EBITDA. Figure considers Axtel's EBITDA as discontinued operations (ML / US $ Million).

The main initiatives related to water efficiency use in 2022 were:

GRI 303-1, 303-2

SIGMA

Goal

- 20% reduction in water consumption in its plants per ton of food produced (2018 baseline) by 2025.

Achievements

- More than 14% reduction in the use of water per ton produced vs 2021.
- Initiated the global strategy's implementation to improve the efficiency of water consumption, also defining its policy.

SIGMA'S WATER GLOBAL POLICY

Actions

- The Aoste plant, located in France, achieved a 50% reduction in water consumption due to modifications in its cooling system.
- A pilot was launched to identify water risks, especially in water-stressed areas in Mexico; legal and reputational risks related to water are also considered.
- Nine critical plants were visited to find areas of opportunity and a project catalog was created for each one, including improvements in consumption measurement and treatment plants, and feasibility analyses of wastewater reuse projects.

ALPEK

Goal

- To closely monitor its water consumption intensities, particularly in water-stressed areas, and pursue opportunities to reduce them.

Achievements

- Reduction of approximately 4% of use vs. 2021.

Actions

- Initiatives implemented included the installation of new centrifugal water recirculation pumps, steam traps, an effluent recovery biofilter, and improvements in reactors' closed cooling circuits. It also implemented several actions, such as rainwater management for flood control and repairs in water pipe leaks, among others.

AXTEL

The Company's water use is not intensive, but it carries out communication campaigns to raise awareness among collaborators and their families about water care and best practices to be efficient in its use.

RECYCLING AND WASTE MANAGEMENT

GRI 201-2, 301-2

For ALFA, recycling is an important practice that helps conserve natural resources, reduce pollution, and promote a culture of circularity, directly mitigating its impact on biodiversity.

Sigma's strategy, for example, focuses on the use of more environmentally friendly packaging. By integrating the principles of circular economy, the Company seeks to:

- **Reduce** the use of raw materials.
- **Increase** the percentage of recycled material in its packaging, while maintaining the quality, safety, and innocuousness of its products.
- **Achieve** energy savings, reduce waste, and increase the use of biodegradable packaging.

The global strategy for the use of biodegradable packaging includes six lines of action that allow for its effective implementation:

1. **Reducing the use of plastic in packaging.**
2. **Increasing the proportion of recycled plastic.**
3. **Eliminate components or layers in packaging.**
4. **Seek and use more environmentally friendly materials.**
5. **Use biodegradable materials.**
6. **Use materials that are recoverable and recyclable.**

SIGMA

Goals

- To create packaging solutions that move the Company towards a circular economy.

Achievements

- Avoided the consumption of 7,800+ tons of virgin plastic for product packaging since 2019.

Actions

- Increased recycled PET to about 60-80% of product packaging.
- Implemented strategies that had been piloted in previous years to achieve a decrease in the use of plastic in packaging.
- The ECO ONE additive was incorporated into dairy packaging in the Dominican Republic to enable biodegradation in five to seven years.
- Efforts continued to reuse waste materials in plants, including for other uses such as producing plastic pallets.
- Continued to be part of the high-density polyethylene committee at ECOCE to promote and increase the level of collection in the country of yogurt bottles already used by the end consumer.
- The purchase of pallets in Atitalaquia, Mexico, focused on products made from 100% recycled material since the second quarter of the year.

ALPEK

Goals

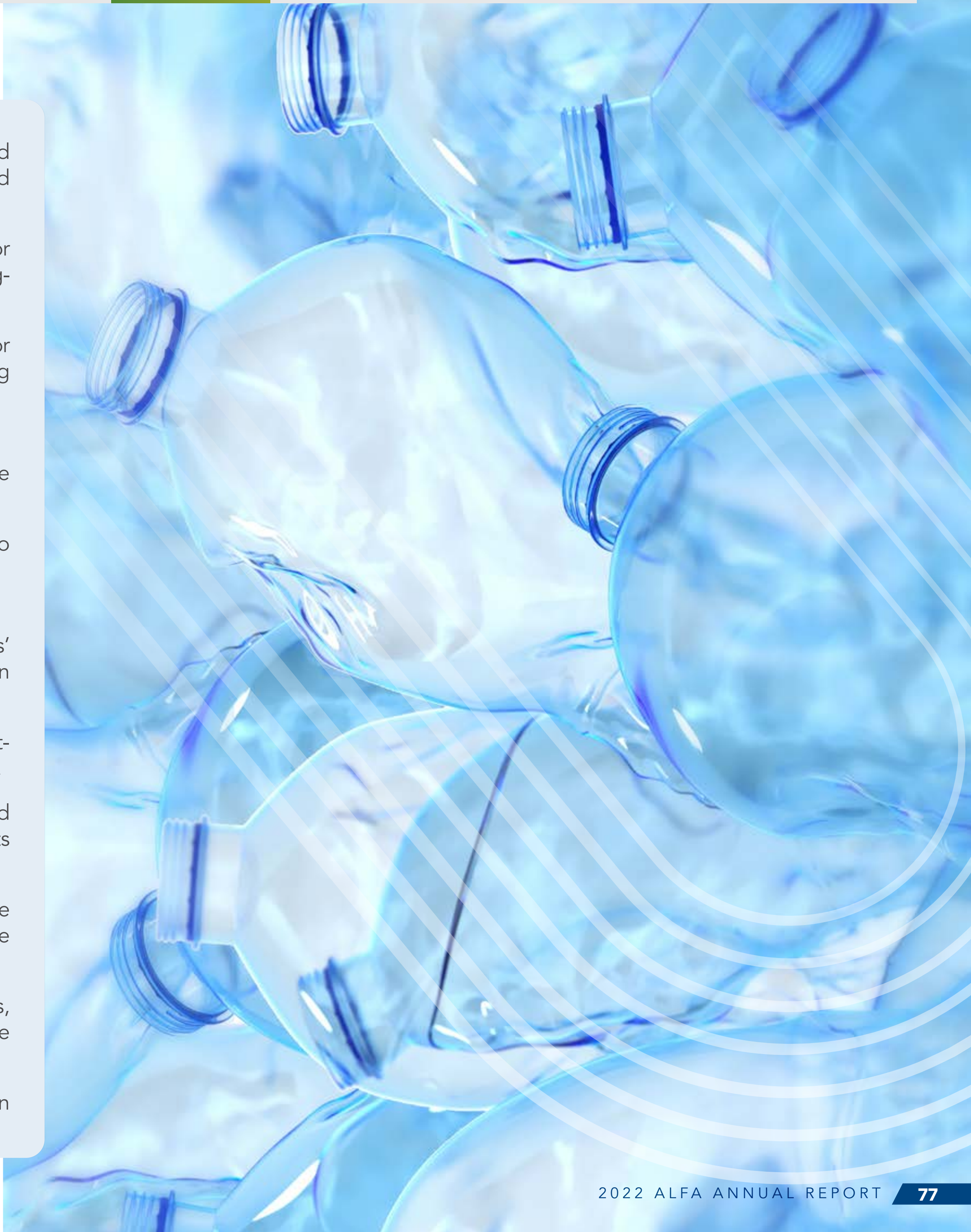
- PET: Increase its PET bottle recycling capacity to 300 thousand metric tons per year by 2025 to meet its customers' recycled content needs.
- PP: Leverage its alliances to develop recycling solutions for polypropylene and increase its share of copolymers used in long-term applications.
- EPS: Increase its long-term use and sustainable applications for EPS, work on biodegradable alternatives and increase recycling content in selected products to at least 30% by 2030.

Achievement

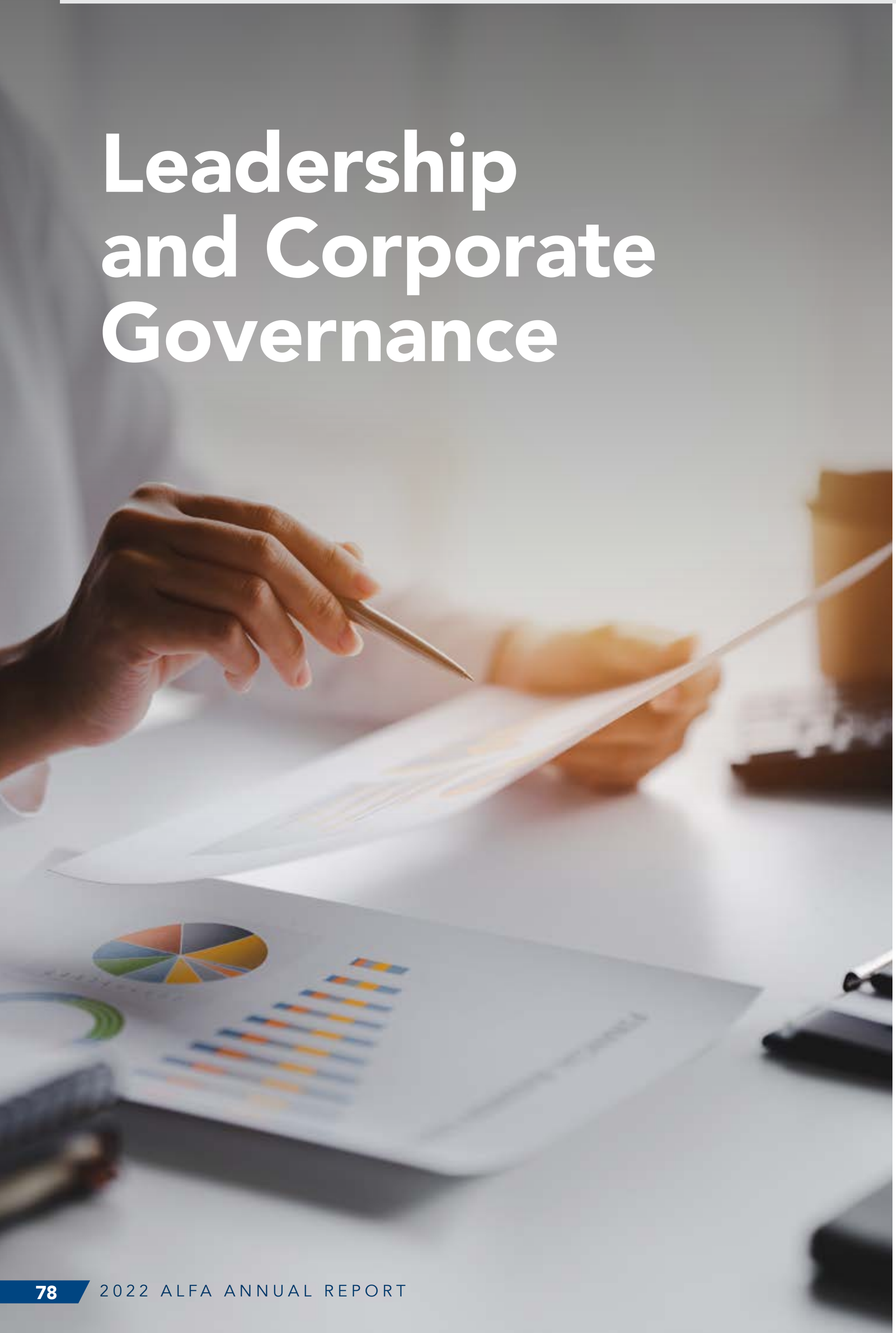
- Thanks to the acquisition of OCTAL, Alpek will be able to recycle 33,000 tons of PET sheets of high post-industrial value.
- Added 15,000 tons of conversion capacity from PET recycling to single pellets at the Pearl River plant.

Actions

- Worked on a Life Cycle Analysis to identify its products' environmental impacts, which allows determining mitigation actions.
- Alpek joined Cyclyx, seeking to improve logistics to find post-consumer EPS in suitable conditions that facilitate its recycling.
- Developed the pilot EPS Management Plan for its Santiago and Guarantinguetá site through which clean EPS collection points are established to reintegrate the material into the process.
- Carried out initiatives in its business units to increase the reuse of packaging materials, thus reducing the amount of waste generated.
- It has permanent programs for the collection of wood, metals, plastics, paper and cardboard, among other waste, which are sent to recycling processes.
- Care and restoration of forests affected by fires in the Mexican territory.



Leadership and Corporate Governance



Corporate Governance

GRI 22-10, 2-12, 2-13, 2-16

ALFA seeks to ensure that decisions aimed at achieving the company's strategy adhere to the highest standards of integrity, transparency, and value creation. ALFA adheres to the Code of Principles and Best Practices of Corporate Governance (CMPC), which has been in force in Mexico since 2000.

This Code was developed at the initiative of the Mexican securities market authorities, and its purpose is to establish corporate governance principles to enhance investor confidence in Mexican companies.

Companies whose stocks trade on the Mexican Stock Exchange must disclose the extent to which they adhere to the Code of Principles and Best Corporate Governance Practices. This is done annually by responding to a questionnaire, which is available to the public through the Mexican Stock Exchange's web site.

The following is a summary of ALFA's corporate governance as stated in the May 2022 questionnaire, with any pertinent information updated:

A. The Board of Directors comprises twelve regular members who have no alternates. Of this number, eight are Independent, two are Related Patrimonial Board Members and one is Independent Patrimonial Board Member and, lastly, one without a specific classification, for being the CEO of a public limited company in whose board of directors our President participates. This annual report provides information on all the Board's members, identifying those who are independent and the Committees in which they participate.

B. Three Committees assist the Board of Directors in carrying out these duties: Audit, Corporate Practices, and Planning and Finance. Board members participate in at least one committee each. All three committees are headed by an independent board member. The Audit and Corporate Practices Committees are formed by independent members only.

C. The Board of Directors meets six times a year. Meetings of the Board can be called by the Chairman of the Board, the President of the Audit Committee, the President of the Corporate Practices Committee, the Secretary of the Board or by at least 25% of its members. At least one of these meetings is dedicated to defining the company's medium and long-term strategy.

D. Members must inform the Chairman of any conflicts of interest that may arise and abstain from participating in the corresponding deliberations. Average attendance at Board meetings was 95.83% during 2022.

E. During much of tax year 2022, meetings of ALFA's Board of Directors, the Audit Committee, the Corporate Practices Committee and the Planning and Finance Committee were held in a hybrid format, in person and with the option of videoconferences, due to the COVID-19 pandemic. The use of technological platforms allowed board and committee members to interact effectively given the availability of audio and video features.

F. The Audit Committee studies and issues recommendations to the Board on matters such as the selection and determination of fees to the independent auditor, coordinating with the internal audit area of the company, and studying accounting policies, as well as the review of environmental, social and governance matters, among others.

G. The Company has internal control systems with general guidelines. These are submitted to the Audit Committee for its opinion. In addition, the independent auditor validates the effectiveness of the internal control system and issues the corresponding reports.

H. The Planning and Finance Committee evaluates all matters relating to its particular area and issues recommendations to the Board on matters such as feasibility of investments, strategic positioning of the company, alignment of investment and financing policies, and review of investment projects.

I. The Corporate Practices Committee is responsible for issuing recommendations to the Board on such matters as employment conditions and severance payments for senior executives, and compensation policies, among others.

J. There is a department dedicated to maintaining an open line of communication between the company and its shareholders and investors. This ensures that investors have the financial and general information they require to evaluate the company's development and progress.

Board of Directors

GRI 2-9, 2-11, 2-17

Enrique Castillo Sánchez Mejorada

Current position: Managing Partner of Ventura Capital Privado.
Academic background: Bachelor's Degree in Business Administration from Universidad Anáhuac.
Board tenure: March 2010 (12 years).
Type of member: Independent.
Committee responsibilities: Chairman of the Corporate Practices Committee and Member of the Audit Committee.
Other board memberships: Grupo Hérdez, Southern Copper Corp, Laboratorios Sanfer, and Médica Sur.
Experience: Finance.
Previous positions: Chairman of the Board and Chief Executive Officer of IXE Grupo Financiero, Member of the Board of Maxcom Telecomunicaciones, and Senior Partner of Ventura Capital Privado.

Francisco Javier Fernández Carbajal

Current position: Chief Executive Officer of Servicios Administrativos Contry.
Academic background: Mechanical and Electrical Engineerring from Tecnológico de Monterrey and MBA from Harvard Business School.
Board tenure: March 2010 (12 years).
Type of member: Independent.
Committee responsibilities: Chairman of the Planning and Finance Committee.
Other board memberships: VISA Inc., FEMSA and CEMEX.
Experience: Finance, Commercial and Investment Banking, Insurance and Sureties.
Previous positions: Director of Fianzas Monterrey, Director of Grupo Financiero BBVA Bancomer, and Chairman of the Board of Directors of Primero Fianzas and Primero Seguros. Director of Grupo Bimbo, Grupo Gigante, IXE Grupo Financiero, Grupo Lamosa, El Puerto de Liverpool, Grupo Aeroportuario del Pacífico, and Fresnillo, PLC.

Álvaro Fernández Garza

Current position: President of ALFA.
Academic background: Bachelor's Degree in Economics from the University of Notre Dame, MBAs from Tecnológico de Monterrey and Georgetown University.
Board tenure: April 2005 (17 years).
Type of member: Related Proprietary
Committee responsibilities: Member of the Planning and Finance Committee.
Other board memberships: Co-Chairman of the Board of Directors of Nemak and Axtel, Member of the Board of Directors of Alpek, Cydsa, Grupo Aeroportuario del Pacífico, and Vitro.
University board membership Chairman of the Board of Universidad de Monterrey (UDEM).
Experience: Industrial Sector, Food and Beverages, Petrochemicals and Telecommunications.
Previous positions: Chief Executive Officer of Sigma and President of the Nuevo León Chamber of the Transformation Industry (CAINTRA).

Armando Garza Sada

Current position: Chairman of the Board of Directors of ALFA.
Academic background: Industrial Engineering from MIT, MBA from Stanford University.
Board tenure: April 1990 (22 years).
Type of member: Related Proprietary.
Committee responsibilities: Member of the Planning and Finance Committee.
Other board memberships: Chairman of the Board of Directors of Alpek and Co-Chairman of the Board of Directors of Nemak. Member of the Boards of Axtel, BBVA Mexico, CEMEX, Grupo Lamosa and El Puerto de Liverpool.
Experience: Industrial Sector, Food and Beverages, Petrochemicals, Telecommunications and Strategic Planning.
Previous positions: Board Member of FEMSA, Grupo Proeza, Gigante, Tecnológico de Monterrey, MVS and the Mexican Stock Exchange, and President of the Nuevo León Chamber of the Transformation Industry (CAINTRA).

Claudio X. González Laporte

Current position: Chairman of the Board of Kimberly-Clark Mexico.
Academic background: Chemical Engineering form Stanford University.
Board tenure: December 1987 (35 years).
Type of member: Independent.
Committee responsibilities: Member of the Corporate Practices Committee.
Other board memberships: Fondo México, Grupo México and Grupo Carso. Consultant to Fondo Capital and Director Emeritus of General Electric Company.
Experience: Finance and Consumer Products Sector.
Previous positions: Board Member of Kimberly-Clark Corporation, Home Depot, and JP Morgan International, Chairman of the Consejo Coordinador Empresarial and of the Mexican Business Council.

David Martínez Guzmán

Current position: Founder and Chief Executive Officer of Fintech Advisory Inc.
Academic background: Mechanical and Electrical Engineering from UNAM and MBA from Harvard Business School.
Board tenure: March 2010 (12 years).
Type of member: Independent.
Committee responsibilities: Member of the Planning and Finance Committee.
Other board memberships: CEMEX, ICATEN, Vitro, and Banco Sabadell.
Experience: Finance, Investment, and Telecommunications.

José Antonio Meade Kuribreña

Current position: Independent Advisor.
Academic background: Bachelor's Degree in Economics from ITAM, Bachelor's Law Degree from UNAM and PhD in Economics from Yale University.
Board tenure: February 2018 (4 years).
Type of member: Independent.
Committee responsibilities: Member of the Planning and Finance Committee.
Other board memberships: HSBC Holdings, Grupo Chedraui, UNICEF Mexico, Global Adaptation Center, and member of the Global Adaptation Commission.
Experience: Finance, Public Finance, Foreign Affairs, Social Development, Energy, and Strategic Planning.
Previous positions: Secretary of State five times in four different branches: Energy, Finance and Public Credit, Foreign Affairs, and Social Development. Candidate for the PRI during the 2018 presidential elections.

Alejandro Ramírez Magaña

Current position: Chief Executive Officer of Cinépolis.
Academic background: Bachelor's Degree in Economics and MBA from Harvard University, Master's Degree in Economic Development from Oxford University.
Board tenure: February 2019 (3 years).
Type of member: Independent.
Committee responsibilities: Member of the Corporate Practices Committee.
Other board memberships: BBVA Mexico, El Puerto de Liverpool, GEPP, Harvard University, Carnegie Endowment for International Peace, Sundance Institute, and Museum of the Academy of Motion Picture Arts and Sciences. President of the Global Film Federation, the Morelia International Film Festival, and the Advisory Board of the David Rockefeller Center for Latin American Studies at Harvard University.
Experience: Strategic planning, Operations, Production and Distribution of Audiovisual Content, Economic Analysis and Evaluation of Public Policies.
Previous positions: Technical Secretary of the Cabinet of Human and Social Development of the Government of Mexico and Alternate Representative of Mexico to the Organization for Economic Cooperation and Development in Paris, France.

Adrián G. Sada Cueva

Current position: Chief Executive Officer of Vitro.
Academic background: Bachelor's Degree in Business Administration from Tecnológico de Monterrey and MBA from Stanford University.
Board tenure: March 2021 (2 years).
Committee responsibilities: Member of the Planning and Finance Committee.
Other board memberships: Nemak, Vitro, Grupo Financiero Banorte, and Dallas Museum of Art.
Experience: Management, Finance, Strategic Planning, and Mergers and Acquisitions.
Previous positions: President of the Transformation Industry Chamber of Nuevo León (CAINTRA). Member of the Board of Organización Vida Silvestre and Universidad de Monterrey (UDEM).

Federico Toussaint Elosúa

Current position: Chairman of the Board and CEO of Grupo Lamosa.
Academic background: Industrial and Systems Engineering from Tecnológico de Monterrey, MBA from Instituto Panamericano de Alta Dirección de Empresas (IPADE).
Board tenure: April 2008 (14 years).
Type of member: Independent.
Committee responsibilities: Chairman of the Audit Committee.
Other board memberships: Xignux, Grupo Iconn, Regional Board Member of Banco de México, Banorte, Scotiabank, Universidad de Monterrey (UDEM), Board Member of COPARMEX, and Member of the Mexican Business Council.
Experience: Finance, Marketing and Industrial Sector.

Guillermo F. Vogel Hinojosa

Current position: Chairman of the Board of G Collado and Exportaciones IM Promoción, Vice Chairman of the World Board of Tenaris.
Academic background: Bachelor's Degree in Business Administration from UNAM and MBA from the University of Texas.
Board tenure: April 2008 (14 years).
Type of member: Independent.
Committee responsibilities: Member of the Planning and Finance Committee.
Other board memberships: Techint, Universidad Panamericana-IPADE, Banco Santander, Club de Industriales, and Corporación Mexicana de Inversiones de Capital. Member of the Trilateral Commission and the International Council of the Manhattan School of Music, and Chairman of the US-Mexico CEO Dialogue.
Experience: Management, Finance, Strategic Planning, and Mergers and Acquisitions.
Previous positions: President of the National Chamber of the Iron and Steel Industry on three occasions, Chairman of the North American Steel Council, and Director and Vice Chairman of the Board of the American Iron & Steel Institute.

IN MEMORIAM

José Calderón Rojas †

ALFA makes a special recognition and appreciates his great contribution as a member of the Board from 2005 to 2022.

Carlos Jiménez Barrera

Secretary of the Board

Executive Team

GRI 2-9, 2-11, 2-17

Armando Garza Sada
Chairman of the Board
44 years at ALFA. Graduated from MIT. Master's degree at Stanford University.

Álvaro Fernández Garza
President
31 years at ALFA. Graduated from Notre Dame University. Master's degree at Tecnológico de Monterrey and the University of Georgetown.

Rodrigo Fernández Martínez
Chief Executive Officer of Sigma
24 years at ALFA. Graduated from the University of Virginia. Master's degree at Wharton.

José de Jesús Valdez Simancas
Chief Executive Officer of Alpek
46 years at ALFA. Graduated from Tecnológico de Monterrey. Master's degrees from Tecnológico de Monterrey and Stanford University.

Armando de la Peña González
Chief Executive Officer of Axtel
21 years at ALFA. Graduated from Tecnológico de Monterrey, with Senior Management programs at Stanford University, Wharton and Chicago Booth.

Carlos Jiménez Barrera
Chief Legal, Audit, and Relations Director
44 years at ALFA. Graduated from University of Monterrey. Master's degree from New York University.

Eduardo Alberto Escalante Castillo
Chief Financial, Human Capital and Services Officer
35 years at ALFA. Graduated from Tecnológico de Monterrey. Master's degree from Stanford University.

Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS:

Comments and Management Analysis

2022

This Management Analysis must be considered in conjunction with the Letter's Stockholders (pages 8-12) and the Audited Consolidated Financial Statements (pages 86-198). Unless indicated otherwise, figures are expressed in millions of pesos. Percentage variations are presented in nominal terms. Likewise, some figures are presented millions of US dollars (US$) and millions of euros (€).

The financial information contained in this Management Analysis is based on the results of the last three years (2022, 2021 and 2020) and has been adapted according International Financial Reporting Standards (IFRS). Similarly, the information detailed in this analysis has been prepared according to the General Provisions applicable to Securities Issuers and Other Stock Market Participants, issued by the National Banking and Securities Commission ("CNBV", for its acronym in Spanish) until December 31, 2022.

This report may contain information regarding expectations and estimates that are inherently uncertain and require the use of Management's judgment concerning certain future market conditions. In consecuence, results may vary from those specified in this document.

San Pedro Garza García, Nuevo León, Mexico, January 31, 2023.

ECONOMIC ENVIRONMENT

Economic perspectives in Mexico and the rest of the world have been subject to pressure from differing factors including increased inflation, higher interest rates and geopolitical tensions in Europe and other parts of the world. In both Mexico and the world's leading economies, inflation levels have risen considerably. In Mexico, inflation for 2022 closed at 7.8%, the highest yearend inflation since 2000.

In order to mitigate the effects of inflation, central banks have adopted the restrictive monetary policy of increasing interest rates. In Mexico, the interbank interest rate ("TIIE", for its acronym in Spanish) has reached historical maximum rates, closing 2022 at 10.5%.

The behavior of some of the main variables in Mexico, the USA and Europe, and which are key to understanding the results of ALFA, are as follows:

	2022	2021	COMMENTS
MEXICO			
Gross Domestic Product [(a)]	**3.1%**	4.7%	• The GDP increased for the second consecutive year, primarily driven by industrial activities, exports and foreign direct investment.
Inflation rate [(a)]	**7.8%**	7.4%	• The NCPI underwent a sustained increase over 2021 to reach 7.8%, the highest figure since 2000.
Interest rates Nominal average 28-day TIIE rate, [(b)]	**6.3%**	4.6%	• The monetary policy implemented by Banxico adjusted interest rates upwards to counteract the effects of inflation. This measure has also been applied in the different international markets in which ALFA operates.

	2022	2021	COMMENTS
USA			
Gross Domestic Product	**1.9%**	5.9%	• The restrictive monetary policy adopted by the Federal Reserve during 2022 reflects the GDP decrease resulting from lower consumption.
Inflation rate [d]	**6.5%**	7.0%	• Although inflation decreased over 2021, it is still a long way from the 2% goal established by the Federal Reserve.
Interest rates FED reference rate [e]	**4.3%**	0.07%	
USD/MXN Exchange Rate Annual average [c]	**20.13**	20.28	• The exchange rate has remained stable.
EUROPE			
Gross Domestic Product	**3.3%**	5.3%	• Lower growth derived from the political tensions between Russia and Ukraine, together with the high cost of fuel and other inputs.
Inflation rate	**9.2%**	5.3%	• Inflation reached its highest level in October, rising to 10.6%. The European Central Bank has focused on increasing the interest rate to mitigate this effect.
Interest rates	**0.3%**	(0.5%)	
Exchange rate EUR/MXN Annual average [c]	**21.21**	24.00	• The euro has been weakened by the high level of inflation.

Sources:
[a] Instituto Nacional de Estadística, Geografía e Informática (INEGI), as of January 31, 2023.
[b] Banco de Mexico (Banxico).
[c] Banxico. The exchange rate used to settle obligations payable in foreign currency in Mexico.
[d] Own calculations based on INEGI data, considering the bilateral relationship with the USA and consumer prices.
[e] FED, reference rate at the period close.

ALFA has been financially strong during the strategic transformation process

During 2022, ALFA continued its transformation and value release strategy, transitioning to a more independent business management model with the commitment to maintaining a solid credit profile during the transformation process. As part of this transformation, in July 2022, the spin-off of Axtel was approved.

ALFA's results were historically high and were mainly driven by Alpek, which successfully leveraged the favorable conditions prevailing in the global petrochemical industry, while also incorporating the results of the PET sheet and resin business acquired in 2Q '22.

Note on changes to the shareholding structure of ALFA

On August 17, 2020, the Stockholders of ALFA approved the spin-off of its entire shareholding in Nemak, creating a new listed entity, Controladora Nemak, S.A.B. de C.V. This process was completed on December 14, 2020, with the registration of Controladora Nemak as a listed issuer on the BMV. For accounting purposes (in compliance with IFRS), ALFA ceased to consolidate the financial results of Nemak as of that date.

On July 12, 2022, ALFA held its Stockholders' Extraordinary Meeting, which approved the spin-off of its entire shareholding in Axtel, S.A.B. de C.V. A new publicly listed company with variable capital "Controladora Axtel", will be listed in the BMV; ALFA will transfer its entire shareholding and other assets to this new entity.

For the analysis and comprehension of this document and the financial statements of ALFA prepared according to IFRS, the income statement and cash flows of Nemak are presented as discontinued operations in 2020. In the case of Axtel, the income satement and cash flows are presented as discontinued operations in 2022, 2021 and 2020. In the case of the balance sheet, the assets and liabilities of Nemak were derecognized as of December 14, 2020 and, in the case of Axtel, Axtel's assets and liabilities as "held for disposal" in the consolidated statement of financial position as of December 31, 2022.

RESULTS

Revenue

The following table provides information on the income of ALFA for 2022, 2021 and 2020 according to the breakdown of their volume and price components (indices are calculated by utilizing the base of 2017=100). This information considers the reclassification of the revenue from Nemak in 2020 and for Axtel in 2022, 2021 and 2020 as discontinued operations:

ITEM	2022	2021	2020	VAR. 2022-2021 (%)	VAR. 2021-2020 (%)
Consolidated revenue	**363,864**	296,802	251,668	23%	18%
Volume index	**112.1**	107.3	108.8	4%	(1%)
Price Index in pesos	**149.2**	127.3	106.3	17%	20%
Price Index in dollars	**140.2**	118.6	93.8	18%	26%

A breakdown of the revenue consolidated for each of the subsidiaries of ALFA is as follows:

ITEM	2022 (a)	2021(a)	2020 (b)	VAR. 2022-2021 (%)	VAR. 2021-2020 (%)
Alpek	**212,435**	156,224	113,989	36%	37%
Sigma	**149,311**	138,314	135,983	8%	2%
Others	**2,118**	2,264	1,696	(6%)	34%
Total Consolidated	**363,864**	296,802	251,668	23%	18%

(a) *The revenue from Axtel was reclassified to discontinued operations.*
(b) *The revenue from Nemak and Axtel was reclassified to discontinued operations.*

Revenue behavior was as follows:

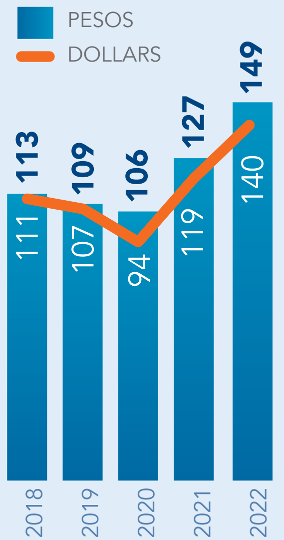
2022-2021:

Strengthening on it's business allowed ALFA to generate consolidated revenue of $363,864 (US $18,085 million) in 2022, which represents a 23% increase in pesos or 24% in dollars over the results of the prior year, as reflected by the double-digit growth of Alpek and the noteworthy performance of Sigma. Business behavior details were as follows:

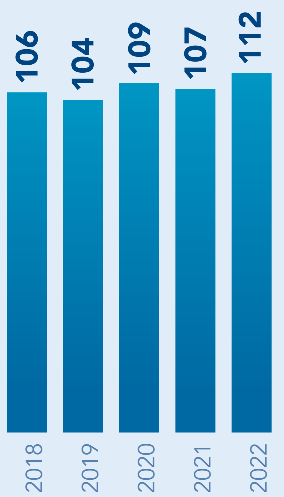
In 2022, Alpek generated revenue of US $10,555 million, which represents 37% growth in dollars over 2021, thereby establishing a new record. This increase was driven by various factors including the acquisition of OCTAL, a company operating in the Polyester segment. Similarly, together with a robust demand, higher prices derived from the increased prices of petrochemical raw materials played a significant role.

REVENUE INDICES

PRICE



VOLUMES



In 2022, Sigma generated revenue of US $7,697 million, thereby surpassing the 2021 figure by 9%. The sales increase is essentially explained by the higher prices of its products, associated with the increased prices of its main raw materials due to the inflationary pressures prevailing in all the regions where it operates. The performance of the Foodservice segment in LATAM, along with its operation in the USA is particularly noteworthy.

2021-2020:

In 2021, ALFA attained consolidated income of $296,802 (US $14,626 million), which represents an 18% increase in pesos or 24% in dollars over 2020. A large part of this increase is due to the growth of Alpek and Sigma, together with the increased value of the Mexican peso during 2021. Details of the businesses of ALFA are as follows:

In 2021, the income of Alpek totaled US $7,697 million, thereby representing growth of 45% over 2020. The increase was driven by an average 45% price increase, which mainly resulted from the higher prices of petrochemical raw materials.

In 2021, Sigma reported revenue of US $6,817 million, 7% more than in 2020. The sales increase resulted from the implementation of initiatives to counteract rising raw material costs, while enhancing operating processes in every region. A contribution was also made by the recovery of Foodservice channel sales, due to increased mobility throughout the year, which benefited key segments like hotels and restaurants.

Operating Profit

The operating profit of ALFA and its key businesses in 2022, 2021 and 2020 can be explained in the following manner:

2022-2021:

OPERATING PROFIT				VARIANCE BY GROUP		
	2022	2021	VAR.	ALPEK	SIGMA	OTHERS
Revenue	**363,864**	296,802	67,062	56,211	10,997	(147)
Operating profit	**32,505**	25,490	7,015	7,045	(432)	400
Consolidated operating margin (%)	**8.9%**	8.6%				
Alpek (%)	**11.6%**	11.2%				
Sigma (%)	**5.8%**	6.6%				

The operating profit of ALFA in 2022 was $32,505 (US $1,608 million), a 28% increase in pesos, together with a similar increase in dollars over 2021. This increase was observed in Alpek, in contrast with a slight reduction in Sigma. Details of the businesses of ALFA are as follows:

In 2022, Alpek generated an operating profit of US $1,212 million, a 40% increase over the prior year. The main factors behind this increase were higher reference margins driven by favorable conditions prevailing in the global petrochemical industry, a situation enhanced by an acquisition made in its polyester segment.

In the case of Sigma, during 2022 obtained an operating profit of US $429 million, which represents a 4% decrease over 2021. Despite the revenue growth and exceptional performance in the Foodservices channel, the inflationary pressure on raw materials, particularly in Europe, resulted in the year-over-year decrease.

2021-2020:

OPERATING PROFIT				VARIANCE BY GROUP		
	2021	2020	VAR.	ALPEK	SIGMA	OTHERS
Revenue	**296,802**	251,668	45,134	42,235	2,331	570
Operating profit	**25,490**	15,410	10,080	10,001	(195)	274
Consolidated operating margin (%)	**8.6%**	6.1%				
Alpek (%)	**11.2%**	6.6%				
Sigma (%)	**6.6%**	6.8%				

In 2021, the operating profit of ALFA was $25,491 (US $1,259 million), which represents a 65% increase in pesos or a 74% increase in dollars over 2020. During the current year, operating profit includes an asset impairment charge of US $153 million related to the closure of certain operations pertaining to Alpek and the sale of several Sigma plants in Europe. Details of the businesses of ALFA are as follows:

In 2021, the operating profit of Alpek reached US $864 million, a 143% increase over 2020. The main factors behind this increase were the higher average reference margins of polyester and polypropylene, together with a favorable environment derived from higher oil and raw materials prices. Results were also favored by a robust demand in the food and beverage, construction and e-commerce industries, among others.

In 2021, Sigma reported an operating profit of US $449 million, which represents a 5% increase over 2020. The growth in the operating profit in Mexico, Europe and LATAM was not enough to compensate the impacts in the USA mainly in raw material costs and supply chain challenges. It is important to note that the Foodservice channel achieved a robust operating profit increase driven by operating efficiencies and enhanced mobility following the restrictions of 2020.

COMPOSITION OF REVENUE AND OPERATING PROFIT

During the current year, the percentage composition of the revenue and operating profit of ALFA was subject to mixed performance because Alpek had a more representative increase in relation to the increase in revenue achieved by Sigma compared to 2021 and 2020 as well. The same effect also occurred with regard to operating profit. An explanation of the performance of each business is provided in the income statement section of this document.

The following table provides a breakdown of these effects:

	BREAKDOWN %					
	INCOME			OPERATING PROFIT		
	2022	2021	2020	**2022**	2021	2020
Alpek	**58%**	53%	45%	**75%**	69%	49%
Sigma	**41%**	47%	54%	**27%**	36%	60%
Others	**1%**	1%	1%	**(2%)**	(4%)	(9%)
Total*	**100%**	100%	100%	**100%**	100%	100%

**Figures may not total 100% due to rounding.*

FINANCIAL RESULT

The financial result was influenced by different factors. The Mexican peso underwent a nominal 4.9% increase versus the dollar which, combined with the debt position of ALFA and the exchange rate fluctuations of other operated currencies, had a positive effect on the financial result. The breakdown by item and the main determinants are detailed in the following tables:

FINANCIAL RESULT DETERMINANTS	2022	2021	2020
General inflation (Dec.- Dec.)	**7.8**	7.4	3.2
Nominal ending exchange rate variance %	**4.9**	(2.8)	(5.5)
Close exchange rate, nominal	**19.36**	20.58	19.95
Inflation adjusted peso / dollar increased value (depreciation)			
over the prior year:			
End of year	**6.1**	(2.5)	(3.7)
Average	**0.7**	6.5	(9.3)
Average interest rate:			
Nominal LIBOR rate	**2.4**	0.2	0.7
Nominal term SOFR rate	**2.2**	N/A	N/A
Implied nominal rate, ALFA debt	**6.0**	5.6	4.0
Inflation adjusted LIBOR rate	**(5.8)**	(10.6)	8.7
Inflation adjusted Term SOFR rate	**(6.0)**	N/A	N/A
Inflation adjusted implied rate, ALFA debt	**(7.3)**	1.7	6.8
Average monthly debt of ALFA in US$	**6,272**	6,224	8,192[a]

[a] Includes 11 months average debt of Nemak.

Expressed in US$, the net financial expenses of the year from 2020 to 2022 were $323, $317 and $290, respectively.

VARIANCE OF NET FINANCIAL EXPENSES IN US$	22/21	21/20	20/19
Due to (higher) lower interest rate	3	(3)	(22)
Due to (higher) lower net cash debt	(9)	(24)	38
Net variance	**(6)**	**(27)**	**16**

The net financial expenses in the income statement include bank and bonds financial expenses, premiums paid on refinancing operations and operating interest in 2022, 2021 and 2020.

Measured in pesos, the financial result was composed as follows:

FINANCIAL RESULT				VARIANCE	
	2022	2021	2020	22/21	21/20
Financial expenses	**(7,635)**	(7,128)	(7,034)	(507)	(94)
Financial income	**1,399**	872	827	527	45
Financial expenses, net	**(6,236)**	(6,256)	(6,207)	20	(49)
Result of exchange rate fluctuation, net	**(1,308)**	(1,969)	(329)	661	(1,640)
Financial result, Net	**(7,544)**	(8,225)	(6,536)	681	(1,689)

The fair value of the derivative financial instruments of ALFA as of December 31, 2022 and 2021 is as follows:

	FAIR VALUE (US$)	
TYPE OF DERIVATIVE, SECURITY OR CONTRACT	**DIC. 22**	DIC. 21
Exchange rate	**29**	(3)
Energy	**88**	41
Total	**117**	**38**

INCOME TAX

A comparative analysis of the main factors that determined tax in each of the years, according to the ISR profit basis, which is defined as operating profit less the financial result and other expenses, net.

				VARIANCE	
TAX	**2022**	2021	2020	22/21	21/20
Income before taxes	**24,985**	17,289	8,949	7,696	8,340
Equity in the losses of associates recognized through the equity method	**(24)**	(24)	(75)	-	51
	24,961	17,265	8,874	7,696	8,391
Statutory rate	**30%**	30%	30%		
Statutory corporate tax rate	**(7,488)**	(5,179)	(2,662)	(2,309)	(2,517)
+ / (-) Tax effect on permanent tax-accounting differences:					
Reserve for asset valuation for deferred income tax for investment in shares [1]	**-**	-	(7,632)	-	7,632
Differences based on comprehensive financial cost	**(3,860)**	1,075	(2,468)	(4,935)	3,543
Effect of difference of tax rates and other differences, net	**2,928**	(4,572)	2,809	7,500	(7,381)
Total corporate tax provision (charged) credited to results	**(8,420)**	(8,676)	(9,953)	256	1,276

				VARIANCE	
TAX	**2022**	2021	2020	22/21	21/20
Effective corporate tax rate	**34%**	50%	111%		
TAX:					
Incurred	**(7,936)**	(7,270)	(4,701)	(666)	(2,569)
Deferred	**(484)**	(1,406)	(5,252)	922	3,846
Total corporate tax provision charged to results	**(8,420)**	(8,676)	(9,953)	256	1,277

[1] During the year ended December 31, 2020, the Company recognized a deferred income tax asset reserve of $7,632 associated with an investment in the shares of a subsidiary. This item was expected to be applied in part, or in its entirety, in a transaction with third parties, which has not been carried out in recent years.

NET CONSOLIDATED PROFIT (LOSS), 2022

In 2022, ALFA generated a net consolidated profit, as detailed in the following table, which was based on its operating income, financial results, participation in the results of associates recognized by using the equity method and taxes:

STATEMENT OF INCOME				VARIANCE	
	2022	2021	2020	22/21	21/20
Operating profit	**32,505**	25,490	15,410	7,015	10,080
Financial result	**(7,544)**	(8,225)	(6,536)	681	(1,689)
Equity in the results of associates recognized by using the equity method	**24**	24	75	-	(51)
Taxes [1]	**(8,420)**	(8,676)	(9,953)	256	1,277
Consolidated net (Loss) Profit from continuing operations	**16,565**	8,613	(1,004)	7,952	9,617
Discontinued operations	**(118)**	(1,184)	9,024	1,066	(10,208)
Consolidated net profit	**16,447**	7,429	8,020	9,018	(591)
Consolidated net profit attributable to controlling interest:					
in continuing operations	**11,787**	4,731	(2,460)	7,056	7,191
in discontinued operations	**(64)**	(625)	6,389	561	(7,014)
	11,723	4,106	3,929	7,617	177
Consolidated net profit attributable to noncontrolling interest:					
in continuing operations	**4,778**	3,882	1,456	896	2,426
in discontinued operations	**(54)**	(559)	2,635	505	(3,194)
	4,724	3,323	4,091	1,401	(768)

[1] Income tax (incurred and deferred)

CONSOLIDATED NET COMPREHENSIVE INCOME, 2022

Comprehensive income is presented in the statement of changes in stockholders' equity and is intended to show the total effect of events and transactions that affected earned equity, such as the effect of employee benefits obligations, hedging effects or the translation effect, regardless of whether they were recognized in the statement of income or directly in equity accounts. Transactions performed between the company and its shareholders, primarily dividends paid, are excluded. The comprehensive income of 2022, 2021 and 2020 was as follows:

CONSOLIDATED NET COMPREHENSIVE INCOME	2022	2021	2020
Consolidated net profit	**16,447**	7,429	8,020
Other comprehensive income items from continuing operations:			
Translation effect of foreign entities	**(3,111)**	(1,741)	(179)
Effect of derivative financial instruments designated as cash flow hedges, net of taxes	**(1,011)**	243	264
Remeasurement of employee benefit obligations, net of taxes	**(258)**	427	88
Total of other comprehensive income items from continuing operations:	**(4,380)**	(1,071)	173
Other comprehensive income items from discontinued operations	**20**	181	2,818
Total of other comprehensive income items of the year	**(4,360)**	(890)	2,991
Comprehensive income of the year	**12,087**	6,539	11,011
Attributable to:			
Controlling interest	**8,222**	3,009	6,521
Noncontrolling interest	**3,685**	3,530	4,490

A previous section of this analysis explains the net profit obtained in 2022, 2021 and 2020.

The translation effect of foreign entities comes from utilizing different exchange rates for the statmenent of financial position accounts and profit and loss accounts.

The effect of derivative financial instruments represent the hedging effect of commodities, exchange rate and interest rate, etc. which, according to International Financial Reporting Standards, are presented in other comprehensive income.

The remeasurement of employee benefit obligations, net of taxes, represents the variance in actuarial estimates.

DIVIDENDS DECLARED AND CHANGES IN STOCKHOLDERS' EQUITY

On March 7, 2022, the holding company Alfa, S.A.B. de C.V. held its Ordinary General Shareholders´ Meeting, which approved the payment of a cash dividend of 4 cents of a dollar or $0.83 expressed in pesos per share, which is equivalent to US $196 million or approximately $4,063 expressed in pesos. The Meeting also approved a maximum amount of $5,800 million pesos (approximately US $280 million) for the acquisition of its own shares.

Subsequently, on July 12, 2022, the holding company Alfa, S.A.B. de C.V. held a Stockholders' Extraordinary Meeting, which approved the spin-off of the Company's entire shareholding in Axtel, S.A.B. de C.V. (BMV: AXTELCPO). The Stockholders of ALFA will receive one share in the new company, "Controladora Axtel", which will be listed on the Mexican Stock Exchange, for each of their shares in ALFA, while also maintaining their equity in the holding company. At the date of publication of this report, the Company is continuing with the listing and share distribution processes.

On March 11, 2021, the holding company ALFA, S.A.B. de C.V. held an Ordinary General Meeting that approved a dividend of $2,087, which is equal to $0.43 pesos per share.

The Extraordinary Meeting of March 11, 2021 approved the proposal to cancel 145,900,000 shares held in the treasury of ALFA and associated with the program to acquire the Company's own shares. In this way, a benefit equal to 2.9% of the total shares prior to their cancellation was transferred to stockholders.

On February 27, 2020, the Ordinary General Meeting of the holding company ALFA, S.A.B. de C.V. declared a dividend of $1,914, which is equal to $0.40 pesos per share.

Subsequently, based on the powers conferred upon it during the meeting of December 15, 2020 and considering the favorable recovery of the Company's results, the Board of Directors approved the payment of dividends of $503, an amount equal to $0.10 pesos per share.

Furthermore, on August 17, 2020, at the Extraordinary Stockholders' Meeting of Alfa S.A.B. de C.V., a reduction of the capital stock of Alfa S.A.B. de C.V. for $36 was approved, as a result of the partial spin-off of Alfa S.A.B. de C.V. and the transfer to a new company of the shares in Nemak.

In 2020, stockholders' equity considered the accounting effects derived from the division of Nemak. In the other businesses, the main changes resulted from the translation effect of foreign entities, the result of the year and dividends.

INVESTMENT IN DAYS WORKING CAPITAL (DWC)

During 2022, the Company had the following ratio of income to DWC by group and at the consolidated level.

DAYS DWC [1]	2022	2021	2020
Alpek	**41**	38	44
Sigma	**3**	(4)	0
Consolidated	**23**	15	14

[1] *Average annual net working capital based on annualized sales and the number of days of the year.*

INVESTMENTS

Property, Plant and Equipment

The total investments by group were as follows:

				VARIANCE %	LAST 5 YEARS	
	2022	2021	2020	22/21	**INVESTMENT**	**%**
Alpek	**2,985**	4,431	2,569	(33%)	15,053	43%
Sigma	**4,996**	4,562	2,618	10%	19,026	53%
Others	-	36	295	(100%)	1,189	3%
Total	**7,981**	9,029	5,483	(12%)	35,268	100%

Acquisitions and sale of businesses

In 2022, ALFA continued its key strategic initiatives and attained a sound financial performance. In conformity with these initiatives, its businesses completed the following operations:

- After obtaining all the required regulatory approvals and according to the purchase agreement, Alpek acquired 100% of the shares of OCTAL for the amount of U.S. $657.2 million, on a debt-free basis. The transaction was financed through a combination of the cash flows generated by the existing businesses and specific bank loans. At the date of this report, the figures of OCTAL have been consolidated in the financial statements of ALFA, in conformity with IFRS.

CASH FLOWS

Based on the "Cash flows generated by the operation" line item, the main transactions performed in 2022, 2021 and 2020 are detailed below.

	2022	2021	2020
Cash flows generated by the operation	**27,658**	26,378	29,355
Property, plant and equipment and other items	**(7,981)**	(9,029)	(5,483)
Investment in the acquisitions of associates and joint ventures, net of cash	**(11,029)**	(150)	(837)
Bank financing increase	**7,306**	520	3,984
Dividends paid by ALFA, S. A. B. de C. V.	**(4,089)**	(2,481)	(1,981)
Dividends paid by the noncontrolling interest	**(3,708)**	(2,551)	(1,145)
Repurchase of shares	**(1,275)**	(108)	(1,112)
Interest paid	**(6,399)**	(6,158)	(6,032)
Cash decrease from the subsidiary division	**-**	-	(6,341)
Others	**(2,863)**	(2,660)	312
Cash flows from discontinued operations	**(4,790)**	(4,870)	(3,124)
Cash increase (decrease)	**(7,170)**	(1,109)	7,596
Cash flow adjustments for exchange rate fluctuations	**(1,996)**	(56)	(647)
Cash and cash equivalents at the start of the year	**30,979**	32,144	25,195
Total cash at the end of the year	**21,813**	30,979	32,144

The main changes in net debt of ALFA and its other businesses were as follows:

CHANGES IN NET CASH DEBT (NCD)				
US$	CONSOLIDATED	ALPEK	SIGMA	OTROS
Balance as of December 31, 2021	**4,677**	**1,225**	**1,691**	**1,187**
Long-term financing:				
Financing [1]	**545**	564	18	(37)
Payments	**(278)**	(229)	(36)	(12)
Short-term financing, net of payments	**64**	64	-	-
Total financing, net of payments	**331**	399	(19)	(49)
Currency translation effect	**(90)**	(31)	(27)	(25)
Debt variance in the Statement of cash flows	**241**	368	(46)	(74)
Debt from acquired companies and other items	**101**	105	-	(4)
Debt movement, discontinued operations [2]	**(616)**	-	-	-
Total debt variance	**(274)**	474	(46)	(78)
Decrease (increase) of cash and restricted cash	**351**	158	139	-
Decrease (increase) of cash and restricted cash, discontinued operations [2]	**80**	-	-	-
Change in payable interest	**(3)**	3	(1)	-
Change in payable interest, discontinued operations	**1**	-	-	-
Increase (decrease) of net cash debt	**610**	635	91	(78)
Increase (decrease) of net cash debt, discontinued operations (2)	**(536)**	-	-	-
Balance as of December 31, 2022	**4,751**	**1,860**	**1,782**	**1,109**

[1] Includes the effect of adopting IFRS 16, Leases.
[2] Changes in the net cash debt of Axtel as a discontinued operation

SHORT AND LONG-TERM DEBT BY GROUP	ALPEK		SIGMA		OTHERS	
	2022	2021	**2022**	2021	**2022**	2021
Debt balance (US$)	**2,192**	1,718	**2,434**	2,480	**1,210**	1,265
Comprehensive %						
Short and long-term debt 1 year	**17**	8	**1**	1	**-**	-
2	**2**	19	**28**	1	**41**	21
3	**1**	3	**9**	1	**0**	40
4	**3**	1	**41**	30	**0**	0
5 years or more	**77**	69	**21**	67	**58**	39
% Total	**100**	100	**100**	100	**100**	100
Average long-term debt period (years)	**6.4**	6.8	**3.3**	4.2	**10.3**	10.2
Average total debt total period (years)	**5.4**	6.3	**3.2**	4.2	**10.2**	10.2

CONSOLIDATED SHORT-TERM AND LONG-TERM DEBT:	US$			COMPREHENSIVE %	
	2022	2021	VAR.	**2022**	2021
Breakdown %					
Short and long-term debt 1 year	**401**	200	201	**7%**	3%
2	**1,233**	630	603	**21%**	10%
3	**248**	1,748	(1,500)	**4%**	29%
4	**1,069**	251	818	**18%**	4%
5 years or more	**2,885**	3,283	(398)	**49%**	54%
Total	**5,837**	6,112	(275)	**100**	100
Average long-term debt period (years)	**5.9**	6.1			
Average total debt total period (years)	**5.5**	5.9			

FINANCIAL RATIOS

SOLVENCY

DEBT NET OF CASH / CASH FLOW (TIMES, DOLLAR BASE LAST 12 MONTHS)		
GROUPS	**2022**	2021
Alpek	**1.28**	1.07
Sigma	**2.74**	2.28
Consolidated	**2.28**	2.23

LIQUIDITY

CURRENT ASSETS / CURRENT LIABILITIES (TIMES, US DOLLAR BASE)		
GROUPS	**2022**	2021
Alpek	**1.47**	1.73
Sigma	**1.30**	1.41
Consolidated	**1.36**	1.53

INTEREST COVERAGE (TIMES, DOLLAR BASE LAST 12 MONTHS) *				VARIANCE BY	
	2022	2021	22 VS 21	**CASH FLOW**	**NET FINANCIAL EXPENSES**
Alpek	**11.4**	8.7	2.7	2.3	0.4
Sigma	**5.5**	6.5	(1.0)	(0.8)	(0.2)
Consolidated	**6.4**	5.8	0.6	0.8	(0.2)

* Defined as operating profit plus depreciation, amortization and asset impairment divided by net financial expenses.

FINANCE STRUCTURE

The financial structure indicators of ALFA in 2022 are detailed in the following table:

FINANCIAL INDICATORS	2022	2021
Total liabilities / Equity	**3.72**	3.85
Long-term debt / Total debt (%)	**93**	97
Total debt in currencies other than MXN / Total debt (%)	**96**	94

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

(Millions of pesos "$" and millions of U.S. dollars "US$")

Opinion

We have audited the consolidated financial statements of Alfa, S. A. B. de C. V. and Subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2022, 2021 and 2020, and 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alfa, S. A. B. de C. V. and Subsidiaries as of December 31, 2022, 2021 and 2020, 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 ("ISAs"). Our responsibilities under those standards are further described in the Independent 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") and with the ethical requirements that are relevant to our audit of the consolidated financial statements in accordance with the Ethics Code 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.

Key Audit Matters

Key audit maters are those matters that, in our professional judgment, were of most significance in our audit of the 2022 consolidated financial statements. 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.

Business Combination – Acquisition and allocation of the purchase price of OCTAL

As mentioned in Note 2a., to the accompanying consolidated financial statements, on January 31, 2022, a subsidiary of the Company entered into an agreement to acquire the Octal business. The initial consideration amounted to $12,147 (US$620). On June 1, 2022, the subsidiary completed the acquisition of Octal and assumed control of its operations. As of the acquisition date, working capital and recovery of costs 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 for $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, ("IFRS 3"), was valued at $914.9 (US$46.7) and together with the aforementioned adjustments resulted in a total consideration that was equivalent to $14,658.7 (US$748.2).

According to the analysis carried out by the Company's management, the acquisition of Octal met the criteria of a business combination in accordance with the requirements of IFRS 3; therefore, the Company applied the acquisition method to measure the acquired assets and the assumed liabilities in the transaction, as a result, the fair value of the net assets acquired amounted to $15,087.3 (US$769.9) and the Company recognized a gain on business combination for $425.0 (US$21.7).

Due to the significant judgments used by management in the valuation models to determine the consideration transferred, the fair values of the acquired assets and assumed liabilities, which resulted in a gain on business combination, we consider that this transaction represents a key audit matter.

How our audit addressed this key audit matter:

In order to perform the audit procedures that reasonably mitigates the identified risk related to this key matter, we engage a team of valuation experts to evaluate the premises and criteria used by Management and its independent expert, within which the following procedures are included, among others:

- We reviewed the contractual agreements of the operation to identify the date of acquisition of control, the consideration transferred, the entities acquired and the acquiring entity, contingent considerations, among other agreements.
- We assessed the capacity and independence of the independent expert.
- We verified that the methodologies and models used by Management to determine the fair values were those used and recognized to value assets with similar characteristics in the industry.
- We challenge Management's financial projections and compared them with business performance indicators.
- We reviewed the most relevant valuation assumptions (discount rate and long-term growth rate), as well as the assumptions used in the valuation of long-lived assets and compare them with independent market and industry sources.
- We reviewed compliance with the presentation and disclosure requirements established by IFRS 3.

The results of our procedures were satisfactory.

Spin-off of the ownership interest of Alfa, S.A.B. de C.V. ("Alfa SAB") in Axtel, S.A.B. de C.V. ("Axtel")

As mentioned in Note 2b., to the attached consolidated financial statements, on July 12, 2022, in the Extraordinary General Shareholders' Meeting, the spin-off process of the entire ownership interest of Alfa SAB in Axtel was approved. Alfa SAB carried out the process as the parent company and a variable capital stock corporation was incorporated as the spun-off company ("Controladora Axtel"), which will be listed on the Mexican Stock Exchange ("BMV" for its acronym in Spanish).

The process is subject to compliance with certain conditions precedent, among which is the registration of Controladora Axtel as an issuer listed on the BMV, which, as of December 31, 2022, was not completed. The effects of this transaction in accordance with IFRS for the years ended December 31, 2022, 2021 and 2020, are the presentation of Axtel as a discontinued operation in the consolidated statements of income and cash flows, as well as such as the presentation of assets and liabilities as "held for disposal" in the consolidated statement of financial position as of December 31, 2022. Due to the importance for the consolidated financial statements, the judgments used by the Company's Management to account for this transaction and the events that should have occurred to reach a proper conclusion in its accounting treatment, we have identified the review of the spin-off of Alfa SAB's ownership interest in Axtel as a key audit matter.

How our audit addressed this key audit matter:

- We have analyzed the relevant facts to audit the transaction and reviewed the approvals to carry out the spin-off of Alfa SAB by the Board of Directors and the Extraordinary General Shareholders' Meeting.
- We concurred together with our IFRS specialists and with the Company's Management, in relation to the corresponding accounting entries.
- We validated the presentation and disclosure in the consolidated financial statements of Axtel's financial information.
- We reviewed the tax effects that arose from the transaction.

The results of our procedures were satisfactory, and we agree with the accounting entries and the presentation in the consolidated financial statements of the effects from this transaction in accordance with IFRS.

Assessment of tests of impairment of intangible assets with indefinite useful lives and goodwill

As described in Notes 3m., 3n., and 13 to the consolidated financial statements, the Company performs impairment tests on their intangible assets with indefinite useful lives and goodwill on an annual basis. The Company uses the "Discounted Cash Flow" ("DCF") valuation method, under the income approach, which requires the Company's management to make significant estimates and assumptions related to the selection of discount rates, revenue forecasts, financial projections, cash flows, operating margins and profits, used to estimate the recoverable value of the cash generating units ("CGUs"). Changes in these assumptions could have a significant impact on fair value, the amount of impairment or both. As of December 31, 2022, the balance in the Company's consolidated financial statements is comprised of intangible assets with indefinite useful lives of $11,142 and goodwill of $13,291.

We consider the potential impairment of intangible assets with indefinite useful lives and goodwill as a key audit matter, mainly due to the fact that impairment tests involve the application of judgments and significant estimates by the Company's management in determining the recoverable value of the CGUs, specifically related to changes in the current economic environment caused by the global pandemic of coronavirus ("COVID-19") on its businesses. This requires a high degree of professional judgement and audit effort, including the need to incorporate our valuation specialists.

How our audit addressed this key audit matter:

We conducted the following audit procedures on the significant assumptions that the Company considered when estimating future projections to assess the recoverable amount of indefinite lived intangible assets and goodwill, among others; revenue and expense projections, expected gross and operating profit margins, discount rate, industry growth rate, revenue projections, comparison between expected gross profit margin, and projected cash flows considering the effects originated by COVID-19, as follows:

- We tested the design, implementation and the operating effectiveness of internal controls, the determination of their recoverable value and the assumptions used in the valuation.
- With the assistance of our valuation specialists, we assessed the reasonableness of the i) methodology to determine the recoverable value of intangible assets with indefinite useful lives and goodwill and ii) reviewed the financial projections, comparing them with performance and historical business trends and corroborating the explanations of the variations with management. We assessed the internal processes used by management to calculate projections, including timely monitoring and analysis by the Board of Directors.
- We reviewed the projection assumptions used in the impairment calculation model, specifically including cash flow projections, gross and operating margins, the Earnings before interest, taxes, depreciation and amortization margin ("EBITDA") and the long-term growth rate. Additionally, we tested the mathematical accuracy and integrity of the impairment model. The valuation specialists performed a sensitivity analysis for all CGUs and independent recoverable amount calculations to conclude whether the assumptions used would need to be modified and the probability that such modifications are submitted.

- We determined an estimate of the discount rates to independently contrast such rates with the estimates used by management.
- We evaluated the factors and variables used to determine the CGUs, among which were considered; the analysis of operating cash flows and indebtedness policies, analysis of the legal structure, allocation of production and understanding of the operation of the commercial and sales areas.

The results of our procedures were satisfactory, the determination of the recoverable value of the CGUs and the assumptions used in the valuation are reasonable.

Comparability of the consolidated financial statements and emphasis paragraph

As mentioned in Note 2a., to the consolidated financial statements, derived from the acquisition of Octal control was assumed on June 1, 2022, consolidating its operations as of that date, therefore, the consolidated financial statements as of and for the year ended December 31, 2022 are not comparable with those of prior years.

As mentioned in Note 2b., to the consolidated financial statements, derived from the spin-off agreement of Alfa SAB's ownership interest in Axtel, Axtel's assets and liabilities are classified as held for disposal in the consolidated statement of financial position as of December 31, 2022, and therefore, is not comparable with the consolidated statements of financial position as of December 31, 2021 and 2020.

As mentioned in Notes 2m. and 24, to the consolidated financial statements, on August 17, 2020, the Shareholders' Meeting of Alfa SAB approved the spin-off of its entire shareholding in Nemak S.A.B. de C.V. ("Nemak SAB"). Since Nemak represented a business segment, its results and cash flows are presented as discontinued operations in the Company's consolidated financial statements for the year ended December 31, 2020.

Information other than the Consolidated Financial Statements and the Independent Auditors' Report thereon

The Company's management is responsible for the additional information presented. Additional information includes: i) the Annual Stock Exchange Filing, ii) 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 Mexico and the Instructions that accompany these provisions (the "Provisions"). It is expected that the Annual Stock Exchange Filing and the Annual Report to be available for reading after the date of this audit report; and iii) other additional information, which is a measure that is not required by IFRS and has been incorporated with the purpose of providing an 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 asset impairment (adjusted "EBITDA") of the Company; this information is presented in Notes 17 and 31.

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 during 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, subparagraph b) numeral 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 inconsistent with materially inconsistent with the consolidated financial statements or with 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 governance are responsible for overseeing the Company's consolidated financial reporting process.

Independent 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, where 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 consolidated 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 to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 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, we determine those matters that were of most significance in the audit of the consolidated financial statements of 2021 period and are therefore the key audit matters. We describe these matters in our auditor's 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.
Miembro de Deloitte Touche Tohmatsu Limited

C. P. C. Roberto Benavides González
Monterrey, Nuevo Leon, Mexico
January 31, 2023

Consolidated Statements of Financial Position

As of December 31, 2022, 2021 and 2020
In millions of Mexican pesos

	NOTE	2022	2021	2020
ASSETS				
Current assets:				
Cash and cash equivalents	6	**$ 21,813**	$ 30,979	$ 32,144
Restricted cash	7	**199**	13	297
Trade and other accounts receivable, net	8	**33,711**	36,207	28,618
Inventories, net	9	**52,507**	42,787	33,084
Derivative financial instruments	4	**261**	382	456
Other current assets	10	**5,397**	6,519	3,408
Assets classified as held for disposal	24	**23,058**	-	-
Total current assets		**136,946**	116,887	98,007
Non-current assets:				
Property, plant and equipment, net	11	**82,577**	84,731	87,670
Right-of-use asset, net	12	**5,259**	6,179	6,056
Goodwill and intangible assets, net	13	**30,295**	37,849	39,405
Deferred income taxes	19	**5,854**	8,332	9,831
Derivative financial instruments	4	**520**	972	666
Investments accounted for using the equity method and other non-current assets	14	**13,996**	14,157	14,521
Total non-current assets		**138,501**	152,220	158,149
Total assets		**$ 275,447**	$ 269,107	$ 256,156

	NOTE	2022	2021	2020
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Debt	17	**$ 8,785**	$ 4,059	$ 3,301
Lease liability	18	**1,259**	1,572	1,559
Trade and other accounts payable	16	**61,393**	61,210	51,581
Income taxes payable	19	**3,611**	3,015	2,470
Derivative financial instruments	4	**1,957**	559	1,346
Provisions	20	**1,408**	1,298	894
Other current liabilities	21	**5,144**	5,646	3,454
Liabilities classified as held for disposal	24	**16,233**	-	-
Total current liabilities		**99,790**	77,359	64,605
Non-current liabilities:				
Debt	17	**99,537**	116,234	115,997
Lease liability	18	**4,295**	4,817	4,691
Derivative financial instruments	4	**309**	6	53
Provisions	20	**1,145**	981	1,234
Deferred income taxes	19	**8,105**	9,018	9,529
Income taxes payable	19	**-**	1,501	1,503
Employee benefits	22	**3,671**	3,898	4,733
Other non-current liabilities	21	**807**	472	459
Total non-current liabilities		**117,869**	136,927	138,199
Total liabilities		**217,659**	214,286	202,804
Stockholders' equity:				
Controlling interest:				
Capital stock	23	**170**	170	170
Retained earnings		**41,726**	35,369	33,686
Other reserves		**45**	3,546	4,643
Total controlling interest		**41,941**	39,085	38,499
Non-controlling interest	15	**15,847**	15,736	14,853
Total stockholders' equity		**57,788**	54,821	53,352
Total liabilities and stockholders' equity		**$ 275,447**	$ 269,107	$ 256,156

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

Consolidated Statements of Income

For the years ended December 31, 2022, 2021 and 2020
In millions of Mexican pesos, except for earnings per share amounts

	NOTE	2022	2021	2020
Revenues	31	**$ 363,864**	$ 296,802	$ 251,668
Cost of sales	26	**(293,885)**	(233,012)	(200,433)
Gross profit		**69,979**	63,790	51,235
Selling expenses	26	**(26,325)**	(24,692)	(24,105)
Administrative expenses	26	**(11,319)**	(11,511)	(11,464)
Other income (expenses), net	27	**170**	(2,097)	(256)
Operating income		**32,505**	25,490	15,410
Financial income	28	**1,399**	872	827
Financial expenses	28	**(7,635)**	(7,128)	(7,034)
Exchange fluctuation loss, net	28	**(1,308)**	(1,969)	(329)
Financial result, net		**(7,544)**	(8,225)	(6,536)
Equity in income of associates recognized using the equity method		**24**	24	75
Income before taxes		**24,985**	17,289	8,949
Income taxes	19	**(8,420)**	(8,676)	(9,953)
Net consolidated income (loss) from continuing operations		**16,565**	8,613	(1,004)
Discontinued operations	24	**(118)**	(1,184)	9,024
Net consolidated income		**$ 16,447**	$ 7,429	$ 8,020
Net consolidated income (loss) attributable to controlling interest				
From continuing operations		**$ 11,787**	$ 4,731	$ (2,460)
From discontinued operations		**(64)**	(625)	6,389
		11,723	4,106	3,929
Net consolidated income (loss) attributable to non-controlling interest				
From continuing operations		**$ 4,778**	$ 3,882	$ 1,456
From discontinued operations		**(54)**	(559)	2,635
		4,724	3,323	4,091
		$ 16,447	$ 7,429	$ 8,020
Earnings (losses) per basic and diluted shares from continuing operations, in Mexican pesos		**$ 2.43**	$ 0.97	$ (0.50)
(Losses) earnings per basic and diluted shares from discontinued operations, in Mexican pesos		**$ (0.01)**	$ (0.13)	$ 1.30
Earnings per basic and diluted shares, in Mexican pesos		**$ 2.42**	$ 0.84	$ 0.80
Weighted average outstanding shares (thousands of shares)		**4,859,106**	4,909,115	4,942,227

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022, 2021 and 2020
In millions of Mexican pesos

	NOTE	2022	2021	2020
Net consolidated income		$ **16,447**	$ 7,429	$ 8,020
Other comprehensive income (loss) for the year from continuing operations:				
Items that will not be reclassified to the consolidated statement of income				
Remeasurement of employee benefit obligations, net of taxes		**(258)**	427	88
Items that will be reclassified to the consolidated statement of income				
Effect of derivative financial instruments designated as cash flow hedges, net of taxes		**(1,011)**	243	264
Translation effect of foreign entities		**(3,111)**	(1,741)	(179)
Total other comprehensive (loss) income of the year from continuing operations		**(4,380)**	(1,071)	173
Other comprehensive income from discontinued operations		**20**	181	2,818
Total other comprehensive (loss) income of the year		**(4,360)**	(890)	2,991
Consolidated comprehensive income for the year		**$ 12,087**	$ 6,539	$ 11,011
Attributable to:				
Controlling interest		$ **8,222**	$ 3,009	$ 6,521
Non-controlling interest		**3,865**	3,530	4,490
Consolidated comprehensive income for the year		**$ 12,087**	$ 6,539	$ 11,011

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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2022, 2021 and 2020
In millions of Mexican pesos

	CAPITAL STOCK	RETAINED EARNINGS	OTHER RESERVES	TOTAL CONTROLLING INTEREST	NON-CONTROLLING INTEREST	TOTAL STOCKHOLDERS' EQUITY
Balances as of December 31, 2020	**$ 209**	**$ 60,570**	**$ 10,983**	**$ 71,762**	**$ 23,164**	**$ 94,926**
Transactions with stockholders:						
Dividends declared	-	(2,417)	-	(2,417)	(1,145)	(3,562)
Capital stock reduction	(36)	-	-	(36)	-	(36)
Repurchase of own shares	(4)	(1,213)	-	(1,217)	(109)	(1,326)
Effects of subsidiary spin-off	-	(26,985)	-	(26,985)	(8,875)	(35,860)
Other	1	(198)	-	(197)	(3)	(200)
Total transactions with stockholders	(39)	(30,813)	-	(30,852)	(10,132)	(40,984)
Reclassification of comprehensive income from spin-off	-	-	(8,932)	(8,932)	(2,669)	(11,601)
Consolidated net income	-	3,929	-	3,929	4,091	8,020
Total other comprehensive income for the year	-	-	2,592	2,592	399	2,991
Comprehensive income	-	3,929	2,592	6,521	4,490	11,011
Balances as of December 31, 2020	**170**	**33,686**	**4,643**	**38,499**	**14,853**	**53,352**
Transactions with stockholders:						
Dividends declared	-	(2,087)	-	(2,087)	(2,562)	(4,649)
Repurchase of own shares	-	(103)	-	(103)	(15)	(118)
Other	-	(233)	-	(233)	(70)	(303)
Total transactions with stockholders	-	(2,423)	-	(2,423)	(2,647)	(5,070)
Consolidated net income	-	4,106	-	4,106	3,323	7,429
Total other comprehensive loss for the year	-	-	(1,097)	(1,097)	207	(890)
Comprehensive income	-	4,106	(1,097)	3,009	3,530	6,539
Balances as of December 31, 2021	**170**	**35,369**	**3,546**	**39,085**	**15,736**	**54,821**
Transactions with stockholders:						
Dividends declared	-	(4,063)	-	(4,063)	(3,780)	(7,843)
Repurchase of own shares	-	(1,263)	-	(1,263)	(12)	(1,275)
Other	-	(40)	-	(40)	38	(2)
Total transactions with stockholders	-	(5,366)	-	(5,366)	(3,754)	(9,120)
Consolidated net income	-	11,723	-	11,723	4,724	16,447
Total other comprehensive loss for the year	-	-	(3,501)	(3,501)	(859)	(4,360)
Comprehensive income	-	11,723	(3,501)	8,222	3,865	12,087
Balances as of December 31, 2022	**$ 170**	**$ 41,726**	**$ 45**	**$ 41,941**	**$ 15,847**	**$ 57,788**

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2022, 2021 and 2020
In millions of Mexican pesos

	2022	2021	2020
Cash flows from operating activities			
Income before income taxes	**$ 24,985**	$ 17,289	$ 8,949
Depreciation and amortization	**8,872**	8,963	9,315
Impairment of long-lived assets, net	**644**	2,929	1,679
Allowance for doubtful accounts	**(903)**	(12)	(727)
(Gain) loss on sale of property, plant and equipment	**(44)**	(82)	55
Gain on sale of business	**(425)**	-	(89)
Gain on business acquisitions	**-**	(29)	(657)
Effect of changes in the fair value of derivative financial instruments	**(265)**	(196)	21
Financial expenses, net	**6,501**	6,452	6,186
Exchange fluctuation, net	**1,308**	1,969	329
Equity in results of associates	**(24)**	(24)	(75)
Provisions and others	**1,107**	(17)	(1,969)
Movements in working capital:			
(Increase) decrease in trade and other accounts receivable	**(43)**	(9,392)	1,804
(Increase) decrease in inventories	**(8,354)**	(11,427)	4,714
Increase (decrease) in trade and other accounts payable	**(603)**	12,144	(2,321)
Cash flows from operating activities from discontinued operation	**3,343**	3,168	9,576
Income taxes paid	**(8,441)**	(5,357)	(7,435)
Net cash flows generated by operating activities	**27,658**	26,378	29,355

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

Continue in next page.

Consolidated Statements of Cash Flows

For the years ended December 31, 2022, 2021 and 2020
In millions of Mexican pesos

	2022	2021	2020
Cash flows from investing activities			
Interest collected	**752**	458	387
Cash flows in acquisition of property, plant and equipment	**(7,570)**	(9,512)	(5,130)
Cash flows in sale of property, plant and equipment	**-**	935	99
Cash flows in acquisition of intangible assets	**(411)**	(452)	(452)
Cash flows in business acquisitions, net of cash acquired	**(10,198)**	78	(850)
Cash flows in investments in associates and joint ventures	**(831)**	(228)	13
Restricted cash	**(520)**	26	474
Decrease in cash due to subsidiary spin-off	**-**	-	(6,341)
Cash flows from investing activities from discontinued operation	**(2,750)**	(1,268)	(3,966)
Other assets	**(767)**	(1,236)	608
Net cash flows used in investing activities	**(22,295)**	(11,199)	(15,158)
Cash flows from financing activities			
Proceed from borrowings or debt	**16,858**	14,284	29,483
Payments of borrowings or debt	**(9,552)**	(13,764)	(25,499)
Lease payments	**(1,946)**	(1,810)	(1,886)
Interest paid	**(6,399)**	(6,158)	(6,032)
Dividends paid	**(4,089)**	(2,481)	(1,981)
Dividends paid to non-controlling interest	**(3,708)**	(2,551)	(1,145)
Repurchase of shares	**(1,275)**	(108)	(1,112)
Cash flows from financing activities from discontinued operation	**(2,040)**	(3,602)	842
Other	**(382)**	(98)	729
Net cash flows used in financing activities	**(12,533)**	(16,288)	(6,601)
Net (decrease) increase in cash and cash equivalents	**(7,170)**	(1,109)	7,596
Effect of changes in exchange rates	**(1,996)**	(56)	(647)
Cash and cash equivalents at beginning of year	**30,979**	32,144	25,195
Cash and cash equivalents at end of year	**$ 21,813**	$ 30,979	$ 32,144

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

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2022, 2021 and 2020
In millions of Mexican pesos, except where otherwise indicated

1. ALFA COMPANIES' ACTIVITIES

Alfa, S. A. B. de C. V. and subsidiaries (therein "Alfa" or the "Company"), is a Mexican company controlling three principal business groups with the following activities: Alpek, engaged in the production of petrochemicals and synthetic fibers; Sigma, a refrigerated food producer, and Axtel, a telecommunications-oriented business.

On December 14, 2020, the Company concluded the process of spin-off of its subsidiary Nemak, a business focused on the manufacture of high-tech aluminum auto parts (see Note 2).

Alfa has a competitive position globally in the auto parts segment as a producer of aluminum engine heads and blocks, as well as in the manufacture of PTA (raw material for the manufacture of polyester) and is a leader in the Mexican market for refrigerated foods. As of December 31, 2022, Alfa operates industrial production and distribution centers mainly in Mexico, the United States of America (U.S.), Canada, Germany, Belgium, Italy, the Netherlands, Portugal, France, Spain, Romania, United Kingdom, Costa Rica, Dominican Republic, El Salvador, Honduras, Nicaragua, Argentina, Peru, Ecuador, Brazil and Chile. The Company markets its products in over 23 countries worldwide and employs over 56,000 people.

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

Alfa SAB's shares are traded on the Mexican Stock Exchange, S. A. B. de C. V. and Latibex, the Latin American market of the Madrid Stock Exchange.

Alfa is located in Avenida Gómez Morín Sur No. 1111, Col. Carrizalejo, San Pedro Garza García, Nuevo León, C.P. 66254, Mexico.

In the following notes to the consolidated financial statements references to pesos or "$", mean millions of Mexican pesos. References to "US$", mean millions of U.S. dollars. In addition, references to "€", mean millions of euros.

2. SIGNIFICANT EVENTS

2022

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

From the acquisition date, working capital and the recovery of costs 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 the 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, 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 non-current 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, Business Combinations; therefore, Alpek applied the acquisition method to measure the acquired assets and the assumed liabilities in the transaction. Fair values of the acquired assets and assumed liabilities as a result of this acquisition 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	**US$**	**748.2**
Cash surplus net of debt		(91)
Total consideration net of cash surplus	**US$**	**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 asset 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 the 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 27). In 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.

b. Spin-off of the ownership interest of Alfa in Axtel

On July 12, 2022, the General Extraordinary Shareholders' Meeting of Alfa SAB approved the process of the spin-off of its entire ownership interest in Axtel S. A. B. de C. V. ("Axtel SAB"). Alfa SAB carried out the process as the parent company and a variable capital stock corporation was incorporated as the spun-off company ("Controladora Axtel"), which will be listed on the Mexican Stock Exchange ("BMV", for its acronym in Spanish).

The process is subject to certain conditions precedent, among which is the registration of Controladora Axtel as an issuer listed on the BMV, which as of December 31, 2022 and as of the date of authorization of the consolidated financial statements was not completed. Pursuant to the requirements of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the Company presented Axtel's financial information as of December 31, 2022 and for the year ended on that date, as a discontinued operation in the consolidated statement. results and in the consolidated statement of cash flows, as well as the presentation of Axtel's assets and liabilities as "held for disposal" in the consolidated statement of financial position (see Note 24).

c. Corpus Christi Polymers resumes construction

On July 18, 2022, Alpek announced that Corpus Christi Polymers LLC ("CCP") partners will resume 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 amounted to $733 (US$36.5).

d. Agreement to sell operations in the Netherlands and Belgium

On October 7, 2021, Sigma announced an agreement for the sale of its subsidiaries Imperial Meat Products, VOF and Campofrio Food Group Netherlands Holding B.V. The transaction includes six production plants, five in Belgium and one in the Netherlands, as well as the Marcassou, Imperial, Stegeman, Leielander and Bistro brands.

As of December 31, 2022, the transaction had not been completed, therefore the assets and liabilities to be sold are presented under the headings of "Other current assets" and "Other current liabilities", respectively, in the statement consolidated financial position. Derived from the presentation as held for sale, and the measurement requirements of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, Sigma recognized an expense for impairment during the year ended December 31, 2021, for $1,325 (€56.1), of which $1,239 (€52.4) are associated with assets held for sale. During the year ended December 31, 2022, Sigma recognized an additional impairment of $283 (€13.6). The sale of the assets is in the process of being approved by the competition authorities in Belgium and the Netherlands, with the expectation that it will be resolved in the coming months.

As of December 31, 2022 and 2021, the assets and liabilities classified as held for sale by this agreement are as follows:

ASSETS	2022	2021
Cash and cash equivalents	$ 4	$ 6
Trade and other accounts receivable, net	503	649
Inventories	671	588
Other current assets	38	44
Property, plant and equipment, net	1,169	1,480
Intangible assets, net	181	187
Other non-current assets	19	22
Total	**$ 2,585**	$ 2,976
LIABILITIES	**2022**	2021
Debt	$ 29	$ 37
Suppliers and other accounts payable	1,808	1,841
Income tax payable	139	267
Provisions and other current liabilities	432	391
Debt	81	97
Provisions and other non-current liabilities	377	575
Total liabilities	**$ 2,866**	$ 3,208

2021

e. Debt issuance

ALPEK

On February 18, 2021, Alpek issued Senior Notes, on the Irish Stock Exchange, to qualified institutional investors under Rule 144A and other investors outside the United States of America under Regulation S, in the 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.

f. COVID-19 impacts

The Company, through its subsidiaries, has taken actions to counteract the effects that COVID-19 has had on the economic markets in which it participates, focusing on strengthening operating and financial performance, through constant monitoring of its structure. of costs, key business processes and a commitment to its employees through a special focus on the redefinition and capitalization of experiences related to the remote work scheme; maintain a solid liquidity structure, through detailed management of cash flows; and constant monitoring of its financial position, to ensure compliance with the stipulated covenants and its key financial ratios.

During the year ended December 31, 2021, Axtel, subsidiary of the Company, had impacts directly attributable to COVID-19, which were reflected in a decrease in its revenues compared to 2020, mainly due to the negative effects of the global shortage of semiconductors and logistics delays, resulting in the cancellation of time-sensitive projects and a general delay in project implementation times. These effects were offset by the positive impact seen in Sigma, subsidiary of the Company, due to the recovery of revenues from the foodservice and convenience channel compared to 2020, mainly due to increased mobility and consumption away from home.

In the year ended December 31, 2022, there were no relevant effects related to COVID 19, however, as of the date of issuance of the consolidated financial statements, the Company continues to monitor the development of its business, complying with the government regulations of the different countries in which it operates and responding promptly to changes that arise.

g. Acquisition of a rPET plant from CarbonLITE

On June 10, 2021, Alpek acquired a PET recycling and pelletizing plant 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's 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 Alpek'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 Alpek's goal of supplying certain customers with 25% rPET content before 2025.

The consolidated financial statements include the financial information of the assets acquired from the date of acquisition.

Alpek 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 said fair value is substantially concentrated in a group of similar identifiable assets. In line with the above, Alpek 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, Alpek identified and recognized all the assets, assigning 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 on the purchase.

h. Acquisition of a styrenics business from NOVA Chemicals

On October 19, 2020, Alpek 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% stake in BVPV Styrenics LLC, owner and operator of two plants in the United States. The first plant, located in Monaca, Pennsylvania, has an annual capacity of 123,000 tons of expandable polystyrene ("EPS") and 36,000 tons of ARCEL®, in addition to a world-class research and development (R&D) pilot plant; and a second plant 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 and which corresponds to the date on which Alpek 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, Alpek 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 they were recognized in 2021. The fair values of the acquired assets and assumed liabilities as a result of this acquisition are as follows:

Current assets [1]	US$ 56
Non-current assets [2]	15
Intangible assets [3]	2
Current liabilities	(17)
Non-current liabilities	(9)
Acquired net assets	47
Gain on business combination	(1)
Consideration Paid	**US$ 46**

[1] Current assets consist of accounts receivable and inventories of US$18 and US$38, respectively.
[2] Non-current assets consist of fixed assets and right-of-use assets for US$14 and US$1, respectively.
[3] Intangible assets consist of trademarks and patents for US$1 and US$1, respectively.

As a result of this transaction, a gain on business combination of $29 (US$1.3) was recognized in 2021 under other income (expenses), net (Note 27). In the terms of IFRS 3, the gain on business combination was generated mainly because the disposition took place due to strategic plans of the seller.

i. Impairment in Univex

On November 29, 2021, Alpek decided to close its caprolactama production area (raw material of the production of Nylon 6) of Univex, S.A. of C.V. ("Univex") as well as its affiliate Sales del Bajío, S.A. of C.V., that produces carbonates; the foregoing, derived from the fall in market prices and profit margins worldwide.

Alpek is in the process of evaluating the future use of the Univex facilities, since they continue to be used by the fertilizer area, which continues with operations. Additionally, Alpek is evaluating the impacts labor matters derived from the closure.

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

j. Impairment in investment in shares and accounts receivable

Axtel has a shareholding equivalent to 1.9634% of the capital stock of Altán Redes S.A.P.I. de C.V. ("Altán") as of December 31, 2021. Likewise, Axtel is a provider of telecommunications and IT services for Altán.

On November 12, 2021, Altán was declared in bankruptcy and as of the day the judgment was published in the Official Gazette of the Federation, Altán has an initial conciliation period of 185 calendar days that may be extended for two more periods of 90 calendar days.

Derived from the above, Axtel recognized an expense for impairment in the value of its investment in shares for $290 (see Note 24). As of December 31, 2021 and 2020, the balance of the account receivable amounts to $304 and $131, respectively, without value added tax ("VAT"). Additionally, Axtel has a note receivable from Altán for $20.

k. Sale agreement of production plants in Europe

On December 31, 2021, Sigma completed the sale to Cooper Arc Atlantique Group of two production plants located in France. The value of the transaction was $132 (€5.6), the same amount corresponding to the carrying amount of the transferred assets. Based on their market value, Sigma recognized an impairment on its fixed assets of $108 (€4.5) in the consolidated statement of income within other income (expenses), net (Note 27).

l. Announcement of closure of the polyester staple fibers in Cooper River

On May 4, 2021, Alpek announced the closure of its polyester staple fibers operations at the Cooper River plant, in Charleston.

As a result of the foregoing, Alpek recognized an impairment of approximately $679 (US$33). The plant ceased operations of polyester staple fibers during the month of December.

2020

m. Spin-off of Alfa's shareholding in Nemak

On August 17, 2020, Alfa SAB's Stockholders' Meeting approved the spin-off of its entire shareholding in Nemak S.A.B. de C.V. ("Nemak SAB") Alfa SAB carried out the process as an original company and formed a stock corporation with variable capital as a new company ("Controladora Nemak"), listed on the Mexican Stock Exchange ("BMV" for its Spanish initials). The process was completed on December 14, 2020, with the registration of Controladora Nemak as a listed issuer on the BMV. Alfa SAB's stockholders received one share of Controladora Nemak for each of the shares they held in Alfa SAB, without this affecting their shareholding in Alfa SAB. With this act and as of this date, Alfa SAB ceased to consolidate Nemak SAB for accounting purposes. The effects of the spin-off are detailed in Note 24.

n. Acquisition of a PET business from Lotte Chemical in the United Kingdom

On January 1, 2020, Alpek completed the acquisition of Lotte Chemical UK Limited ("Lotte UK") now called Alpek Polyester UK LTD ("Alpek Polyester UK"). During May 2020, the final adjustments to the purchase price were made resulting in a recovery of US$1 from the advance payments for a final purchase price of US$68. Such recovery is presented as a cash inflow in the consolidated statement of cash flows within the business acquisitions concept, together with the incorporation of Alpek Polyester UK's cash held at the time of the acquisition.

Alpek's consolidated financial statements include the financial information of Alpek Polyester UK from the acquisition date. The business acquired is included in the Polyester segment.

The acquisition of Alpek Polyester UK met the criteria of a business combination in accordance with the requirements of IFRS 3, Business Combinations; therefore, Alpek applied the acquisition method to measure the assets acquired and the liabilities assumed in the transaction. The purchase price allocation was determined in 2020, and the adjustments derived from acquisition method accounting were recognized from the date of acquisition. The fair values of the assets acquired and liabilities assumed as a result of this acquisition are as follows:

Inventories	US $ 48
Other current assets [1]	63
Property, plant and equipment and others	43
Current liabilities [2]	(51)
Net assets acquired	103
Gain on business combinations	(35)
Consideration paid	**US $ 68**

(1) Current assets consist of cash and cash equivalents, trade and other accounts receivable and other current assets for US$6, US $55 and US$2, respectively.
(2) Current liabilities are made up of other current liabilities and provisions of US$47 and US$4, respectively.

As a result of this transaction, a gain associated with the business combination was recognized for an amount of $657 (US$35), recorded in 2020. Under the terms of IFRS 3, the gain associated with the business combination is mainly the result of the disposal being carried out due to strategic issues of the seller.

o. Axtel debt prepayment

On February 14, 2020, Axtel prepaid the total of the syndicated loan maintained with HSBC as the leader of the participating financial institutions in the amount of $1,320 (US$67). Derived from this prepayment, Axtel immediately recognized in the consolidated income statement, the debt issuance costs that were pending amortization at that date of $8.

p. Definitive closing of agreement with Equinix

On January 8, 2020, Axtel informed the definitive closing of the strategic agreement with Equinix to strengthen its offering of IT and cloud solutions. As announced on October 3, 2019, Equinix acquired the operations and assets of three data centers from Axtel; two located in Querétaro and one in the metropolitan area of Monterrey. The valuation of this transaction was US $175, which was settled in cash, except for US$13 related to restricted cash, which was released on January 8, 2021. Excluding operating expenses and the balance in custody, resources of approximately US$154 will be used to strengthen the financial structure of Axtel.

Axtel did not have an impact on its cash flow due to tax consequences, since it applied tax losses that were pending amortization for $2,644.

q. COVID-19 Impacts

On March 11, 2020, the World Health Organization declared the SARS-COV2 infectious disease (hereinafter referred to as "COVID-19") a pandemic. COVID-19 had and continues to have a strong impact on health, economic and social systems worldwide. Health actions have been taken in countries in which the Company participates to limit the spread of this virus, including, but not limited to, social distancing and closure of educational facilities (schools and universities), commercial establishments and non-essential businesses.

The following is a breakdown of the main implications for the Company through its subsidiaries:

- Operational and financial performance: Due to the fact that several legislations did not allow non-essential businesses to operate, Nemak proceeded to suspend production in some plants and production lines, which implied that it did not generate income during the months that its production units were not allowed to operate; however, it did incur in the fixed costs that would have been incurred if the operation had not been suspended. For their part, Alpek, Sigma and Axtel, maintained their operations without interruption, focusing their attention on compliance with government regulations and health measures. Accordingly, the main impact was reflected in consolidated sales, with a decrease of 3.2%, with respect to the previous year, generated mainly by a decrease in Nemak's sales in April and May, presented under the heading of discontinued operations (see Note 24), countered by an increase in Sigma sales as a result of social distancing, which generated changes in consumer habits within the countries in which it operates, increasing the demand for its different products offered, and at Axtel by the increase in sales due to the greater demand for products that would allow customers to maintain remote and virtual interactions coming mainly from the business operating segment.

- Due to the temporary closure of operations, and in order to adjust its cost and expense structure to the expected level of operation, Nemak carried out labor terminations that represented 9% of its workforce and an expense for severance payments of US$36, which was recognized under the heading of discontinued operations.

- Liquidity: In order to address the liquidity risk and to optimize cash flows for any unforeseen event during the pandemic, the Company extended the periods for making significant capital investments; in addition, it made reductions to its working capital investment and withdrew committed and uncommitted credit lines, which at the end of the year, were mostly paid, as the Company had the necessary liquidity to meet its obligations and avoid cash excess. Additionally, Nemak received government support from its Western European subsidiaries to fulfill their salary commitments. Moreover, during the second quarter of the year, Alpek and Nemak cancelled the payment of the dividend decreed in February 2020, as a decision to prioritize their financial stability. The Company's financial risk management strategies, including compliance with its obligations and payment needs are detailed in Note 4.

- Financial position: The Company made amendments to some of its credit contracts, for more flexibility in the levels of some of its financial ratios and to comply with the covenants stipulated (see Note 17). Furthermore, operating limitations of certain customers led some of the Company's entities to increases in the allowance for doubtful accounts, mainly due to the request for extension of the payment period by certain customers, which was reflected in the probability of default (see Note 8). In addition, the effects of the pandemic resulted in a detailed assessment of indications of business impairment, as well as in the assumptions used in the impairment tests (see Note 5 and 13).

r. Divestment in Newpek USA

On August 18, 2020, Newpek significantly divested all its assets located in the United States, which included mainly wells and leases in the Eagle Ford Shale ("EFS") and Edwards Shale ("Edwards"). Newpek transferred its assets in Texas to Ensign Operating LLC ("Ensing") and Reliance Eagleford Upstream Holding LP ("Reliance") in exchange for a complete cancelation of its obligations in the joint venture and operating contracts.

This transaction has an implied value of US$88 for Newpek, resulting from the cancellation of its obligations. The Company recognized a gain of US$58 in the consolidated income statement in the caption "Cost of sales".

In line with Alfa's strategy that contemplates a gradual divestment process of Oil and Gas assets outside Mexico, Newpek also closed its administrative office in Irving, Texas and moved remaining functions to Monterrey, Mexico.

s. Approval of the restructuring plan for the recovery of financing to M&G Mexico

On September 4, 2020, Alpek announced the final approval of the financial restructuring agreement between M&G Polímeros Mexico, S.A. de C.V. ("M&G Mexico") and the majority of its creditors, including certain subsidiaries of Alpek. In accordance with the agreement, from the end of 2020 Alpek started the recovery of US$160 of debt guaranteed by a first and second degree lien on M&G Mexico's PET plant in Altamira by receiving a payment of US$40 in December 2020. Additionally, during 2022 and 2021, Alpek continued to receive interest payments related to this debt and principal payments of US$26 and US$8, respectively.

t. Strategic redefinition project of Campofrío Food Group, S.A.U.

In order to increase the efficiency of the operation and adapt the productive capacity to the current demand of the cash-generating units, Alfa's Corporate Management approved to carry out restructuring projects for production plants and distribution centers of Sigma. Derived from these restructuring projects, Sigma recorded an impairment on its fixed assets of $159 and a provision associated with a reorganization expense of $73, in the consolidated statement of income for the year ended December 31, 2020.

u. Impairment in Cesare Fiorucci S.P.A of Sigma

Italy's economic situation has been affected by an economic slowdown that has led to lower growth and higher unemployment. Sales for the year, had a decrease compared to the previous year, mainly generated by political and economic instability. As a result of these factors, Sigma recalculated the recoverable value of the cash generating unit ("CGU") in Italy, recognizing an impairment on its fixed assets of $434 in the consolidated statement of income for the year ended December 31, 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the most significant accounting policies followed by Alfa, which have been consistently applied in the preparation of the financial information in the years presented, unless otherwise specified:

a. Basis of preparation

The consolidated financial statements of Alfa, S. A. B. de C. V. and subsidiaries 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 Standard 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 interest in subsidiaries is less than 100%, the interest attributed to external stockholders is recorded as non-controlling interest. Subsidiaries are consolidated in full 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 in which it gains control of a business, and through which it is able to direct and manage the relevant activities of the set of assets and liabilities of such business with the purpose of providing a return in the form of dividends, smaller costs or other economic benefits directly to stockholders.

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 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 transferred consideration and the carrying amount of the net assets acquired at the level of the subsidiary are recognized in equity.

The acquisition-related costs are recognized as expenses 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 book value at the acquisition date of the interest 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 results of the year.

Transactions and intercompany balances, as well as unrealized gains on transactions between Alfa's companies are eliminated in preparing the consolidated financial statements. In order to ensure consistency with the policies adopted by the Company, the amounts recorded by subsidiaries have been changed where it was deemed necessary.

As of December 31, 2022, 2021 and 2020, the primary subsidiary companies of Alfa were as follows:

		SHAREHOLDING (%) [2]			
	Country [1]	**2022**	2021	2020	Functional currency
Alpek (Petroquímicos y fibras sintéticas)					
Alpek, S. A. B. de C. V. (Controladora)		**82**	82	82	Mexican peso
Alpek Polyester, S. A. de C. V. [10]		**100**	100	100	U.S. dollar
DAK Americas L.L.C.	USA	**100**	100	100	U.S. dollar
DAK Resinas Americas Mexico, S. A. de C. V.		**100**	100	100	U.S. dollar
DAK Americas Exterior, S. L. (Controladora)	Spain	**100**	100	100	U.S. dollar
DAK Americas Argentina, S. A.	Argentina	**100**	100	100	Argentine peso
Tereftalatos Mexicanos, S. A. de C. V.		**91**	91	91	U.S. dollar
Akra Polyester, S. A. de C. V.		**93**	93	93	U.S. dollar
Alpek Polyester Brasil S. A. [12]	Brazil	**100**	100	100	Real
Alpek Polyester Pernambuco S. A. [13]	Brazil	**100**	100	100	Real
Alpek Polyester UK LTD [5]	United Kingdom	**100**	100	100	Pound sterling
Indelpro, S. A. de C. V.		**51**	51	51	U.S. dollar
Polioles, S. A. de C. V. [3]		**50**	50	50	U.S. dollar
Unimor, S. A. de C. V. (Controladora)		**100**	100	100	Mexican peso
Univex, S. A.		**100**	100	100	Mexican peso
Grupo Styropek, S. A. de C. V. (Controladora)		**100**	100	100	Mexican peso
Styropek Mexico, S. A. de C. V.		**100**	100	100	U.S. 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	Real
Compagnie Selenis Canada [6]	Canada	**100**	50	50	U.S. dollar
BVPV Styrenics LLC [5]	USA	**100**	100	100	U.S. dollar
Octal [4]	Oman	**100**	-	-	U.S. dollar
Sigma (Alimentos refrigerados)					
Sigma Alimentos, S. A. de C. V. (Controladora)		**100**	100	100	U.S. dollar
Alimentos Finos de Occidente, S. A. de C. V.		**100**	100	100	Mexican peso
Grupo Chen, S. de R. L. de C. V.		**100**	100	100	Mexican peso
Sigma Alimentos Lácteos, S. A. de C. V.		**100**	100	100	Mexican peso
Sigma Alimentos Centro, S. A. de C. V.		**100**	100	100	Mexican peso
Sigma Alimentos Noreste, S. A. de C. V.		**100**	100	100	Mexican peso
Sociedad Suizo Peruana Embutidos, S. A.	Peru	**100**	100	100	Peruvian sol
Caroli Foods Group S. R. L.	Romania	**100**	100	100	Romanian leu
Praimit, S.A. de C.V. [5]		**100**	100	100	Mexican peso
Procesadora Laminin, S. A. de C. V. [5]		**100**	100	100	Mexican peso

		SHAREHOLDING (%) [2]			
	Country [1]	**2022**	2021	2020	Functional currency
Alfa Subsidiarias Alimentos, S. A. de C. V.		**100**	100	100	Mexican peso
CH Biotec, S.L	Spain	**51**	-	-	Euro
Sigma Alimentos Exterior, S. L.U. (Controladora)	Spain	**100**	100	100	Euro
Bar-S Foods Co.	USA	**100**	100	100	U.S. dollar
Mexican Cheese Producers, Inc.	USA	**100**	100	100	U.S. dollar
Braedt, S. A.	Peru	**100**	100	100	Peruvian sol
Elaborados Cárnicos S. A. [11]	Ecuador	**-**	-	100	U.S. dollar
Campofrío Food Group, S. A.	Spain	**100**	100	100	Euro
Sigmaec CIA, LTDA [6]	Ecuador	**100**	100	100	U.S. dollar
Sigma Foodservice Comercial, S. de R.L. de C.V.		**100**	100	100	Mexican peso
Nemak (Autopartes de aluminio)					
Nemak, S. A. B. de C. V. (Controladora) [7]		**-**	-	-	U.S. dollar
Nemak Mexico, S. A.		**-**	-	-	U.S. dollar
Modellbau Schönheide GmbH	Germany	**-**	-	-	Euro
Corporativo Nemak, S. A. de C. V.		**-**	-	-	Mexican peso
Nemak Canadá, S. A. de C. V. (Controladora)		**-**	-	-	Mexican peso
Nemak of Canada Corporation	Canada	**-**	-	-	Canadian dollar
Camen International Trading, Inc.	USA	**-**	-	-	U.S. dollar
Nemak Europe GmbH	Germany	**-**	-	-	Euro
Nemak Exterior, S. L. (Controladora)	Spain	**-**	-	-	Euro
Nemak Dillingen GmbH	Germany	**-**	-	-	Euro
Nemak Wernigerode (GmbH)	Germany	**-**	-	-	Euro
Nemak Linz GmbH	Austria	**-**	-	-	Euro
Nemak Győr Alumíniumöntöde Kft.	Hungary	**-**	-	-	Euro
Nemak Poland Sp. Z.o.o.	Poland	**-**	-	-	Euro
Nemak Nanjing Automotive Components Co., Ltd.	China	**-**	-	-	RenMinBi Yuan
Nemak USA, Inc.	USA	**-**	-	-	U.S. dollar
Nemak Alumínio do Brasil Ltda.	Brazil	**-**	-	-	Real
Nemak Argentina, S. R. L.	Argentina	**-**	-	-	Argentine peso
Nemak Slovakia, S.r.o.	Slovakia	**-**	-	-	Euro
Nemak Czech Republic, S.r.o.	Czech Republic	**-**	-	-	Euro
Nemak Rus, L. L. C.	Russia	**-**	-	-	Russian ruble
Nemak Aluminum Castings India Private, Ltd.	India	**-**	-	-	Rupee
Nemak Automotive Castings, Inc.	USA	**-**	-	-	U.S. dollar
Nemak Izmir Döküm Sanayii A. Ş.	Turkey	**-**	-	-	Euro
Nemak Izmir Dis Ticaret A. Ş.	Turkey	**-**	-	-	Euro

		SHAREHOLDING (%) [(2)]			
	Country [(1)]	**2022**	2021	2020	Functional currency
Axtel (Telecomunicaciones)					
Axtel, S. A. B. de C. V.		**53**	53	53	Mexican peso
Servicios Axtel, S. A. de C. V. [(8)]		**-**	-	100	Mexican peso
Alestra Procesamiento de Pagos, S. A. de C. V.		**100**	100	100	Mexican peso
Newpek (Gas Natural e hidrocarburos)					
Newpek, S. A. de C. V.		**100**	100	100	Mexican peso
Oil and Gas Holding España, S.L.U. (Controladora)	Spain	**100**	100	100	Euro
Newpek, L. L. C.	USA	**100**	100	100	U.S. dollar
Newpek Capital, S. A. de C. V.		**100**	100	100	Mexican peso
Alfasid del Norte, S. A. de C. V.		**100**	100	100	Mexican peso
Newpek Energía Exterior, S. L. (Controladora)	Spain	**100**	100	100	Euro
BPZ Exploración & Producción S. R. L.	Peru	**100**	100	100	U.S. dollar
Otras empresas					
Colombin Bel, S. A. de C. V.		**100**	100	100	U.S. dollar
Terza, S. A. de C. V.		**50**	50	50	Mexican peso
Alfa Corporativo, S. A. de C. V. [(9)]		**-**	-	100	Mexican peso
Alfa Valores Corporativos, S. A. de C. V.		**100**	100	100	Mexican peso

(1) Companies incorporated in Mexico, except those indicated.
(2) Ownership percentage that Alfa SAB has in the holding companies of each business group and ownership percentage that such holding companies have in the companies integrating the groups. Ownership percentages and the right to vote are the same.
(3) Alpek, a subsidiary of the Company, owns 50% plus one share (see Note 5).
(4) Company acquired in 2022 and integrates the following entities: Octal Holding UK LTD, Octal Holding SAOC, Octal (FZC) SAOC, Crystal Pack FZC LLC, Crystal Packing Solutions LLC, Octal DMCC, Octal Inc, Octal Extrusion Corp, Octal Saudi Arabia Plant LLC and OCTAL Finance BV (see Note 2).
(5) Companies acquired in 2020 (see Note 2).
(6) 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 and 2020. Under said clause, the shares not acquired for legal purposes by Alpek are in deposit in favor of the selling party or to Alpek, based on results obtained from the potential production of PETG. At the end of 2021 and 2020, 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 derived from the initial purchase agreement. The net effects of this transaction were recognized within "Other income (expenses), net" in the consolidated statement of income for the year ended December 31, 2022.
(7) At the General Stockholders' Meeting held on August 17, 2020, Alfa's Stockholders approved the proposed spin-off of their entire share ownership in Nemak, S.A.B. de C.V., which became effective as of December 14, 2020. Prior to the spin-off, Alfa held a 75% ownership interest in Nemak, S.A.B. de C.V.; Nemak maintained a 100% ownership interest in its subsidiaries.
(8) At the General Extraordinary Stockholders' Meeting held on December 1, 2021, Axtel stockholders agreed to merge Servicios Axtel, S. A. de C.V, and other subsidiaries (as the absorbed companies) with Alestra Procesamiento de Pagos. de C. V. (as the absorbing company), without having an impact on Axtel's consolidated financial information.
(9) At the General Extraordinary Stockholders' Meeting held on July 21, 2021, Alfa's SAB Stockholders agreed to merge Alfa Corporativo, S.A. de C.V. (as the absorbed company) with ALFA SAB (as the absorbing company), without impacting the consolidated financial information of the Company.
(10) On July 31, 2021, Grupo Petrotemex S.A. de C.V., changed its business name to Alpek Polyester S. A. de C. V.
(11) During the year ended December 31, 2021, the merger of Elaborados Cárnicos, S.A. was carried out. (as the absorbed company) and Sigmaec CIA, LTDA (as the absorbing company), without having an impact on Sigma's consolidated financial information.
(12) During 2022, Companhia Integrada Textil de Pernambuco, changed its business name to Alpek Polyester Brasil S. A.
(13) During 2022, Companhia Petroquimica de Pernambuco, changed its business name to Alpek Polyester Pernambuco S. A.

As of December 31, 2022, 2021 and 2020, there are no significant restrictions for investment in shares of subsidiaries 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 in shares 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 income.

When the Company has issued a call option on certain non-controlling interests in a consolidated subsidiary. The exercise price of the option is determined according to a predefined formula based on the financial performance of the subsidiary and can be exercised on a certain date. Put options granted to non-controlling stockholders that hold the risks and benefits on the net assets of the consolidated subsidiary are recognized as financial liabilities at the present value of the amount to be reimbursed of the options, initially recorded with a corresponding reduction in the Equity and subsequently accrue through financial charges in results during the contractual period.

III. SALE OR DISPOSAL OF SUBSIDIARIES

When the Company ceases to have control any retained interest in the entity is remeasured 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 amount for the accounting purposes 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 comprehensive income being reclassified to 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 comprehensive income are reclassified to 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 other comprehensive income of associates is recognized as other 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. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes it in "share of profit of associates recognized by the equity method" in the consolidated statement of income.

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.

c. Foreign currency translation

I. FUNCTIONAL AND PRESENTATION CURRENCY

The amounts included in the financial statements of each of the Company's subsidiaries and associates should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). For Alfa, SAB, as legal entity, the functional currency is determined to be the Mexican peso. The consolidated financial statements are presented in millions of Mexican pesos, which is the Company's presentation currency.

When there is a change in the functional currency of one of the subsidiaries, according to the IAS 21 - Effects of changes in foreign exchange rates, 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.

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:

- The balances of monetary assets and liabilities denominated in the recording currency were translated at the closing exchange rate.
- 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 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.
- Revenues, 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.
- The exchange differences arising in the translation were recognized as income or expense in the consolidated statement of income in the period they arose.

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

The results and financial position of all Alfa's 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

- Assets and liabilities for each statement of financial position are translated at the closing exchange rate at the date of the statement of financial position.
- Stockholders' equity of each statement of financial position presented is translated at historical exchange rate.

- Revenues 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, to the exchange rate at the date of the transaction is used); and
- The resulting exchange differences are recognized in the consolidated statement of comprehensive income as translation effect.

Hyperinflationary environment

- Assets, liabilities and equity in the consolidated 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.);
- 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 main exchange rates in the different translation procedures are listed below:

	LOCAL CURRENCY TO MEXICAN PESOS					
	CLOSING EXCHANGE RATE AT DECEMBER 31,			AVERAGE ANNUAL EXCHANGE RATE		
CURRENCY	**2022**	2021	2020	**2022**	2021	2020
U.S. dollar	**19.36**	20.58	19.95	**20.06**	20.38	21.49
Argentine peso	**0.11**	0.20	0.24	**0.15**	0.21	0.31
Real	**3.66**	3.69	3.84	**3.91**	3.77	4.16
Euro	**20.65**	23.41	24.41	**21.21**	23.99	24.51
Pound sterling	**23.29**	27.88	27.26	**24.71**	28.02	27.87

d. Hyperinflationary effects

As of July 1, 2018, the cumulative inflation in Argentina of the prior 3 years 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 IAS 29, Financial Information in Hyperinflationary Economies, and they 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 current unit of measurement 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:

- 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 applying the variation 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, to the historical cost;
- The amounts corresponding to monetary items of the statement of financial position are not restated;
- The components of stockholders' equity of each statement of financial position are restated:

  i. 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;

ii. 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.

- Revenues and expenses are restated by applying the variation in the general price index, from the date on which the expenses and revenues were recognized, up to the reporting date.

- Gains or losses arising from the net monetary position are recognized in the consolidated statement of comprehensive income.

As of July 1, 2018, the Company reflects the effects of hyperinflation on the financial information of its subsidiaries in Argentina using price indices that are considered appropriate in accordance with Resolution 539/19 JG (the "Resolution") of the Argentine Federation of Professional Councils of Economic Sciences. This resolution establishes that a combination of price indices 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; therefore, they are included in the "Financial result, net" line item of the year ended December 31, 2022, 2021 and 2020.

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 with original maturities of three months or less, all of which are subject to insignificant risk of changes in value and maintain a high credit quality. Bank overdrafts are presented as loans as a part of the current liabilities.

f. Restricted cash

Cash and cash equivalents whose restrictions cause them not to comply with the definition of cash and cash equivalents given above, are presented in a separate line in the consolidated statement of financial position and are excluded from cash and cash equivalents in the consolidated statement cash flows. The classification within the consolidated statement of financial position will depend on the restriction that originates it, being that restrictions greater than 12 months will entail the classification of restricted cash as non-current.

g. 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 has also substantially transferred all the risks and rewards of its ownership, as well as control of the financial asset.

I. FINANCIAL ASSETS AT AMORTIZED COST

Financial assets at amortized cost are financial assets 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 OTHER COMPREHENSIVE INCOME ("OCI")

Financial assets at fair value through other comprehensive income are financial assets: i) held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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. As of December 31, 2022, 2021 and 2020, the Company does not have financial assets at fair value through other comprehensive income.

III. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss, in addition to those described in point i in this section, are financial assets 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.

Despite the aforementioned classifications, the Company can make the following irrevocable elections in the initial recognition of a financial asset:

- Disclose the subsequent changes in the fair value of an equity instrument in other comprehensive income, only if such investment (in which no significant influence, joint control or control is maintained) is not held for trading purposes, that is, a contingent consideration recognized as a result of a business combination.

- Assign a debt instrument to be measured at fair value in profit or loss, if as a result it eliminates or significantly reduces an accounting mismatch that would arise from the measurement of assets or liabilities or the recognition of profits and losses on them in different bases.

As of December 31, 2022, 2021 and 2020, the Company has not made any of the irrevocable designations described above.

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, the general economic conditions and an assessment of both, the current management and the forecast of future conditions.

i. Trade receivables and contract assets

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

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, considering the internal risk management customers.

ii. 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 measuring the expected credit losses, the Company does not necessarily identify all the possible scenarios. However, it considers the risk or probability that a credit loss occurs, reflecting the possibility that the payment default occurs and does not occur, even if that possibility is very low. In addition, the Company determines the period for the default to occur, and the recoverability rate after default.

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

Financial liabilities that are not derivatives are initially recognized at fair value and subsequently valued at amortized cost using the effective interest rate method. Liabilities in this category are classified as current liabilities if they are expected to be settled within the following 12 months; otherwise, they are classified as non-current liabilities.

Trade payables are obligations to pay for goods or services that have been purchased 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 recognized at amortized cost; any difference between the resources received (net of transaction costs) and the settlement value is recognized in the consolidated statement of income during the loan's term 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
Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

h. Derivative financial instruments and hedging activities
All derivative financial instruments contracted and identified, classified as fair value hedges or cash flow hedges, for trading or hedging of market risks, are recognized in the consolidated statement of financial position as assets and/or liabilities at fair value and subsequently measured at fair value. The fair value is determined based on recognized market prices and when they are not traded in a market, it 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, applicable to that operation.

FAIR VALUE HEDGES

Changes in the fair value of derivative financial instruments are recorded in the consolidated statement of income. The change in fair value hedges and the change in the primary position attributable to the hedged risk are recorded in the consolidated statement of income profit in the same line item as the hedged position. As of December 31, 2022, 2021 and 2020, the Company has no derivative financial instruments classified as fair value hedges.

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 them. The ineffective portion is immediately recorded profit or loss.

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 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 is immediately recognized in the consolidated statement of income. When the hedge of a forecasted transaction is satisfactory and subsequently does not meet the effectiveness test, the cumulative effects in comprehensive income in stockholders' equity are proportionally transferred 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.

i. 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.

j. Assets and liabilities held for sale or disposition

Long-lived assets (and disposal groups) classified as held for sale or disposition are valued at the lower of book value and fair value less costs to sell.

Long-lived assets and disposal groups are classified as held for sale if their book value will be recovered through sale and not through continued use. This condition is considered fulfilled only when the sale is highly probable and the asset (or group of assets) is available for immediate sale in its current condition and management must be committed to the sale, it being recognized as a sale completed within a period one year from the date of classification.

When the Company is committed to a sale plan that involves the loss of control in a subsidiary, all assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

When the Company is committed to a sale plan that involves the disposal of an investment (or part of an investment) in an associate or joint venture, the investment or the portion of the investment that is subject to disposal is classified as held for sale, when the criteria described above are met, and the Company discontinues the use of the equity method with respect to the part that is classified as held for sale. Any retained interest in an investment in an associate or a joint venture that has not been classified as held for sale continues to be recognized through the equity method.

k. Property, plant and equipment

Items of property, plant and equipment are recorded at cost less the accumulated depreciation and any accrued impairment losses. Costs includes 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 flows 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, and the cost is recognized in the carrying amount 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 separately, except for land, which is not subject to depreciation. The estimated useful lives of the asset classes is indicated below:

Buildings and constructions	33 to 60 years
Machinery and equipment	10 to 14 years
Vehicles	4 to 8 years
Telecommunications network	6 to 28 years
Lab and IT furniture and equipment	6 to 10 years
Leasehold improvements	3 to 20 years
Other assets	3 to 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 or more), 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 properties, 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, useful lives and depreciation method 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.

l. 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 asset 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 and the useful life of the underlying asset; in this sense, 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 are not 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.

THE COMPANY AS LESSOR

Leases for which the Company is considered a lessor are classified as financial or operating. As long as the lease terms transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. The other leases are classified as operating leases.

Revenues arising from operating leases are recognized in straight-line over the term of the corresponding lease. The initial direct costs incurred in the negotiation and the organization of an operating lease are added to the book value of the leased asset and are recognized in a straight line over the term of the lease. Revenues arising from financial leases are recognized as accounts receivable for the amount of the net investment of the Company in the leases.

m. Intangible assets

Intangible assets are recognized in the consolidated statement of financial position when they meet the following conditions: they are identifiable, they 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, 2022, 2021 and 2020, no factors have been identified limiting the life of these intangible assets.

(II) FINITE USEFUL LIFE

These assets are recognized at cost less accumulated amortization and accrued impairment losses. 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.

The estimated useful lives of intangible assets with finite useful lives are summarized as follows:

Development costs	5 to 20 years
Exploration costs (1)	
Trademarks	5 to 22 years
Relationships with customers	15 to 17 years
Software and licenses	3 to 11 years
Intellectual property rights and patents	10 to 25 years
Other (concessions, non-competition agreements, among others)	3 to 30 years

(1) *Exploration costs are depreciated based on the unit-of-production method based on proven reserves of hydrocarbons.*

DEVELOPMENT COSTS

Research costs are recognized in income as incurred. Expenditures on 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 also has sufficient resources to complete the development and to use or sell the asset. Their amortization is recognized in income using the straight-line method over the estimated useful life of the asset. Costs in development that do not qualify for capitalization are recognized in income as incurred.

EXPLORATION COSTS

The Company uses the successful efforts method of accounting for its oil and gas properties. Under this method, all costs associated with productive and non-productive wells are capitalized while non-productive and geological exploration costs are recognized in the consolidated statement of income as incurred. Net capitalized costs of unproved reserves are reclassified to proven reserves when they are found. The costs of operating the wells and field equipment are recognized in the consolidated statement of income as incurred.

TRADEMARKS

Trademarks acquired in a separate transaction are recorded at acquisition cost. Trademarks acquired in a business combination are recognized at fair value at the acquisition date. Trademarks are amortized based on their useful life according to the Company's evaluation; if in said evaluation it is determined that the useful life of these assets proves to be indefinite, then trademarks are not amortized but are subject to annual impairment tests.

LICENSES

Licenses acquired in a separate transaction are recorded at acquisition cost. Licenses 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 are 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.

n. Goodwill

Goodwill represents the excess of the acquisition cost of a subsidiary over the Company's interest 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 or CGU include the carrying amount of goodwill related to the entity or CGU sold.

o. Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not depreciable or amortizable and are subject to annual impairment tests. Assets that are subject to amortization 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 there are separately identifiable cash flows (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.

p. 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 of the year and the effects of deferred income tax assets determined in each subsidiary by the assets and liabilities 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.

Deferred income tax on temporary differences arising from investments in subsidiaries, associates, and joint agreements is recognized, unless the period of reversal of temporary differences is controlled by Alfa and it is probable that the temporary differences will not reverse in the foreseeable future.

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

q. 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. Contributions are recognized as employee benefit expense on the date the contribution is required.

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 third parties 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 remeasurements arising from adjustments and changes in actuarial assumptions are recognized directly in stockholders' equity in other items of the comprehensive income in the year they occur and will not be reclassified to profit or loss of the period.

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. Eligibility for these benefits usually depends on the employee´s having worked up to the retirement age and having completed 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 the Company terminates the employment contract before the normal retirement date or when the employee accepts voluntary severance in exchange for these benefits. The Company recognizes termination benefits in the following dates, whichever occurs first: (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, Provisions, Contingent Liabilities and Contingent Assets, 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. Benefits that will be paid in the long term are discounted at their present value.

IV. SHORT-TERM BENEFITS

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

V. STATUTORY EMPLOYEE PROFIT SHARING (PTU IN SPANISH) AND BONUSES

The Company recognizes a liability and an expense for bonuses and statutory employee profit sharing 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.

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

A restructuring provision is recorded when the Company has developed a formal detailed plan for the restructure, and a valid expectation of 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.

s. Share based payment

As of December 31, 2022 and 2021, the Company has compensation plans that are based on the market value of shares of Alfa SAB, Alpek (S.A.B. de C.V. ("Alpek SAB") and Axtel SAB, granted to certain senior executives of the Company and its subsidiaries. The conditions for granting such compensation to the eligible executives includes 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 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 always subject to the discretion of the senior management of Alfa. Adjustments to this estimate are charged or credited to the consolidated statement of income.

Fair value of the amount payable to employees in respect of share-based payments, which are settled in cash, is recognized as an administrative expense in the consolidated statement of income, 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 settlement date. Any change in the fair value of the liability is recognized as an expense in the consolidated statement of income.

t. Treasury shares

Alfa SAB Stockholders' periodically authorize a maximum amount for the acquisition of the Company's own shares. Upon the occurrence of a repurchase of its own shares, they become treasury shares and the amount is presented as a reduction to stockholders' equity at the purchase price. These amounts are stated at their historical value.

u. Capital stock

Alfa 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.

v. Comprehensive income

Comprehensive income is comprised of net income (loss), plus the annual effects of their capital reserves, net of taxes, which are comprised of the translation of foreign subsidiaries, the effects of derivative cash flow hedges, actuarial remeasurements, net investment hedges, the effects of the change in the fair value of financial instruments available for sale, the equity in other items of comprehensive income or losses of associates, and other items specifically required to be reflected in stockholders' equity, and which do not constitute capital contributions, reductions and distributions.

w. Segment reporting

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

x. 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.

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.

For Nemak, the Company evaluates whether agreements signed conjunction with a manufacturing contract must be combined as a single contract. In cases where the two contracts meet the characteristics to be combined, management evaluates the performance obligations identified in the contract. Therefore, when determining the existence of separable performance obligations in a contract with clients, management evaluates the transfer of control of the good or service to the client, with the purpose of determining the moment to recognize the revenue corresponding to each performance obligation. Nemak's income for the year ended December 2020, is presented under discontinued operations in the consolidated statement of income.

Additionally, for Axtel, the Company evaluates certain contracts in which more than one separable performance obligation is identified, which consists of the equipment used to provide the service that is installed in the customer's locations. In addition to the equipment, telecommunications and information technology services are identified as another separable performance obligation. In the event that the equipment delivered to the customer is a separate performance obligation for the performance of the service, the Company assigns the price of the service contracts administered to the performance obligations identified according to their independent values in the market and relative discounts. Axtel's revenues for the years ended December 31, 2022, 2021 and 2020, are presented within the caption of discontinued operations in the consolidated statement of income.

Performance obligations from the sale of goods and products are not separable, and are not partially met, so they are satisfied at a point in time, when the control of the products sold has been transferred to the customer which is given at the time of the delivery of the goods promised to the customer in accordance with the contractual terms negotiated. The Company recognizes an account receivable when the performance obligations have been met, recognizing the corresponding revenue.

The payment terms identified in most sources of revenue are short-term, with variable considerations including discounts and product rebates that are granted to customers, without financial components or significant guarantees. These discounts and incentives to customers are recognized as a reduction in revenue. Therefore, the allocation of the price is direct on the performance obligations of production, distribution and delivery, including the effects of variable consideration.

When the Company identifies separable performance obligations, it allocates the price of the transaction to each item, in order to recognize the corresponding revenue, either at a point in time, or over time. Specifically, for Axtel, the Company recognizes the revenue derived from managed service contracts as follows:

- Revenues for equipment installed in customer locations are recognized at the time control is transferred or the right to use them, that is, at a point in time. This performance obligation has a significant financial component, so that revenues are recognized in accordance with the effective interest rate method during the term of the contract.

- Revenues from services are recognized as they are provided, that is, as the customer is consuming them in relation to voice, data and telecommunications services.

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

y. Earnings per share

Earnings per share are calculated by dividing the income attributable to the owners of the controlling entity by the weighted average of outstanding common shares during the year. As of December 31, 2022, 2021 and 2020, there are no dilutive effects for instruments potentially convertible to shares.

z. 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, 2022. The conclusions related to their adoption are described as follows:

Amendments to IFRS 3, Business Combination – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21, Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The Company applied these amendments to business combinations completed during the year ended December 31, 2022, which are described in Note 2, without having an impact on its consolidated financial statements.

Amendments to IAS 16, Property, plant and equipment - Proceeds before intended use

The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use, for example, proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss for the period. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

The Company evaluated the amendments to IAS 16 and determined that the implementation of these amendments had no effect on its financial information, since it currently does not have product sales before the property, plant and equipment are ready for use.

Amendments to IAS 37, Provisions, Contingent Liabilities and Contingents Assets - Onerous Contracts - Cost of fulfilling a contract

The amendments specify that the "cost of fulfilling" a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Company evaluated the amendments to IAS 37 and determined that the implementation of these amendments had no effect on its financial information, since it does not have onerous contracts.

Annual Improvements to IFRS Accounting Standards 2018–2021 Cycle

The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2021 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards, which did not have an impact on the financial information, as they were not of significant applicability:

- Amendments to IFRS 1, First time adoption of International Financial Reporting Standards
- Amendments to IFRS 9, Financial instruments
- Amendments to IFRS 16, Leases
- Amendments to IAS 41, Agriculture

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 new and revised IFRS, that have been issued but not yet effective, of which the adoption of these is not expected to have a material impact on the consolidated financial statements in future periods, considering that they are not of significant applicability:

- Amendments to IFRS 17, Insurance contracts (1)
- Amendments to IAS 1 and Practice Statement 2 - Disclosure of accounting policies (1)
- Amendments to IAS 8 - Definition of accounting estimates (1)
- Amendment to IAS 12, Income taxes - Deferred taxes related to assets and liabilities arising from a single transaction (1)
- Amendments to IAS 1 – Classification of liabilities as current and non-current (1)
- Amendments to IAS 1 – Classification of debt with covenants (2)
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture (2)
- Amendments to IFRS 16 - Lease liability in a sale and leaseback (3)

(1) Effective for annual reporting periods beginning on January 1, 2023
(2) Effective for annual reporting periods beginning on January 1, 2024
(3) Effective date of the amendments has yet to be set by the IASB

4. FINANCIAL INSTRUMENTS AND FINANCIAL 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 ("CEO"), Chief Financial Officer ("CFO") and the Chief Executive Officer of the corresponding business unit. The RMC reviews derivative transactions proposed by the subsidiaries of Alfa, in which a potential loss analysis surpasses US$1. This Committee supports both the CEO and the Company's Board President. 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 Alfa's CEO and the corresponding subsidiary, according to the following schedule of authorizations:

	MAXIMUM POSSIBLE LOSS US$1	
	INDIVIDUAL TRANSACTION	ANNUAL CUMULATIVE TRANSACTIONS
Chief Executive Officer of Alfa	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, and that they are the result of a detailed analysis and properly documented. Sensitivity analysis and other risk analyses should be performed before the operation is entered into.

The Company's risk management policy indicates that hedge positions must always be less than the projected exposure to allow for an acceptable margin of uncertainty. Exposed transactions are expressly prohibited. The Company's policy indicates that the farther 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.

Alfa monitors capital based on a leverage ratio. This percentage is calculated by dividing total liabilities by total equity.

The financial ratio of total liabilities/total equity was 3.77, 3.91 and 3.80 as of December 31, 2022, 2021 and 2020, respectively, resulting in a leverage ratio that meets the Company's management and risk policies.

Financial instruments by category

Below are the Company's financial instruments by category:

As of December 31, 2022, 2021 and 2020, financial assets and liabilities consist of the following:

	AS OF DECEMBER 31,		
	2022	**2021**	**2020**
Cash and cash equivalents	**$ 21,813**	$ 30,979	$ 32,144
Restricted cash	**566**	46	331
Financial assets measured at amortized cost:			
Trade and other accounts receivable	**31,953**	33,987	25,806
Accounts receivable - affiliates	**1,594**	1,764	1,665
Other non-current assets	**2,513**	2,645	3,153
Financial assets measured at fair value through profit or loss:			
Derivative financial instruments (1)	**781**	1,354	1,122
	$ 59,220	$ 70,775	$ 64,221

	AS OF DECEMBER 31,		
	2022	2021	2020
Financial liabilities measured at amortized cost:			
Debt	**$ 108,322**	$ 120,293	$ 119,298
Lease liability	**5,554**	6,389	6,250
Trade and other accounts payable	**56,465**	56,700	46,700
Accounts payable - affiliates	**2,081**	2,224	2,759
Dividend payable	**81**	107	605
Financial liabilities measured at fair value:			
Derivative financial instruments [1]	**2,266**	565	1,399
	$ 174,769	$ 186,278	$ 177,011

[1] The Company designated the derivative financial instruments that comprise this balance, as hedges for accounting purposes, 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, customers and other accounts receivable, other current assets, trade and other accounts payable, current debt, other current liabilities approximate their fair value, because their maturity date is less than twelve months. The net carrying amount of these accounts represents the expected cash flows to be received as of December 31, 2022, 2021 and 2020.

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

	AS OF DECEMBER 31, 2022		AS OF DECEMBER 31, 2021		AS OF DECEMBER 31, 2020	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets:						
Non-current accounts receivable	**$ 2,513**	**$ 2,508**	$ 2,645	$ 2,643	$ 3,153	$ 3,152
Financial liabilities:						
Non-current debt [1]	**105,816**	**101,244**	119,464	127,858	117,977	129,771

[1] The book value of the debt, for purposes of calculating its fair value, is presented gross of interest payable and issuance costs.

The estimated fair values as of December 31, 2022, 2021 and 2020 were determined based on discounted cash flows and with reference to the yields at the closing of the debt securities, using rates reflecting a similar credit risk, depending on the currency, maturity period and country where the debt was acquired. The primary rates used are the Interbank Equilibrium Interest Rate ("TIIE" for its acronym in Spanish) for instruments in Mexican pesos, London Interbank Offer Rate ("LIBOR") and Secured Overnight Financing Rate ("SOFR") for instruments in U.S. dollars, and Euro Interbank Offer Rate ("EURIBOR") for instruments in Euro. 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

Exchange rate risk

The Company operates internationally, and 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 financial instruments arising from foreign exchange variations (subsidiary entities that have a functional currency other than that of the last holding); therefore, the Company applies hedge accounting to the differences in foreign currency originated between the functional currency of the foreign operation and the functional currency of the holding company (pesos), regardless of whether the net investment is maintained directly or indirectly through a sub-holding.

The behavior of the exchange rates fluctuations between the Mexican peso, U.S. dollar and the euro represents a very important factor for the Company due to the effect that such currencies have on its consolidated results and because, in addition, Alfa has no interference in its determination. Historically, in times when the Mexican peso has appreciated in against other currencies such as the U.S. dollar, Alfa's profit margins have been reduced. On the other hand, when the Mexican peso has lost value, Alfa's profit margins have increased. However, although this factor correlation has arisen several times in the recent past, there is no assurance that it will be repeated in the event the exchange rate between the Mexican peso and any other currency fluctuates again, because it also depends on the foreign currency monetary position of its subsidiaries.

Accordingly, the Company sometimes enters into transactions with derivative financial instruments on exchange rates in order to hedge the risk associated with exchange rates. However, as most of the Company' revenues are in U.S. dollars, there is a natural hedge against its obligations in U.S. dollars.

Based on the above, 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, 2022:

	MXN	USD	EUR
Financial assets	$ 41,648	$ 39,378	$ 1,310
Financial liabilities	(32,769)	(77,884)	(12,990)
Foreign exchange monetary position	**$ 8,879**	**$ (38,506)**	**$ (11,680)**

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

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 a profit or loss of $4,131 in the consolidated statement of income and stockholders' equity as of December 31, 2022.

Financial instruments to hedge net investments in foreign transactions

The Company designated certain non-current debt instruments as hedges 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 Alfa SAB or Sub-holding company that maintains these investments.

The Company formally designated and documented each hedging relationship establishing objectives, management's 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 results of the effectiveness of the hedges confirm that hedging relationships are highly effective due to the economic relationship between the hedging instruments and the hedged items.

The hedge will be effective as long as the notional debt instrument designated as a hedging instrument is equal to or less than the value of the net assets of the hedged foreign transaction. When the value of the net assets of the foreign transaction is less than the notional value of the designated debt, the Company rebalances the hedging relationship and recognizes the ineffectiveness in the consolidated income statement.

The Company maintains the following hedging relationships:

AS OF DECEMBER 31, 2022					
HOLDING	**FUNCTIONAL CURRENCY**	**HEDGING INSTRUMENT**	**NOTIONAL VALUE**	**HEDGED ITEM**	**CHANGE IN NET ASSETS OF HEDGED ITEM**
Alfa, S.A.B de C.V.	**MXN**	**Senior Notes Fixed Rate**	**US$ 500**	**Compagnie Selenis Canadá**	**US$ 3**
		Senior Notes Fixed Rate	**500**	**Polioles, S. A. de C. V.**	**18**
		Bank loan	**200**	**Styropek Mexico, S. A. de C. V.**	**106**
				Dak Americas, LLC	**741**
				Alestra USA, Inc.	**1**
			US$ 1,200		**US$ 869**

AS OF DECEMBER 31, 2021					
HOLDING	**FUNCTIONAL CURRENCY**	**HEDGING INSTRUMENT**	**NOTIONAL VALUE**	**HEDGED ITEM**	**CHANGE IN NET ASSETS OF HEDGED ITEM**
Alfa, S.A.B de C.V.	MXN	Senior Notes Fixed Rate	US$ 500	Compagnie Selenis Canadá	US$ (1)
		Senior Notes Fixed Rate	500	Polioles, S. A. de C. V.	15
		Bank loan	50	Styropek Mexico, S. A. de C. V.	114
		Bank loan	200	Dak Americas, LLC	712
				Alestra USA, Inc.	1
			US$ 1,250		**US$ 841**

AS OF DECEMBER 31, 2020					
HOLDING	**FUNCTIONAL CURRENCY**	**HEDGING INSTRUMENT**	**NOTIONAL VALUE**	**HEDGED ITEM**	**CHANGE IN NET ASSETS OF HEDGED ITEM**
Alfa, S.A.B de C.V.	MXN	Senior Notes Fixed Rate	US$ 500	Compagnie Selenis Canadá	US$ (2)
		Senior Notes Fixed Rate	500	Polioles, S. A. de C. V.	13
		Bank loan	50	Styropek Mexico, S. A. de C. V.	94
		Bank loan	200	Dak Americas, LLC	679
				Alestra USA, Inc.	1
			US$ 1,250		**US$ 785**

The average hedging ratio of the Company for the years ended December 31, 2022, 2021, and 2020 amounted to 141.0%, 148.7% and 94.9%, respectively. Therefore, the exchange fluctuation generated by the hedging instrument for the years ended December 31, 2022, 2021, and 2020 amounted to a net gain (loss) of $1,123, $(486) and $(365), respectively, which was recognized in other comprehensive income, offsetting the translation effect generated by each foreign subsidiary. As of December 31, 2020, the Company recognized under discontinued operations a net loss of $427, corresponding to the exchange rate fluctuation generated by the accrued hedging instruments from the designation date to December 14, 2020, the date on which the Company ceased to consolidate Nemak for accounting purposes, as a result of the spin-off of its entire shareholding in Nemak, and which offset the translation effect generated by each foreign investment of Nemak.

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; however, the ineffectiveness effects that arose from the partial spin-off of the shareholding in Nemak, were recognized in the consolidated statements of income as an exchange gain (loss), net of $441, $(309) and $46 for the years ended December 31, 2022, 2021 and 2020, respectively.

Additionally, the Sub-holding companies of Alfa maintain the hedge relationships described below:

SUB-HOLDING	FUNCTIONAL CURRENCY	HEDGING INSTRUMENT	NOTIONAL VALUE	HEDGED ITEM	CHANGE IN NET ASSETS OF HEDGED ITEM
AS OF DECEMBER 31, 2022					
Alpek, S. A. B de C. V. [1]	**MXN**	**Senior Notes and bank loans**	**US $ 422**	**Subsidiarias de Alpek, S. A. B de C. V.**	**US $ 817**
Sigma Alimentos, S.A. de C.V. [2]	**USD**	**Fixed rate 144A Bond**	**€ 600**	**Subsidiarias de Sigma Alimentos, S. A. de C. V.**	**€ 465**
Sigma Alimentos Exterior, S. L. [4]	**EUR**	**Fixed rate 144A Bond**	**US $ 495**	**Subsidiarias de Sigma Alimentos Exterior, S. L.**	**US $ 686**
Sigma Alimentos, S. A. de C. V. [6]	**USD**	**Bank loans**	**$ 3,500**	**Subsidiarias de Sigma Alimentos, S. A. de C. V.**	**$ 4,591**

SUB-HOLDING	FUNCTIONAL CURRENCY	HEDGING INSTRUMENT	NOTIONAL VALUE	HEDGED ITEM	CHANGE IN NET ASSETS OF HEDGED ITEM
AS OF DECEMBER 31, 2021					
Alpek, S. A. B de C. V. [1]	MXN	Senior Notes and bank loans	US $ 438	Subsidiarias de Alpek, S. A. B de C. V.	US $823
Sigma Alimentos, S.A. de C.V. [2]	USD	Fixed rate 144A Bond	€ 600	Subsidiarias de Sigma Alimentos, S. A. de C. V.	€ 548
Sigma Alimentos Exterior, S. L. [4]	EUR	Fixed rate 144A Bond	US $ 495	Subsidiarias de Sigma Alimentos Exterior, S. L.	US $ 625
Sigma Alimentos, S. A. de C. V. [6]	USD	Bank loans	$ 3,500	Subsidiarias de Sigma Alimentos, S. A. de C. V.	$ 4,631

SUB-HOLDING	FUNCTIONAL CURRENCY	HEDGING INSTRUMENT	NOTIONAL VALUE	HEDGED ITEM	CHANGE IN NET ASSETS OF HEDGED ITEM
AS OF DECEMBER 31, 2020					
Alpek, S. A. B de C. V.[1]	MXN	Senior Notes and bank loans	US $ 361	Subsidiarias de Alpek, S. A. B de C. V.	US$ 781
Sigma Alimentos, S.A. de C.V. [2]	USD	Fixed rate 144A Bond	€ 600	Subsidiarias de Sigma Alimentos,	€ 510
Campofrío Food Group, S.A.U.[3]	EUR	Fixed rate 144A Bond	US $ 106	S. A. de C. V.	US $ 106
Sigma Alimentos Exterior, S. L.[4]	EUR	Fixed rate 144A Bond	US $ 390	Subsidiarias de Campofrío Food Group, S. A. U.	US $ 507
Sigma Alimentos, S.A. de C.V. [5]	USD	Bank loans	$ 2,350	Subsidiarias de Sigma Alimentos Exterior, S. L.	$ 4,132
Sigma Alimentos, S. A. de C. V.[6]	USD	Bank loans	$ 3,500	Subsidiarias de Sigma Alimentos, S. A. de C. V.	$ 4,674

[1] The average hedging ratio of Alpek for the years ended December 31, 2022, 2021 and 2020, amounted to 48.9%, 54.9% and 49.5% and, respectively. Therefore, the exchange fluctuation generated by the hedging instruments for the years ended December 31, 2022, 2021 and 2020 amounted to a net gain (loss) of $545, $(329) and $(403), respectively, which was recognized in the other comprehensive income items, offsetting the translation effect generated by foreign investment. The hedging effectiveness results confirm that the hedging relationship is highly effective due to the economic relationship between the hedging instruments and the hedged items.

[2] The average hedging ratio of Sigma Alimentos for the years ended December 31, 2022, 2021 and 2020, amounted to 122.9%, 102.4% and 104.1%, respectively. Therefore, the exchange fluctuation generated by the hedging instruments for the years ended December 31, 2022, 2021 and 2020, amounted to a net gain (loss) of $759, $927 and $(1,315), respectively, which was recognized in the other comprehensive income items, offsetting the translation effect generated by foreign investment. The hedging effectiveness results confirm that the hedging relationship is highly effective due to the economic relationship between the hedging instruments and the hedged items; however, the effects of ineffectiveness that caused the need to rebalance the hedging relationship during the period were recognized immediately in profit or loss as a net gain (loss) of $129, $132 and $(47) for the years ended December 31, 2022, 2021 and 2020, respectively.

[3] The average hedging ratio of Campofrio Food Group for the years ended December 31, 2020, amounted to 100%, because the Company maintains a bond for US$495, of which it designated only US$105 as of December 31, 2020, as an instrument to hedge the value of the net assets of its foreign investment with dollar as its functional currency. The exchange fluctuation generated by the hedging instrument for the year ended December 31, 2020, amounted to a net gain of $199, which was recognized in the other comprehensive income items, offsetting the translation effect generated by the foreign investment. The hedging effectiveness results confirm that the hedging relationship is highly effective due to the economic relationship between the hedging instruments and the hedged items.

[4] The average hedging ratio of Sigma Alimentos Exterior for the years ended December 31, 2022, 2021 and 2020, amounted to 75.5%, 81.3% and 84.2%, respectively, since the Company maintains a bond of US$495, of which it designated only US$495, US$495 and US$390 as of December 31, 2022, 2021 and 2020, respectively, as an instrument to hedge the value of the net assets of its foreign investment with dollar as its functional currency. The exchange fluctuation generated by the hedging instrument for the years ended December 31, 2022, 2021 2020, amounted to a net gain of $658, $727 and $756 and, which was recognized in the other comprehensive income items, offsetting the translation effect generated by each foreign investment. The hedging effectiveness results confirm that the hedging relationship is highly effective due to the economic relationship between the hedging instruments and the hedged items.

[5] Sigma Alimentos, S.A. de C.V, designated the bank loan as a hedging instrument for its net investments in foreign operations from April 1, 2020 to August 31, 2020, the date on which the bank loan was settled. The average coverage ratio from the date of designation to August 31, 2020, amounted to 63.8%. Therefore, the exchange rate fluctuation generated by the hedging instrument from the date of designation to August 31, 2020, amounted to a net loss of $(222), which was recognized in other comprehensive income items, offsetting the translation effect generated by each foreign investment. The results of the hedge effectiveness confirm that hedging relationships are highly effective due to the economic relationship between the hedging instruments and the hedged items.

[6] The average coverage ratio of Sigma Alimentos S.A. de C.V. amounted to 74.0%, 73.9% and 74.5% for the year ended December 31, 2022, 2021 and 2020, respectively. Therefore, the exchange rate fluctuation generated by the hedging instrument for the years ended December 31, 2022, 2021 and 2020, amounted to a net (loss) gain of $(215), $107 and $218, respectively, which was recognized in other comprehensive income items, offsetting the translation effect generated by each foreign investment. The results of the hedge effectiveness confirm that hedging relationships are highly effective due to the economic relationship between the hedging instruments and the hedged items.

The effectiveness results of the hedges confirm that the hedging relationships are highly effective due to the economic relationship between the hedging instruments and the hedged items.

Derivative financial instruments to hedge the exchange rate risk

Axtel, a subsidiary of the Company, has the Mexican peso ("MXN") as its functional currency and maintains payable in US dollars ("USD"), and is exposed to foreign exchange risk. As of December 31, 2022, it maintains forwards to cover capital investments (Capex) and interest payments for coupons on the Senior Notes bond maturing in 2024; as of December 31, 2022, the balances of said derivative financial instruments are presented within assets held for disposal in the consolidated statement of financial position. On the other hand, as of December 31, 2021 and 2020, Axtel does not have any current forward contracts.

As of December 31, 2022, 2021 and 2020, Alpek, a subsidiary of the Company, maintains forwards (EUR/USD) to cover different needs. For 2022, 2021 and 2020, a similar strategy where these forwards are mirrored to a subsidiary with the functional currency Pound Sterling ("GBP"), because part of its income is received in euros and part of its purchases are made in US dollars. Therefore, a highly probable forecast transaction related to budgeted sales and purchases in each corresponding currency has been documented as a hedged item.

Sigma, a subsidiary of the Company, has entered into hedging contracts with exchange rate forwards during 2022, which were contracted to mirror the characteristics of its Mexican operating companies (functional currency MXN), since they are entities that purchase raw materials in foreign currency (USD). As the operating entities have the risk, internal derivatives were made in order to protect the operating entities at an individual level from a possible increase in the exchange rate of their forecast purchases in foreign currency. As of December 31, 2022, Sigma does not have current instruments for this coverage.

Additionally, as of December 31, 2022, 2021 and 2020, maintains two currency swaps ("CCS") of hedge accounting with the objective of mitigating the risk of exposure to the USD/MXN exchange rate derived from the operations of its subsidiaries with peso functional currency. As of December 31, 2022, 2021 and 2020, Sigma had sixty-nine, fifty-one, sixty-nine exchange rate forwards, respectively, for the same strategy described above. Therefore, Sigma has documented an accounting cash flow hedge relationship, considering as a hedged item a highly probable forecasted transaction related to a revolving liability denominated in U.S. dollars.

Likewise, as of December 31, 2022, Sigma maintains a bond denominated in euros and two CCS Forward Starting Swaps (effective as of 2024) and with 0% floors as hedging instruments in its accounting hedge classified as net foreign investment.

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

CHARACTERISTICS	FORWARDS USD/MXN	FORWARDS EUR/USD	CCS USD/MXN	CCS EUR/USD
AS OF DECEMBER 31, 2022				
Notional amount	US $665	€ 24	US $220	US$ 147
Currency	USD	EUR	USD	USD
Average strike / Coupon	$ 20.94	$1.0738 EUR/USD	4.125%	SOFR+Spread
Notional amount	$ -	$ -	$ 4,012	$ 149
Currency	-	-	MXN	EUR
Average strike / Coupon	-	-	8.9%	Euribor+Spread
Maturity (MM/DD/YYYY)	11/03/2023	12/30/2023	05/02/2026	09/30/2027
Net position of the carrying amount of the Forward / CCS (1)(2)(3)	$ (560)	$ (2)	$ 343	$ (37)
Change in the fair value of the Forward / CCS, to measure ineffectiveness	$ (649)	$ 2	$ 309	$ (37)
Recognized in OCI net of reclassifications	$ 27	$ (2)	$ (91)	$ (37)
Ineffectiveness recognized in profit or loss	$ -	$ -	$ -	$ -
Reclassification from OCI to profit or loss	$ (487)	$ -	$ (269)	$ -
Carrying amount of the liability in USD	$ -	$ -	$ -	$ -
Change in the fair value of the hedged item to measure ineffectiveness	$ 652	$ (2)	$ (325)	$ 37
Change in the fair value of the DFI vs. 2020	$ (490)	$ (19)	$ (115)	$ (37)

(1) The book value of the CCS of USD/MXN as of December 31, 2022, is made up of an asset position for $517 and a liability position for $174.
(2) The book value of the USD/MXN forward as of December 31, 2022, is made up of an asset position for $3 and a liability position for $563.
(3) The book value of the CCS of USD/EUR as of December 31, 2022, is made up of an asset position for $251 and a liability position for $288.

CHARACTERISTICS	FORWARDS USD/MXN	FORWARDS EUR/USD	CCS USD/MXN	CCS EUR/USD
AS OF DECEMBER 31, 2021				
Notional amount	US$ 510	€ 8.1	US$ 125	US$ 95
Currency	USD	EUR	USD	USD
Average strike / Coupon	$ 21.13	$ 1.2421 EUR/USD	4.125%	4.125%
Notional amount	$ -	$ -	$ 2,280	$ 1,732
Currency	-	-	MXN	MXN
Average strike / Coupon	-	-	8.88%	8.9%
Maturity (MM/DD/YYYY)	09/15/2022	12/30/2022	05/02/2026	05/02/2026
Net position of the carrying amount of the Forward / CCS [(1)(2)]	$ (70)	$ 16	$ 459	$ 339
Change in the fair value of the Forward / CCS, to measure ineffectiveness	$ (29)		$ 309	$ (37)
Recognized in OCI net of reclassifications	$ 16	$ 451	$ 334	$ (37)
Ineffectiveness recognized in profit or loss	$ 29	$ 16	$ 94	$ 1
Reclassification from OCI to profit or loss	$ -	$ -	$ -	$ -
Carrying amount of the liability in USD	$ 152	$ -	$ 79	$ 60
Change in the fair value of the hedged item to measure ineffectiveness	$ 29	$ (16)	$ (809)	$ (809)
Change in the fair value of the DFI vs. 2020	$ 886	$ 28	$ 213	$ 155

(1) The carrying amount of the CCS of USD/MXN as of December 31, 2021 consists of an asset position of $955 and a liability position of $(157)
(2) The carrying amount of the forward of USD/MXN as of December 31, 2021 consists of an asset position of $50 and a liability position of $(120).

CHARACTERISTICS	FORWARDS USD/MXN	FORWARDS EUR/USD	CCS USD/MXN	CCS EUR/USD
AS OF DECEMBER 31, 2020				
Notional amount	US$ 700	€ 40	US$ 125	US$ 95
Currency	USD	EUR	USD	USD
Average strike / Coupon	$ 21.66	$ 1.2169 EUR/USD	4.125%	4.125%
Notional amount	$ -	$ -	$ 2,280	$ 1,732
Currency	-	-	MXN	MXN
Average strike / Coupon	-	-	8.88%	8.9%
Maturity (MM/DD/YYYY)	12/23/2021	12/30/2022	05/02/2026	05/02/2026
Net position of the carrying amount of the Forward / CCS [(1)(2)]	$ (958)	$ (12)	$ 246	$ 184
Change in the fair value of the Forward / CCS, to measure ineffectiveness	$ (950)	$ (12)	$ 222	$ 159

CHARACTERISTICS	FORWARDS USD/MXN	FORWARDS EUR/USD	CCS USD/MXN	CCS EUR/USD
AS OF DECEMBER 31, 2020				
Recognized in OCI net of reclassifications	$ (706)	$ (12)	$ (39)	$ (95)
Ineffectiveness recognized in profit or loss	$ -	$ -	$ -	$ -
Reclassification from OCI to profit or loss	$ (187)	$ -	$ 138	$ 105
Carrying amount of the liability in USD	$ -	$ -	$ -	$ -
Change in the fair value of the hedged item to measure ineffectiveness	$ 953	$ 12	$ (397)	$ (397)
Change in the fair value of the DFI vs. 2019	$ (738)	$ (13)	$ 148	$ 134

(1) El valor en libros de los CCS de USD/MXN al 31 de diciembre de 2020, está compuesto por una parte activa por $596 y una parte pasiva por $(166).
(2) El valor en libros del forward de USD/MXN al 31 de diciembre de 2020, está compuesto por una parte activa por $2 y una parte pasiva por $(960).

In measuring the effectiveness of these hedges, the Company determined that they are highly effective because changes in the fair value and cash flows of each hedged items are compensated within the range of effectiveness established by management. The method used by the Company is the offset of cash flows using a hypothetical derivative, which consists in 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 an identical hedge.

In accordance with the notional amounts described and the way in which the flows of the derivatives are exchanged, the average coverage ratio as of December 31, 2022, 2021 and 2020, for the USD/MXN exchange rate is 10%, 10% and 12%, of 25%, 55% and 100% for the EUR/USD ratio; while, for CCS USD/MXN, the average coverage ratio is 38%, 44% and 44% and, respectively. Finally, for the CCS EUR/USD in the hedge of net investment abroad, the coverage ratio is 100%.

The source of the ineffectiveness may be mainly caused by the difference in the settlement date of the hedging instruments and the hedged items, and that the budget became a lower amount than the hedging instruments, credit risk and derivatives modeling synthetics. For the years ended December 31, 2022, 2021 and 2020, no ineffectiveness was recognized in profit or loss.

Price risk

In carrying out its activities, the Company depends on the supply of raw materials provided by its suppliers, both in Mexico and abroad, among which are intermediate petrochemicals, beef products, pork and poultry, dairy products and aluminum scrap, principally.

In recent years, the price of some inputs have shown volatility, especially those related to oil, natural gas, food, such as meat, cereals and milk, and metals.

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, it 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 Annex" and "Confirmation".

Regarding natural gas, the selling price of natural gas is determined 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 Mexico.

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 hedge 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 per MMBTU for 2022, 2021 and 2020 was US$6.4, US$3.8 and US$2.0, respectively.

As of December 31, 2022, 2021 and 2020, the Company, through Alpek, had hedges of natural gas prices, through Alpek, for a portion expected of consumption needs in Mexico and the United States.

Derivative financial instruments to hedge the price risk

Alfa's subsidiaries use natural gas and WTI crude derivatives to carry out their operating processes and within the polyester chain some of their main raw materials are paraxylene, ethylene, mono ethylene glycol ("MEG"), ethane, purified terephthalic acid ("PTA"), and polyethylene ("PET"), which causes an increase in the prices of natural gas, crude WTI, paraxylene, ethylene, ethane, MEG, PTA or PET have negative effects on the cash flow of the operation. The objective of the hedge designated by the Company's subsidiaries is to hedge against the exposure in the price increase of the aforementioned commodities, for future purchases by contracting swaps where variable prices are received and a fixed price is paid. In the case of PET, the Company's subsidiaries use these derivatives to hedge against sales related to this commodity. A strategy called roll-over has been implemented, through which it is analyzed each month if more derivatives are contracted to expand the time or the amount of coverage. Currently, the Company is hedged until January 2023.

Sigma, a subsidiary of the Company, is a producer of sausages; therefore, a drop in pork leg prices negatively affects cash flows. The objective of the hedging is to mitigate the risk of exposure to pork leg price variability. Accounting hedges contracted remained until April 2020. During 2022, Sigma contracted raw material swaps and designated them as cash flow accounting hedges to hedge against butterfat price risk exposed by its purchases of this commodity. As of December 31, 2022, Sigma does not maintain current derivative financial instruments due to their natural expiration during the course of the year.

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

AS OF DECEMBER 31, 2022			
CHARACTERISTICS OF THE SWAPS	**NATURAL GAS**	**PARAXYLENE**	**MEG**
Notional amount	70,973,855	272,650	136,350
Units	MMBtu	MT	MT
Price received	Mercado	Mercado	Mercado
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)	$ (141)	$ (138)
Change in the fair value to measure ineffectiveness	$ (1,086)	$ (219)	$ (214)
Recognized in OCI, net of reclassifications	$ (950)	$ (172)	$ (88)
Reclassification from OCI to profit or loss	$-	$31	$ (50)
Change in the fair value of the hedged item to measure ineffectiveness	$ 1,087	$ 219	$ 214
Efficiency test results	100%	99%	99%

AS OF DECEMBER 31, 2021				
CHARACTERISTICS OF THE SWAPS	NATURAL GAS	PARAXYLENE	ETHYLENE	MEG
Notional amount	57,025,808	274,000	2,000,000	174,400
Units	MMBtu	MT	Lb	MT
Price received	Mercado	Mercado	Mercado	Mercado
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]	$ (155)	$ 317	$ 6	$ (89)
Change in the fair value to measure ineffectiveness	$ (147)	$ 364	$ 8	$ (97)
Recognized in OCI, net of reclassifications	$ (155)	$ 229	$ -	$ (121)
Reclassification from OCI to profit or loss	$ -	$ 88	$ 6	$ 32
Change in the fair value of the hedged item to measure ineffectiveness	$ 147	$ (364)	$ (8)	$ 97
Efficiency test results	100%	99%	100%	99%

AS OF DECEMBER 31, 2020							
CHARACTERISTICS OF THE SWAPS [2]	NATURAL GAS	PARAXYLENE	PTA	ETHYLENE	MEG	ETHANE	PET
Notional amount	3,474,000	338,750	2,000	37,500,000	184,500	600,000	220
Units	MMBtu	MT	MT	Lb	MT	gal	MT
Price received	Mercado	Mercado	Mercado	Mercado	Mercado	Mercado	Mercado
Price paid (average)	2.73/MMBtu	$635/MT	$627/MT	$0.1567/lb	$501/MT	$0.21/gal	$910/lb
Maturity (monthly)	Feb-2022	Jan-2023	Jan-2021	Jan-2022	Jan-2023	Jan-2021	Jan-2021
Net position of the swap [1]	$ (6)	$ 122	$ (6)	$ 98	$ 261	$ -	$ 1
Change in the fair value to measure ineffectiveness	$ (4)	$ 133	$ (6)	$ 104	$ 273	$ -	$ 1
Recognized in OCI, net of reclassifications	$ (6)	$ 231	$ -	$ 58	$ 258	$ -	-
Reclassification from OCI to profit or loss	-	$ (110)	$ (6)	$ 40	$ 2	$ -	$ 1
Change in the fair value of the hedged item to measure ineffectiveness	$ 4	$ (133)	$ 6	$ (104)	$ (273)	$ 1	$ (1)
Efficiency test results	99.91%	99.95%	99.96%	99.95%	99.94%	99.96%	99.96%

[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 offsetting financial instruments, they are presented grossly in the consolidated statement of financial position.

[2] As of December 31, 2020, Alpek maintains an additional balance in other comprehensive income items for an amount of $(31), due to the fact that there were derivatives contracted for a gasoline hedge that were settled in advance. Given that future purchases are still expected to occur, a forecasted transaction that was being hedged, it will be recognized in the consolidated statement of income as the transaction occurs.

The fair value of the financial instruments as of December 31, 2022, 2021 and 2020 is presented below:

AS OF DECEMBER 31, 2022			
SWAPS	**ASSET**	**LIABILITY**	**TOTAL**
Natural Gas	**$ -**	**$ (950)**	**$ (950)**
Paraxylene	**10**	**(151)**	**(141)**
MEG	**-**	**(138)**	**(138)**

AS OF DECEMBER 31, 2021			
SWAPS	**ASSET**	**LIABILITY**	**TOTAL**
Natural Gas	$ -	$ (155)	**$ (155)**
Paraxylene	322	(5)	**317**
MEG	5	(94)	**(89)**
Ethane	6	-	**6**

AS OF DECEMBER 31, 2020			
SWAPS	**ASSET**	**LIABILITY**	**TOTAL**
Natural Gas	$ -	$ (6)	**$ (6)**
Paraxylene	164	(42)	**122**
PTA	-	(6)	**(6)**
Ethylene	98	-	**98**
MEG	261	-	**261**
Ethane	-	-	**-**
PET	1	-	**1**

For commodity hedging relationships, management is designating as a hedged item a specific risk, which is defined by the underlying assets that are clearly identified in the corresponding invoices of the purchases. The designated risk components cover most of the changes in the fair value of the hedged item as a whole.

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. 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 of the hedged item.

According to the notional amounts described and the way in which the flows of the derivatives are exchanged, the average coverage ratio as of December 31, 2022, 2021 and 2020 for the natural gas ratio is 29%, 21% and 6%, 45%, 44% and 54% for the paraxylene, 37%, 47% and 58% for the ethylene and MEG, respectively and 0% and 2% for ethane, as of December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the average coverage ratio for the PTA is 0% and 5%, respectively.

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, 2022, 2021 and 2020, there was no ineffectiveness recognized in profit or loss.

Interest rate risk

The Company is exposed to interest rate variation 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 implies that Alfa might be paying interest at rates significantly different from those of an observable market.

As of December 31, 2022, 83% of the financings are denominated at a fixed rate and 17% at a variable rate.

As of December 31, 2022, if interest rates on variable rate 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 $191.

Derivative financial instruments to hedge interest rate risks

In order to maintain good control over the total cost of its financing and the volatility associated with interest rates, the Company contracted interest rate swaps ("IRS") to convert the interest payment of certain variable rate loans at a fixed rate; and designated the interest payments derived from the debts it maintains as a hedged item.

The conditions of the derivative financial instrument and the considerations of its valuation as a hedging instrument are mentioned below:

AS OF DECEMBER 31, 2021	
CHARACTERISTICS OF THE SWAP	INTEREST RATE SWAP
Currency	MXN
Notional	$2,880
Coupon received	TIIE28
Coupon paid	8.355%
Maturity (MM/DD/YYYY)	12/15/2022
Carrying value of the swap	$(34)
Change in the fair value to measure ineffectiveness	$(34)
Recognized in OCI, net of reclassifications	$30
Reclassification from OCI to profit or loss	$4
Change in the fair value of the hedged item to measure ineffectiveness	$41
Change in fair value of DFI vs. 2020	$173

AS OF DECEMBER 31, 2020	
CHARACTERISTICS OF THE SWAP	INTEREST RATE SWAP
Currency	MXN
Notional	$3,380
Coupon received	TIIE28
Coupon paid	8.355%
Maturity (MM/DD/YYYY)	12/15/2022
Carrying value of the swap	$(207)
Change in the fair value to measure ineffectiveness	$(206)
Recognized in OCI, net of reclassifications	$201
Reclassification from OCI to profit or loss	$6
Change in the fair value of the hedged item to measure ineffectiveness	$211
Change in fair value of DFI vs. 2019	$(70)

As of December 31, 2022, the Company does not have interest rate swaps due to their natural maturity. As of December 31, 2021 and 2020, this hedge is highly effective given that the critical terms of the derivative and the loan are perfectly matched, so it is confirmed that there is an economic relationship. In addition, both the credit profile of the Company and the counterparty are good and are not expected to change in the medium term; therefore, the credit risk component is not considered to be significant to the hedging relationship. The method used to evaluate effectiveness is through a quantitative evaluation comparing the critical terms between the hedging instrument and the hedged instrument.

The prospective effectiveness test as of December 31, 2021 and 2020, resulted in 119.0% and 96.7%, respectively, confirming that there is an economic relationship between the hedging instruments and the hedged instrument.

In accordance with the notionals described and the way in which the flows of derivative financial instruments are exchanged, the average coverage ratio for the interest rate ratio as of December 31, 2021 and 2020, is 51% and 73%, respectively. If necessary, a rebalancing will be performed to maintain this relationship for the strategy. In this hedge relationship, the source of ineffectiveness is mainly credit risk; for the years ended December 31, 2021 and 2020, there were no ineffectiveness recognized in profit or loss.

As of December 31, 2022, 2021 and 2020, the net position of the fair value of the aforementioned financial derivative instruments amounts to $(1,485), $789 and $(277), respectively.

Credit risk

Credit risk represents the potential loss due to non-compliance with the counterparties of 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 denominates, from a business point of view and credit risk profile, the significant customers with which it has an account receivable, distinguishing those that require an assessment of the credit risk individually.

Each subsidiary is responsible for managing and analyzing the credit risk for each of its new clients before setting the terms and conditions of payment. If the wholesale customers are independently qualified, these are the ratings used. If there is no independent rating, the Company's risk control evaluates the client's credit quality, taking into account its financial position, prior experience and other factors. The maximum exposure to credit risk is given by the balances of these items, as presented in the consolidated statement of financial position.

Individual risk limits are determined based on internal and external ratings in accordance with limits set by the RMC. 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, 2022, 2021 and 2020, credit limits were not exceeded.

Additionally, the Company performs a qualitative evaluation of economic projections, in order to determine the possible impact on probabilities of default and the recovery rate assigned to its customers.

During the year ended December 31, 2022, there have been no changes in estimation techniques or assumptions.

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, 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, 2022			
Trade and other accounts payable	$ 56,465	$ -	$ -
Current and non-current debt (excluding debt issuance costs)	8,726	59,191	40,856
Lease liabilities	1,259	2,749	1,546
Derivative financial instruments	1,957	309	-
Dividends payable	81	-	-
Accounts payable - affiliates	2,081	-	-

	LESS THAN A YEAR	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS
AS OF DECEMBER 31, 2021			
Trade and other accounts payable	$ 56,700	$ -	$ -
Current and non-current debt (excluding debt issuance costs)	4,055	71,769	45,069
Lease liabilities	1,572	3,115	1,702
Derivative financial instruments	559	6	-
Dividends payable	107	-	-
Accounts payable - affiliates	2,224	-	-
AS OF DECEMBER 31, 2020			
Trade and other accounts payable	$ 46,700	$ -	$ -
Current and non-current debt (excluding debt issuance costs)	3,301	64,406	52,258
Lease liabilities	1,559	3,261	1,430
Derivative financial instruments	1,346	53	-
Dividends payable	605	-	-
Accounts payable - affiliates	2,759	-	-

As of December 31, 2022, the Company has uncommitted short-term credit lines, unused for $26,782 (US$1,383). Additionally, as of December 31, 2021, the Company has committed medium-term credit lines, unused for $30,011 (US$1,550) and unused credit lines in drawdown period for $23,008 (US$1,188).

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, which 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, 2022, 2021 and 2020 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 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 judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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 lives

The Company annually performs tests to determine whether goodwill and intangible assets with indefinite live have suffered any impairment (see Note 13). For impairment testing purposes, goodwill and intangible assets with indefinites lives is allocated to the groups of cash generating units ("CGUs") of which the Company has considered that economic and operating synergies of the business combinations are generated. The recoverable amounts of the groups of CGUs were determined based on the calculations of their value in use, which require the use of estimates, within which, the most significant are the following:

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

b. Contingent losses

Management also makes judgments and estimates in recording provisions for matters relating to claims and litigation. Actual costs may vary from estimates for several reasons, such as changes in cost estimates for resolution of complaints and disputes based on different interpretations of the law, opinions and evaluations concerning the amount of loss.

Contingencies are recorded as provisions when it is likely that a liability has been incurred and the amount of the loss is reasonably estimable. It is not practical to estimate sensitivity to potential losses if other assumptions were used to record these provisions, due to the number of underlying assumptions and the range of possible reasonable outcomes regarding potential actions by third parties, such as regulators, both in terms of loss probability and estimates of such loss.

c. Recoverability of deferred tax assets

Alfa has tax loss carryforwards, which can be used in the following years until maturity expires. Based on the projections of taxable income that Alfa will generate in the subsequent years through a structured and robust business plan, which includes the sale of non-strategic assets, new services to be provided to its subsidiaries, among others, management has only determined the current tax losses that will be used before they expire and, therefore, it was considered probable that only the deferred tax assets for such tax losses will be recovered.

d. 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. When 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, considering the conditions at the time of evaluation, including estimates of revenues, costs, operating expenses, capital expenditures 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 exists or a reversal of impairment recorded in previous periods.

e. Default probability and recovery rate to apply the expected credit losses model in the impairment measurement of financial assets

The Company assigns to customers with whom it has an account receivable at each reporting date, either individually or as a group, an allowance for the probability of default in the account receivable and the estimated recovery rate, in order to reflect the cash flows expected to be received from the outstanding balances as of that date.

f. 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 on 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 in which this 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.

g. Estimation of the discount rate to calculate the present value of future minimum lease payments

The Company estimates the discount rate to use in the determination of 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 comprises 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 the one obtained at the corporate level (that is, the holding company), or at the level of each subsidiary. Finally, for real estate leases, or in which there is significant and observable evidence of their residual value, the Company estimates and evaluates an adjustment for characteristics of the underlying asset, based on the possibility that such asset is granted as collateral or guarantee against the risk of default.

h. 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 probable to be exercised. The Company participates in lease contracts that do not have a defined non-cancellable term, a defined renewal period (in case it contains a renewal clause), or automatic annual renewals, so, to measure the lease liability, it estimates the contracts term 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 clauses of early termination 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 Company's accounting policies

Basis of consolidation

The financial statements include the assets, liabilities and results of all entities in which the Company has a controlling interest. The outstanding balances and significant intercompany transactions have been eliminated in consolidation. To determine control, the Company analyzes whether it has substantive rights that affect the variable returns from its participation in the entity and considers whether it has the power to govern the financial and operational strategy of the respective entity and not just the power of the capital held by the Company.

As a result of this analysis, the Company has exercised critical judgment to decide whether to consolidate the financial statements of Axtel, where the determination of control is not clear. Based on the principal substantive right of Alfa in accordance with the by-laws of Axtel by appointing the General Director, who has control over the relevant decision making and based on the by-laws of Axtel and supported in the General Law of Mercantile Organizations, which allow Alfa to control the decisions over relevant activities by a simple majority through an Ordinary Stockholders' Meeting, where it holds 52.78% of Axtel. Management has concluded that there are circumstances and factors described in the by-laws of Axtel and applicable standards that allow the Company to conduct the daily operations of Axtel, which therefore demonstrate control.

Additionally, the Company has evaluated critical control factors and has concluded 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 stockholders set forth in their bylaws, resulting in management's conclusion that it has the power to govern their relevant activities.

The Company will continue to evaluate these circumstances at the date of each consolidated statements of financial position to determine whether these critical judgments will continue to be appropriate.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated statements of financial position consist of the following:

	DECEMBER 31,		
	2022	2021	2020
Cash on hand and in banks	**$ 17,893**	$ 26,275	$ 25,072
Short-term bank deposits	**3,920**	4,704	7,072
Total cash and cash equivalents	**$ 21,813**	$ 30,979	$ 32,144

7. RESTRICTED CASH AND CASH EQUIVALENTS

The value of restricted cash is composed as follows:

	DECEMBER 31,		
	2022	2021	2020
Current [1]	**$ 199**	$ 13	$ 297
Non-current (2) (Note 14)	**367**	33	34
Total restricted cash	**$ 566**	$ 46	$ 331

[1] As of December 31, 2020, it corresponds mainly to the funds that were restricted as part of the transaction between Axtel and Equinix (see Note 2); said balance was released in the first quarter of 2021
[2] As of December 31, 2022, it corresponds mainly to the funds that were restricted as part of the acquisition of Octal by Alpek (see Note 2).

8. TRADE AND OTHER ACCOUNTS RECEIVABLE, NET

	DECEMBER 31,		
	2022	2021	2020
Trade accounts receivable	**$ 28,122**	$ 29,891	$ 20,982
Recoverable taxes	**1,758**	2,220	2,812
Interest receivable	**14**	1	2
Other debtors:			
Sundry debtors	**6,434**	6,842	7,906
Notes receivable	**2,604**	3,509	3,695
Allowance for impairment of trade and other accounts receivable	**(2,708)**	(3,611)	(3,626)
	36,224	38,852	31,771
Less: non-current portion [(1)]	**2,513**	2,645	3,153
Current portion	**$ 33,711**	$ 36,207	$ 28,618

[(1)] *The non-current accounts receivable represents long-term receivables and other non-current assets, which are presented in the consolidated statement of financial position in other non-current assets (see Note 14).*

As of December 31, 2022, 2021 and 2020, trade and other accounts receivable of $33,711, $36,207 and $28,618, respectively have an impairment provision. The amount of the impairment provision as of December 31, 2022, 2021 and 2020 amounts to $2,708, $3,611 and $3,626, respectively.

Movements in the allowance for impairment of trade and other accounts receivable during 2022, 2021 and 2020 of customers and other receivables, with the impairment model used by the Company, are analyzed as follows:

	DECEMBER 31,		
	2022	2021	2020
Opening balance as of January 1	**$ 3,611**	$ 3,626	$ 4,304
Increase in allowance of trade and other accounts receivable	**3**	272	285
Receivables written off during the year	**(601)**	(287)	(918)
Effect of subsidiary spin-off	**-**	-	(45)
Reclassification to assets held for disposal	**(305)**	-	-
Ending balance as of December 31	**$ 2,708**	$ 3,611	$ 3,626

The net change in the allowance for impairment of trade and other accounts receivable of $903, $15 and $678 for the years ended December 31, 2022, 2021 and 2020, respectively, was mainly due to changes in the estimate of probabilities of default and of the recovery percentage, assigned to the different customer groups of the segments in which the Company operates, which reflected a decrease in 2022, 2021 and 2020, of the credit risk on financial assets. Additionally, for the year ended December 31, 2022, it includes the reduction for the presentation of trade and other accounts receivable from Axtel within the assets held for disposal, as part of the segment to be spun-off.

Increases in the allowance for impairment of trade and other accounts receivable and cancellations, when they do not imply the derecognition of an account receivable, are recognized in the consolidated statement of income under sales expenses.

As of December 31, 2022 and 2021, the Company has guaranteed accounts receivable of $3,495 and $4,813, respectively, that mitigate the exposure to credit risk of financial assets.

9. INVENTORIES, NET

	DECEMBER 31,					
	2022		2021		2020	
Finished goods	**$**	**21,953**	$	17,616	$	12,562
Raw material and other consumables		**25,099**		19,958		14,673
Work in process		**5,455**		5,213		5,849
Total inventories	**$**	**52,507**	$	42,787	$	33,084

An expense for impairment for damaged, slow-moving and obsolete inventory was recognized in cost of sales for $252, $86 and $64, and $-, $- and $78 in discontinued operations for the years ended December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022, 2021 and 2020, there were no inventories pledged as collateral.

10. OTHER CURRENT ASSETS

Other current assets consist of the following:

	DECEMBER 31,					
	2022		2021		2020	
Prepayments	**$**	**1,206**	$	1,766	$	1,645
Accounts receivable – affiliates (Note 30)		**1,594**		1,764		1,665
Assets held for sale and others [1]		**2,597**		2,989		98
Total other current assets	**$**	**5,397**	$	6,519	$	3,408

[1] As of December 31, 2022 and 2021, corresponds mainly to assets that were classified as held for sale by Sigma (see Note 2)

11. PROPERTY, PLANT AND EQUIPMENT, NET

	LAND	BUILDINGS AND CONSTRUC-TIONS	MACHINERY AND EQUIPMENT	VEHICLES	TELECOMMU-NICATION NETWORK	LAB AND IT FURNITURE AND EQUIPMENT	TOOLING AND SPARE PARTS	CONSTRUC-TIONS IN PROGRESS	LEASEHOLD IMPROVE-MENTS	OTHER FIXED ASSETS	TOTAL
For the year ended December 31, 2020											
Opening balance, net	$ 11,499	$ 24,200	$ 73,815	$ 1,887	$ 11,233	$ 1,894	$ 584	$ 8,923	$ 497	$ 163	$ 134,695
Translation effect	333	805	2,247	27	(4)	82	(7)	(16)	5	16	3,488
Additions	15	131	394	178	-	140	-	6,162	20	30	7,070
Additions from business acquisitions	176	27	1,120	1	5	3	-	153	-	-	1,485
Effect of subsidiary spin-off	(1,607)	(7,901)	(28,147)	(27)	-	(453)	(161)	(5,057)	-	(42)	(43,395)
Disposals	(62)	(22)	(16)	(17)	(36)	(1)	-	(298)	(125)	(5)	(582)
Impairment changes and reversals recognized in the year	(2)	(145)	(477)	(48)	(73)	(11)	-	(170)	-	(4)	(930)
Depreciation charge recognized in the year	-	(1,418)	(8,514)	(495)	(2,580)	(610)	(383)	-	(69)	(53)	(14,122)
Transfers	-	311	2,779	175	1,315	210	1	(4,952)	76	46	(39)
Final balance as of December 31, 2020	$ 10,352	$ 15,988	$ 43,201	$ 1,681	$ 9,860	$ 1,254	$ 34	$ 4,745	$ 404	$ 151	$ 87,670
As of December 31, 2020											
Cost	$ 10,352	$ 38,936	$ 125,224	$ 5,230	$ 51,086	$ 8,948	$ 149	$ 4,745	$ 1,461	$ 453	$ 246,584
Accumulated depreciation	-	(22,948)	(82,023)	(3,549)	(41,226)	(7,694)	(115)	-	(1,057)	(302)	(158,914)
Net carrying amount as of December 31, 2020	$ 10,352	$ 15,988	$ 43,201	$ 1,681	$ 9,860	$ 1,254	$ 34	$ 4,745	$ 404	$ 151	$ 87,670

	LAND	BUILDINGS AND CONSTRUC-TIONS	MACHINERY AND EQUIPMENT	VEHICLES	TELECOMMU-NICATION NETWORK	LAB AND IT FURNITURE AND EQUIPMENT	TOOLING AND SPARE PARTS	CONSTRUC-TIONS IN PROGRESS	LEASEHOLD IMPROVE-MENTS	OTHER FIXED ASSETS	TOTAL
For the year ended December 31, 2021											
Opening balance, net	$ 10,352	$ 15,988	$ 43,201	$ 1,681	$ 9,860	$ 1,254	$ 34	$ 4,745	$ 404	$ 151	$ 87,670
Translation effect	-	(196)	192	(2)	-	2	(5)	155	(13)	(13)	120
Additions	8	135	760	1,008	-	199	-	7,353	21	35	9,519
Additions from business acquisitions	8	294	305	-	-	8	-	2,022	-	-	2,637
Disposals	(89)	(419)	(599)	(780)	(27)	(26)	-	(610)	-	-	(2,550)
Impairment charges and reversals recognized in the year	2	(207)	(890)	(2)	-	(6)	(5)	(120)	-	(9)	(1,237)
Depreciation charge recognized in the year	-	(896)	(4,575)	(450)	(2,378)	(402)	(7)	-	(101)	(28)	(8,837)
Transfers	5	569	2,523	86	1,493	288	8	(5,314)	298	44	-
Transfers to held for sale	(462)	(856)	(1,200)	-	-	(39)	-	(31)	-	(3)	(2,591)
Final balance as of December 31, 2021	$ 9,824	$ 14,412	$ 39,717	$ 1,541	$ 8,948	$ 1,278	$ 25	$ 8,200	$ 609	$ 177	$ 84,731
As of December 31, 2021											
Cost	$ 9,824	$ 35,997	$ 119,444	$ 4,104	$ 49,087	$ 8,922	$ 127	$ 8,200	$ 1,704	$ 548	$ 237,957
Accumulated depreciation	-	(21,585)	(79,727)	(2,563)	(40,139)	(7,644)	(102)	-	(1,095)	(371)	(153,226)
Net carrying amount as of December 31, 2021	$ 9,824	$ 14,412	$ 39,717	$ 1,541	$ 8,948	$ 1,278	$ 25	$ 8,200	$ 609	$ 177	$ 84,731

	LAND	BUILDINGS AND CONSTRUCTIONS	MACHINERY AND EQUIPMENT	VEHICLES	TELECOMMUNICATION NETWORK	LAB AND IT FURNITURE AND EQUIPMENT	TOOLING AND SPARE PARTS	CONSTRUCTIONS IN PROGRESS	LEASEHOLD IMPROVEMENTS	OTHER FIXED ASSETS	TOTAL
For the year ended December 31, 2022											
Opening balance, net	$ 9,824	$ 14,412	$ 39,717	$ 1,541	$ 8,948	$ 1,278	$ 25	$ 8,200	$ 609	$ 177	$ 84,731
Translation effect	(329)	(971)	(2,589)	(36)	(1)	(83)	18	(518)	327	(7)	(4,189)
Additions	25	167	1,464	600	-	128	-	6,933	55	173	9,545
Additions from business acquisitions	2	4,614	6,904	2	-	10	-	288	-	-	11,820
Disposals	(68)	(110)	(217)	(52)	(53)	-	-	(423)	-	(12)	(935)
Impairment charges and reversals recognized in the year	(7)	33	(121)	-	-	-	-	(6)	-	(1)	(102)
Depreciation charge recognized in the year	-	(860)	(4,444)	(508)	(2,221)	(367)	(5)	-	(137)	(49)	(8,591)
Transfers	75	561	2,859	357	1,264	250	1	(5,595)	151	77	-
Transfers to held for sale/disposal	(676)	(327)	(10)	(3)	(7,937)	(107)	-	(612)	(30)	-	(9,702)
Final balance as of December 31, 2022	$ 8,846	$ 17,519	$ 43,563	$ 1,901	$ -	$ 1,109	$ 39	$ 8,267	$ 975	$ 358	$ 82,577
As of December 31, 2022											
Cost	$ 8,846	$ 41,324	$ 126,613	$ 4,529	$ 37	$ 5,367	$ 113	$ 8,267	$ 1,257	$ 739	$ 197,092
Accumulated depreciation	-	(23,805)	(83,050)	(2,628)	(37)	(4,258)	(74)	-	(282)	(381)	(114,515)
Net carrying amount as of December 31, 2022	$ 8,846	$ 17,519	$ 43,563	$ 1,901	$ -	$ 1,109	$ 39	$ 8,267	$ 975	$ 358	$ 82,577

Of the total depreciation expense, $5,241, $5,296 and $5,418 have been recorded in cost of sales, $750, $379 and $717 in selling expenses, $295, $655 and $531 in administrative expenses for the years ended December 31, 2022, 2021 and 2020, respectively. On the other hand, $2,305, $2,507 and $7,456 were recorded in discontinued operations, for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2022, 2021 and 2020, there were no property, plant and equipment assets pledged as collateral, except as mentioned in Note 17.

12. RIGHT-OF-USE ASSET, NET

The Company leases a different set of fixed assets including, buildings, machinery and equipment, vehicles, and computer equipment. The average term of the lease contracts as of December 31, 2022, 2021 and 2020 is 5.6 years.

The right of use recognized in the consolidated statement of financial position as of December 31, 2022, 2021 and 2020, is integrated as follows:

	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	TRANSPORTATION EQUIPMENT	RAILCARS	OTHER FIXED ASSETS	TOTAL
Final balance as of December 31, 2020	$ 117	$ 2,354	$ 1,153	$ 273	$ 1,924	$ 235	$ 6,056
Final balance as of December 31, 2021	116	2,206	1,221	264	1,666	706	6,179
Final balance as of December 31, 2022	**368**	**2,025**	**980**	**219**	**1,584**	**83**	**5,259**
Depreciation expense 2020 (1)	$ 11	$ 455	$ 326	$ 196	$ 470	$ 150	$ 1,608
Depreciation expense 2021 (1)	12	387	334	219	437	151	1,540
Depreciation expense 2022 (1)	**33**	**409**	**344**	**190**	**426**	**199**	**1,601**

(1) The depreciation expense recognized within discontinued operations was $216, $235 and $836, for the years ended December 31, 2022, 2021 and 2020, respectively.

During the years ended December 31, 2022, 2021 and 2020, the Company recognized rent expenses of $1,310, $1,547 and $1,882, respectively, associated with expenses from low-value asset leases and short-term lease, of which $948, $943 and $1,149 were recognized under discontinued operations for the years ended December 31, 2022, 2021 and 2020, respectively.

Additions to the net book value of the right-of-use asset for leases as of December 31, 2022, 2021 and 2020 amounted to $1,497, $2,632 and $1,334, respectively.

As of December 31, 2022, 2021 and 2020, the Company has commitments arisen from short-term lease agreements for an amount of $76, $97, and $75.

The Company has signed transportation equipment lease contracts for an average term of 6.5 years, respectively, which as of the date of these consolidated financial statements have not started.

During the year the Company made extensions to the terms of its building lease contracts, which increased the average term to 4.4 years.

13. GOODWILL AND INTANGIBLE ASSETS, NET

	FINITE LIFE							INDEFINITE LIFE			
	DEVELOP-MENT COSTS	EXPLORATION COSTS	TRADE-MARKS	CUSTOMERS RELATIONSHIPS	SOFTWARE AND LICENSES	INTELLECTUAL PROPERTY RIGHTS AND PATENTS	OTHERS	GOODWILL	TRADE-MARKS	OTHER	TOTAL
Cost											
As of January 1, 2020	$ 9,958	$ 6,083	$ 2,949	$ 8,756	$ 6,091	$ 3,551	$ 3,988	$ 21,820	$ 11,448	$ 12	$ 74,656
Translation effect	53	1,079	(16)	4	471	114	146	1,880	1,409	1	5,141
Additions	35	104	-	-	477	-	509	-	-	-	1,125
Impairment charges recognized in the year	-	(736)	-	-	-	-	-	(182)	-	-	(918)
Effect of subsidiary spin-off	(9,272)	-	(102)	(2,185)	(338)	-	(633)	(5,587)	-	-	(18,117)
Disposals	(8)	(6,171)	(179)	(326)	(475)	(1)	(1,617)	-	-	-	(8,777)
As of December 31, 2020	766	359	2,652	6,249	6,226	3,664	2,393	17,931	12,857	13	53,110
Translation effect	32	2	63	64	(146)	138	(6)	(411)	(296)	-	(560)
Additions	19	-	10	-	885	2	226	-	-	-	1,142
Additions for business acquisitions	-	-	41	-	-	-	-	-	1		42
Impairment charges recognized in the year	-	(8)	-	-	(222)	-	-	-	(88)	-	(318)
Transfers to held for sale	-	-	-	-	(248)	-	-	-	(107)	-	(355)
Disposals	-	-	(76)	-	(382)	(1)	(273)	-	-	-	(732)
As of December 31, 2021	817	353	2,690	6,313	6,113	3,803	2,340	17,520	12,367	13	52,329
Translation effect	(68)	(3)	-	(195)	(416)	(215)	(1)	(1,638)	(1,238)	(1)	(3,775)
Additions	17	-	4	-	296	1	159	-	1	-	478
Additions for business acquisitions	5	-	-	-	2	1,638	-	-	-	-	1,645
Impairment charges (reversals) recognized in the year	-	-	-	-	(53)	(16)	6	-	-	-	(63)
Transfers to held for disposal	-	-	(2,166)	(3,238)	(1,576)	-	(1,047)	(2,591)	-	-	(10,618)
Transfers	-	-	(30)	-	30	-	-	-	-	-	-
Disposals	-	-	-	-	(65)	-	(69)	-	-	-	(134)
As of December 31, 2022	**$ 771**	**$ 350**	**$ 498**	**$ 2,880**	**$ 4,331**	**$ 5,211**	**$ 1,388**	**$ 13,291**	**$ 11,130**	**$ 12**	**$ 39,862**

	Finite life							Indefinite life			
	Development costs	Exploration costs	Trademarks	Customers relationships	Software and licenses	Intellectual property rights and patents	Others	Goodwill	Trademarks	Other	Total
Net carrying amount											
Cost	$ 766	$ 359	$ 2,652	$ 6,249	$ 6,226	$ 3,664	$ 2,393	$ 17,931	$ 12,857	$ 13	$ 53,110
Accumulated amortization	(673)	(41)	(697)	(4,224)	(5,026)	(1,618)	(1,426)	-	-	-	(13,705)
As of December 31, 2020	$ 93	$ 318	$ 1,955	$ 2,025	$ 1,200	$ 2,046	$ 967	$ 17,931	$ 12,857	$ 13	$ 39,405
Cost	$ 817	$ 353	$ 2,690	$ 6,313	$ 6,113	$ 3,803	$ 2,340	$ 17,520	$ 12,367	$ 13	$ 52,329
Accumulated amortization	(724)	(46)	(698)	(5,197)	(4,654)	(1,885)	(1,276)	-	-	-	(14,480)
As of December 31, 2021	$ 93	$ 307	$ 1,992	$ 1,116	$ 1,459	$ 1,918	$ 1,064	$ 17,520	$ 12,367	$ 13	$ 37,849
Cost	$ 771	$ 350	$ 498	$ 2,880	$ 4,331	$ 5,211	$ 1,388	$ 13,291	$ 11,130	$ 12	$ 39,862
Accumulated amortization	(711)	(46)	(346)	(2,228)	(3,212)	(2,130)	(894)	-	-	-	(9,567)
As of December 31, 2022	**$ 60**	**$ 304**	**$ 152**	**$ 652**	**$ 1,119**	**$ 3,081**	**$ 494**	**$ 13,291**	**$ 11,130**	**$ 12**	**$ 30,295**

Other intangible assets consist mainly of licenses, concessions and non-compete agreements.

Axtel has concessions of public telecommunications networks granted by the federal government since 1995 and 1996, to offer local and long-distance telephony services for periods of 30 years that, given certain conditions, are renewable for equal periods. In addition, the Company has concessions of various radio spectrum frequencies with a duration of 20 years, which are renewable for additional periods of 20 years more under the terms of applicable laws and regulations.

Of the amortization expense, $374, $348 and $397, have been recorded in cost of sales, $294, $363 and $388 in selling expenses, $318, $382 and $256 in administrative expenses for the years ended December 31, 2022, 2021 and 2020, respectively. On the other hand, $247, $795 and $1,831 were recorded in the discontinued operation, for the years ended December 31, 2022, 2021 and 2020, respectively.

Research expenses incurred and recorded in the consolidated statements of income of 2022, 2021 and 2020 were $68, $67 and $74, respectively.

Impairment testing of goodwill and intangible assets of indefinite life

As mentioned in Note 5, goodwill is allocated to groups of cash generating units ("CGUs") that are associated with the operating segments, from which 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 follows:

	December 31,		
	2022	2021	2020
Alpek	**$ 387**	$ 412	$ 399
Sigma [(1)]	**12,829**	14,443	14,868
Axtel [(2)]	**-**	2,591	2,591
Other segments	**75**	74	73
	$ 13,291	$ 17,520	$ 17,931

[(1)] As part of Sigma's impairment analysis, in its CGUs in Ecuador and Mexico, an impairment of goodwill was recognized in the amount of $85 during 2020, which is presented in "Other income (expenses), net" of the consolidated statement of income.
[(2)] Derived from the spin-off process described in Note 2, the Company reclassified the goodwill assigned to the Axtel CGU for $2,591, to present it within the assets held for disposal in the consolidated statement of financial position as of December 31, 2022.

The recoverable value from each group of CGUs has been determined based on calculations of values in use, which consist of cash flow projections after on pre-tax 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 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 CGUs and reflects the specific risks associated with each of them.

The key assumptions used in calculating the value in use in 2022, 2021 and 2020, were as follows:

	2022		
	ALPEK	SIGMA	AXTEL
Long-term perpetual growth rate	**2.5%**	**3.2%**	**4.0%**
Discount rate	**8.9%**	**12.8%**	**12.1%**

	2021		
	ALPEK	SIGMA	AXTEL
Long-term perpetual growth rate	2.5%	1.6%	5.3%
Discount rate	7.8%	9.9%	11.9%

	2020			
	ALPEK	SIGMA	NEMAK	AXTEL
Long-term perpetual growth rate	2.5%	2.1%	1.6%	2.9%
Discount rate	8.4%	10.8%	10.7%	10.2%

In relation to the calculation of the value in use of groups of cash-generating units, the Alfa Management performed a sensibility analysis that considers a possible increase in the discount rate in 100 basis points and a possible decrease in the long-term growth rate. The result of this sensibility analysis did not reflect impairment losses in goodwill in the cash-generating units.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER NON-CURRENT ASSETS

	DECEMBER 31,					
		2022		2021		2020
Portion of trade and other non-current accounts receivable [1] (Note 8)	**$**	**2,513**	$	2,645	$	3,153
Other capital instruments		**202**		227		514
Other assets		**1,630**		2,162		1,954
Restricted cash (Note 7)		**367**		33		34
Other non-current assets		**4,712**		5,067		5,655
Investments in associates		**458**		508		433
Joint ventures [2]		**8,826**		8,582		8,433
Total other non-current assets	**$**	**13,996**	$	14,157	$	14,521

[1] As of December 31, 2022, 2021 and 2020, this item mainly includes financing granted by Alpek, a subsidiary of the Company, to M&G Polímeros Mexico S.A de C.V.
[2] The main effects come from Alpek's joint venture of Corpus Christi Polymers L. L. C.

Other permanent investments

These permanent investments correspond to investments in shares of companies that are not listed on the market that represent less than 1% of their capital stock and investments in shares of social clubs. As of December 31, 2021, an impairment loss was recognized on the investment in shares of Altán (see Note 2). No impairment loss was recognized as of December 31, 2022 and 2020.

Other capital investments are denominated in Mexican pesos.

Investment in associates

The following includes the investments in associates that the Company has as of December 31, 2022, 2021 and 2020:

NAME	SEGMENT	PERCENTAGE OF OWNERSHIP
Clear Path Recycling LLC	Alpek	49.9%
Terminal Petroquímica de Altamira, S. A. de C. V.	Alpek	42.0%
Agua Industrial del Poniente, S. A. de C. V.	Alpek	47.6%
Desarrollos Porcinos Castileón, S. L.	Sigma	42.0%
Cogenedora Burgalesa, S. A.	Sigma	50.0%
Nuova Mondial S. p. A.	Sigma	50.0%
Servicios Integrales de Salud Nova, S. A. de C. V.	Alfa	25.5%

There are no contingent liabilities related to the investment of Alfa in investments in associates. The Company has no commitments in relation with investments in associates as of December 31, 2022, 2021 and 2020.

Joint ventures

The following includes the joint ventures that the Company has as of December 31, 2022, 2021 and 2020:

NAME	SEGMENT	PERCENTAGE OF OWNERSHIP
Petroalfa Servicios Integrados de Energía S. A. P. I. de C. V.	Newpek	50.0%
Oilserv, S. A. P. I. de C. V.	Newpek	50.0%
Petroliferos Tierra Blanca S. A. de C. V.	Newpek	50.0%
Corpus Christi Polymers L. L. C.	Alpek	33.3%

There are no contingent liabilities related to the investment of Alfa in joint agreements. As of December 31, 2022, 2021 and 2020, there are no commitments or contingent liabilities in relation to the Company's investment in associates and joint ventures.

15. SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTEREST

The non-controlling interest is comprised as follows:

	PERCENTAGE OF NON- CONTROLLING INTEREST	INCOME (LOSS) OF THE NON-CONTROLLING INTEREST OF THE YEAR			NON-CONTROLLING INTEREST AS OF DECEMBER 31,		
		2022	2021	2020	**2022**	2021	2020
Axtel, S. A. B. de C. V.	47%	**$ (54)**	$ (559)	$ (47)	**$ 2,100**	$ 2,152	$ 2,571
Alpek, S. A. B. de C. V.	18%	**4,682**	3,890	1,563	**13,715**	13,696	12,356
Nemak, S. A. B. de C. V. (1)	-%	**-**	-	2,682	**-**	-	-
Other		**96**	(8)	(107)	**32**	(112)	(74)
		$ 4,724	$ 3,323	$ 4,091	**$15,847**	$ 15,736	$ 14,853

The summarized financial information as of December 31, 2022, 2021 and 2020 and for the year then ended, corresponding to each subsidiary with a significant non-controlling interest as of December 31, 2022, is shown below:

	AXTEL, S. A. B. DE C. V.			ALPEK, S. A. B. DE C. V.		
	2022	2021	2020	**2022**	2021	2020
Consolidated statements of financial position						
Current assets	**$ 4,385**	$ 4,827	$ 7,080	**$ 64,425**	$ 61,780	$ 45,549
Non-current assets	**13,966**	15,148	16,624	**72,394**	62,165	60,804
Current liabilities	**3,250**	3,510	6,044	**43,942**	35,670	21,352
Non-current liabilities	**12,251**	13,595	14,165	**40,683**	38,689	39,489
Stockholders' equity	**2,850**	2,870	3,495	**52,194**	49,586	45,512

	AXTEL, S. A. B. DE C. V.			ALPEK, S. A. B. DE C. V.		
	2022	2021	2020	**2022**	2021	2020
Consolidated statements of income						
Revenues	**10,480**	11,389	12,356	**212,435**	156,224	113,989
Net income (loss)	**(39)**	(797)	361	**15,966**	10,196	4,121
Comprehensive income (loss) of the year	**(19)**	(616)	298	**12,441**	10,218	3,941
Comprehensive income attributable to non-controlling interest	**-**	-	-	**1,885**	2,632	1,278
Cash flows						
Dividends paid to non-controlling interest	**-**	-	-	**(2,464)**	(1,889)	(730)
Net cash flows generated by operating activities	**3,208**	3,292	4,208	**15,210**	13,230	11,934
Net cash flows (used in) generated by investing activities	**(1,207)**	(1,268)	729	**(12,908)**	(3,860)	(2,088)
Net cash flows used in financing activities	**(2,040)**	(3,602)	(2,601)	**(5,615)**	(8,986)	(6,030)

The information above does not include the elimination of intercompany balances and transactions.

16. TRADE AND OTHER ACCOUNTS PAYABLE

	DECEMBER 31,		
	2022	2021	2020
Trade accounts payable	**$ 51,800**	$ 49,742	$ 39,321
Short-term employee benefits	**711**	1,170	987
Customer advance payments	**122**	291	174
Other payable taxes	**4,095**	3,049	3,720
Other accounts and accrued expenses payable	**4,665**	6,958	7,379
	$ 61,393	$ 61,210	$ 51,581

17. DEBT

	DECEMBER 31,		
	2022	2021	2020
Current:			
Bank loans [1][2]	**$ 1,465**	$ 286	$ 418
Current portion of non-current debt	**7,170**	3,603	2,714
Notes payable [1][2]	**150**	170	169
Current debt	**$ 8,785**	$ 4,059	$ 3,301
Non-current:			
In U.S. dollars:			
Senior Notes	**$ 75,939**	$ 91,667	$ 89,066
Unsecured bank loans	**14,135**	6,519	7,444
Other	**364**	464	210
In Mexican pesos:			
Secured bank loans	**-**	7	21
Unsecured bank loans	**3,589**	6,790	6,873
Other	**7**	25	141
In euros:			
Senior Notes	**12,673**	14,351	14,931
Other	**-**	14	25
	106,707	119,837	118,711
Less: current portion of non-current debt	**(7,170)**	(3,603)	(2,714)
Non-current debt	**$ 99,537**	$ 116,234	$ 115,997

[1] As of December 31, 2022, 2021 and 2020, short-term bank loans and notes payable cause interest at an average rate of 4.73%, 1.40% and 3.78%, respectively.
[2] The fair value of bank loans and notes payable approximates their current book value, due to their short maturity.

The carrying amounts, terms and conditions of long-term debt were as follows:

DESCRIPTION	CONTRACTUAL CURRENCY	VALUE IN MX PESOS	DEBT ISSUANCE COSTS (1)	INTEREST PAYABLE (1)	BALANCE AS OF DECEMBER 31, 2022	BALANCE AS OF DECEMBER 31, 2021	BALANCE AS OF DECEMBER 31, 2020	MATURITY DATE MM/DD/YYYY	INTEREST RATE %
Bilateral	MXN	$ -	$ -	$ -	**$ -**	$ 7	$ 21	08/23/2022	10.28%
Total secured bank loans					**-**	7	21		
Bilateral (2)	MXN	-	-	-	**-**	3,165	3,250	08/31/2028	7.96%
Bilateral	USD	-	-	-	**-**	103	120	10/04/2023	2.96%
Banking	MXN	3,500	13	29	**3,516**	3,498	3,494	10/20/2025	6.23%
Bilateral	USD	484	-	3	**487**	619	800	12/03/2024	2.77%
Bilateral	USD	-	-	-	**-**	-	500	12/11/2024	2.27%
Bilateral (2)	MXN	-	-	-	**-**	50	50	06/24/2024	7.47%
Bilateral (2)	USD	-	-	-	**-**	554	938	06/24/2024	2.10%
Bilateral	USD	70	-	-	**70**	85	85	11/27/2023	4.59%
Bilateral	MXN	73	-	-	**73**	77	79	11/27/2023	7.74%
Banking	USD	-	-	-	**-**	1,030	999	01/19/2023	1.24%
Banking	USD	3,872	-	16	**3,888**	4,128	4,002	01/19/2023	1.22%
Banking	USD	1,936	10	10	**1,936**	-	-	06/04/2027	5.39%
Banking	USD	3,872	10	20	**3,882**	-	-	07/04/2027	5.44%
Banking	USD	1,936	10	10	**1,936**	-	-	06/04/2027	5.39%
Banking	USD	1,936	10	10	**1,936**	-	-	06/04/2027	5.39%
Total unsecured bank loans					**17,724**	13,309	14,317		
Senior Notes – Fixed rate	USD	-	-	-	**-**	1,941	12,976	11/20/2022	4.50%
Senior Notes – Fixed rate	USD	5,808	6	123	**5,925**	6,290	6,091	08/08/2023	5.38%
Senior Notes – Fixed rate	USD	9,678	25	134	**9,787**	10,403	10,068	03/25/2024	5.25%
Senior Notes – Fixed rate	USD	9,646	97	176	**9,725**	10,337	10,014	03/25/2044	6.88%
Senior Notes – Fixed rate	USD	9,662	57	117	**9,722**	10,324	9,994	09/18/2029	4.25%
Senior Notes – Fixed rate (2)	USD	-	-	-	**-**	9,067	9,954	11/142024	6.38%
Senior Notes – Fixed rate	EUR	12,383	17	307	**12,673**	14,351	14,931	02/07/2024	2.63%
Senior Notes – Fixed rate	USD	19,346	55	133	**19,424**	20,632	19,969	05/02/2026	4.13%
Senior Notes – Fixed rate	USD	9,681	71	123	**9,733**	10,333	10,000	03/27/2028	4.88%
Senior Notes – Fixed rate	USD	11,562	70	131	**11,623**	12,340	-	02/25/2031	3.25%

DESCRIPTION	CONTRACTUAL CURRENCY	VALUE IN MX PESOS	DEBT ISSUANCE COSTS [1]	INTEREST PAYABLE [1]	BALANCE AS OF DECEMBER 31, 2022	BALANCE AS OF DECEMBER 31, 2021	BALANCE AS OF DECEMBER 31, 2020	MATURITY DATE MM/DD/YYYY	INTEREST RATE %
Total Senior Notes - Fixed rate					**88,612**	106,018	103,997		
Other loans	USD	7	-	-	**7**	307	59	Various	Varias
Other loans	USD	218	-	-	**218**	14	25	Various	Varias
Other loans	USD	97	-	-	**97**	104	100	11/26/2049	1.26%
Other loans	USD	49	-	-	**49**	53	51	11/26/2049	1.22%
Other loans [2]	MXN	-	-	-	**-**	21	103	Various	5.00%
Other loans	MXN	-	-	-	**-**	2	4	03/01/2023	9.35%
Other loans [2]	MXN	-	-	-	**-**	2	34	Various	4.62%
Total other loans					**371**	503	376		
Total		$ 105,816	$ 451	$ 1,342	**$ 106,707**	$ 119,837	$ 118,711		

[1] *For the years ended December 31, 2022, 2021 and 2020, the debt issuance costs were $451, $601 and $667, respectively.*
[2] *The debt came from the Axtel segment, therefore, as of December 31, 2022, it is presented within liabilities held for disposal in the consolidated statement of financial position (see Note 2).*

Maturities:

As of December 31, 2022, the annual maturities of long-term debt, including the current portion and interest payable and gross of issuance costs, are as follows:

	2023	2024	2025	2026	2027 AND THEREAFTER	TOTAL
Bank and other loans	$ 98	$ 499	$ 3,713	$ 8	$ 13,868	$ 18,186
Senior Notes	7,013	22,061	-	19,346	40,552	88,972
Non accrued future interests	4,360	3,531	3,271	2,385	14,899	28,446
	$ 11,471	**$ 26,091**	**$ 6,984**	**$ 21,739**	**$ 69,319**	**$ 135,604**

Covenants:

Loan contracts and debt agreements contain restrictions, primarily relating to compliance with financial ratios, incurring additional debt or making loans that require granting real guarantees, 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.

Financial ratios to be fulfilled include the following:

a. Interest coverage ratio: which is defined as adjusted EBITDA (see Note 31) for the period of the last four complete quarters divided by financial expenses, net or gross as appropriate, for the last four quarters, which shall not be less than 3.0 times.

b. Leverage ratio: which is defined as consolidated debt at that date, being the gross debt or net debt, depending on the case, divided by adjusted EBITDA (see Note 31) for the period of the last four complete quarters, which shall not be more than 3.5 times.

c. In June 2020, Alfa SAB made an amendment to raise the leverage ratio temporarily due to the effects of COVID-19, which led to setting the threshold at 4.0 times as of June 30, 2020, and going up to 5.25 times as of March 31, 2021, and then going down again to 3.5 times as of March 31, 2022, and staying at that threshold.

During 2022, 2021 and 2020, the financial ratios were calculated according to the formulas set out in the loan agreements.

Covenants contained in the credit agreements of the subsidiaries establish certain obligations, conditions and certain exceptions that require or limit the capacity of the subsidiaries; the main ones are listed below:

- Provide certain financial information;
- Maintain books and records;
- Maintain assets in appropriate conditions;
- Comply with applicable laws, rules and regulations;
- Incur additional indebtedness;
- Pay dividends;
- Grant liens on assets;
- Enter into transactions with affiliates;
- Perform a consolidation, merger or sale of assets, and
- Carry out sale and lease-back operations

As of December 31, 2022, 2021 and 2020, and the date of issuance of these consolidated financial statements, the Company and its subsidiaries complied satisfactorily with such covenants and restrictions.

Pledged assets:

As of December 31, 2021 and 2020, Colombin, a subsidiary entity of the Company, maintained assets given as collateral under a long-term financing granted by a financial institution, such financing matured during the year ended on December 31, 2022, which removed the guarantee of said assets. The outstanding balance of the loan as of December 31, 2021, as well as the value of the pledged assets is approximately $7 (US$0.3) and $15 (US$0.7), respectively. As of December 31, 2020, as well as the value of the pledged assets, it is approximately $21 (US$1.1) and $42 (US$2.1), respectively.

SIGNIFICANT DEBT ISSUANCES AND PAYMENTS IN 2022

a. Axtel made repurchases of its Senior Notes due 2024 and a coupon of 6.375%, for a total of $754 (US$37.8) of principal. As of December 31, 2022, the balance of the Senior Notes due 2024 is $7,788 (US$402.2). Derived from this operation, Axtel immediately recognized in the consolidated income statement the corresponding debt issuance costs that were pending amortization as of said date for $4.5.

SIGNIFICANT DEBT ISSUANCES AND PAYMENTS IN 2021

b. On February 18, 2021, Alpek issued Senior Notes, on the Irish Stock Exchange, to qualified institutional investors under Rule 144A and other investors outside the United States of America under Regulation S, in the 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 used primarily to prepay debt, including accrued and unpaid interest.

c. On March 3, 2021, Axtel prepaid US$60 of the principal of the Senior Notes due in 2024 and a coupon of 6.375%, in order to strengthen its financial structure and reduce financial expenses. After prepayment, the principal of the remaining Senior Notes is US$440. The partial prepayment was made with cash funds obtained in the data center transaction with Equinix carried out in 2020. Derived from this prepayment, Axtel immediately recognized in the consolidated statement of income the costs of obtaining debt that were pending amortization. to that date for $14.

d. On May 25, 2021, Axtel entered into an agreement with Export Development Canada for the renewal of bilateral revolving credit for up to an amount of US$50, or its equivalent in pesos, extending the maturity from June 2021 to June 2024. After this renewal, US$27 and $50 of said credit were available. For the portion in pesos, interest is payable monthly at a rate of TIIE at 28 days + 1.75%, while for the portion in dollars it is payable monthly at a rate of Libor 1M + 2.00%.

e. On September 27, 2021, Axtel prepaid $401 (US$20) of the principal of the loan in dollars held with Export Development Canada maturing in 2024 and with an interest rate of Libor 1M + 2.00%. After the prepayment, the principal of the debt in its dollar portion is US$27. Derived from this prepayment, Axtel immediately recognized in the consolidated statement of income the costs of obtaining debt that were pending amortization of $0.5.

SIGNIFICANT DEB T ISSUANCES AND PAYMENTS IN 2020

f. On February 14, 2020, Axtel prepaid the total of the syndicated loan maintained with HSBC as the leader of the participating financial institutions in the amount of $1,320 (US$67). Derived from this prepayment, the Axtel immediately recognized in the consolidated income statement, the debt issuance costs that were pending amortization at that date of $8.

g. During the year ended December 31, 2020, Sigma obtained short-term bank loans in the amounts of $2,350, US$300 and €135; which were paid in full during the same period. The withdrawals and payments of the bank loans represented cash inflows and outflows in the amount of $13,074 and $12,787, respectively.

18. LEASE LIABILITY

	DECEMBER 31,		
	2022	2021	2020
Current portion			
USD	**$ 635**	$ 646	$ 647
MXP	**224**	442	451
EUR	**231**	325	332
Other currencies	**169**	159	129
Current lease liability	**$ 1,259**	$1,572	$ 1,559
Non-current portion:			
USD	**$ 2,613**	$ 2,852	$ 2,494
MXP	**711**	938	1,154
EUR	**476**	494	726
Other currencies	**495**	533	317
Non-current lease liability	**$ 4,295**	$ 4,817	$ 4,691

As of December 31, 2022, 2021 and 2020, changes in the lease liability related to the finance activities in accordance with the consolidated statement of cash flows are integrated as follows:

	2022	2021	2020
Beginning balance as of January 1	$ 6,389	$ 6,250	$ 8,381
New contracts	1,838	2,033	1,405
Write-offs	(240)	(273)	(58)
Effect of subsidiary spin-off	-	-	(1,853)
Transfers to held for disposal	(321)	-	-
Adjustments to the liability balance	54	80	91
Interest expense of lease liability	409	404	422
Lease payments	(2,222)	(2,142)	(2,432)
Exchange differences	(353)	37	294
End balance	$ 5,554	$ 6,389	$ 6,250

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

	DECEMBER 31,		
	2022	2021	2020
Less than 1 year	$ 1,259	$ 1,572	$ 1,575
Over 1 year and less than 3 years	1,686	1,923	2,048
Over 3 year and less than 5 years	1,063	1,192	1,197
Over 5 years	1,546	1,702	1,430
Total	$ 5,554	$ 6,389	$ 6,250

19. INCOME TAXES

The Company is subject to income tax, whose rate is 30% in Mexico. The statutory income tax rates applicable to the countries where the main foreign subsidiaries are located were as follows as of December 31, 2022, 2021 and 2020:

	%
United States	21.0%
Spain	25.0%
Brazil	34.0%
Argentina	35.0%
France	25.8%
Oman [(1)]	15.0%

[(1)] Octal's production plant (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, date on which it started activities.

Income tax under tax consolidation regime in Mexico

The Company incurred income tax in a consolidated manner through 2013 with its Mexican subsidiaries. Since the Mexican income tax law in effect through 2013 was repealed, the tax consolidation regime was eliminated. Therefore, Alfa has the obligation to pay long-term deferred tax determined as of that date during the following ten periods beginning in 2014, as shown below.

In accordance with paragraph a) of section XVIII of the ninth transition article of the 2014 Mexican Tax Law, and provided that the Company at December 31, 2013 was acting as the controlling company and was subject, at that date, to the payment system contained in section VI of the fourth article of the transition provisions of the Mexican Income Tax Law published in the federal official gazette on December 7, 2009, or article 70-A of the 2013 Mexican Income Tax Law that was revoked, shall continue paying the tax consolidation deferred tax in fiscal years 2013 and prior years in conformity with the abovementioned provisions, until payment is concluded.

Income tax from deferred tax consolidation at as of December 31, 2022, 2021 and 2020 amounts to $114, $233 and $565, respectively. The deferred tax consolidation income tax as of December 31, 2022 will be settled in 2023.

Optional regime for consolidated groups in Mexico (Incorporation Regime)

As a result of the elimination of the tax consolidation regime in Mexico, the Company chose to adopt the new optional regime for consolidated groups beginning in 2014, which consists in grouping companies with specific characteristics and allows for the deferral of part of the income tax to the next three years; the deferral percentage is calculated using a factor determined in accordance to the amount of tax profit and losses of the year by which the tax deferral is determined. On December 2022, the Company made the decision to voluntarily and spontaneously abandon this regime, which generated the obligation of the total payment of the income tax for the Alfa entities that were part of said regime and that had been deferred for the years from 2019 to 2021 for $1,561, which will have to be paid in 2023.

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

	2022	2021	2020
Current tax expense	**$ (7,936)**	$ (7,270)	$ (4,701)
Deferred income tax benefit	**(484)**	(1,406)	(5,252)
Income taxes expense	**$ (8,420)**	$ (8,676)	$ (9,953)

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

	2022	2021	2020
Income before taxes	**$ 24,985**	$ 17,289	$ 8,949
Equity in results of associates recognized through the equity method	**(24)**	(24)	(75)
Income before interest in associates	**24,961**	17,265	8,874
Statutory rate	**30%**	30%	30%
Taxes at statutory rate	**(7,488)**	(5,179)	(2,662)
(Add) less tax effect on:			
Reserve for asset valuation for deferred income tax for investment in shares	**-**	-	(7,632)
Differences based on comprehensive financial cost	**(3,860)**	1,075	(2,468)
Effect of difference of tax rates and other differences, net	**2,928**	(4,572)	2,809
Total provision for income taxes charged to income	**$ (8,420)**	$ (8,676)	$ (9,953)
Effective rate	**34%**	50%	111%

c. The detail of deferred income tax asset and liability is as follows:

	DECEMBER 31,		
	2022	2021	2020
Inventories	**$ 154**	$ 83	$ 71
Intangible assets	**5,377**	5,402	4,588
Property, plant and equipment	**7,497**	9,239	7,660
Provisions	**(519)**	(684)	(671)
Other temporary differences, net	**(4,404)**	(5,022)	(2,119)
Deferred income tax liability	**$ 8,105**	$ 9,018	$ 9,529
Inventories	**$ 58**	$ 80	$ 51
Property, plant and equipment	**(37)**	1,418	484
Intangible assets	**(176)**	(902)	(1,206)
Valuation of derivative instruments	**553**	46	2
Provisions	**2,493**	1,353	1,603
Investment in shares [(1)]	**-**	-	-
Tax loss carryforwards	**2,006**	5,123	6,843
Other temporary differences, net	**957**	1,214	2,054
Deferred income tax assets	**$ 5,854**	$ 8,332	$ 9,831

[(1)] During the year ended December 31, 2020, the Company recognized a reserve for deferred income tax asset of $7,632 associated with an investment in shares of a subsidiary. This item was expected to be applied in part, or in its entirety, in a transaction with third parties, which has not been carried out in recent years.

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 likely.

Tax losses as of December 31, 2022, expire in the following years:

LOSS YEAR	TAX LOSSES TO BE AMORTIZED [(1)]	EXPIRATION YEAR
2013	$ 884	2023
2014	2,035	2024
2015	53	2025
2016	300	2026
2017	180	2027
2018 and thereafter	4,034	2028 and thereafter
No maturity	26,098	No maturity
	$ 33,584	

[(1)] The Company has decided to reserve tax losses for $26,898, in accordance with management's estimate of future reversals of temporary differences, therefore, as of December 31, 2022, they do not generate a deferred income tax asset.

d. The tax charge (credit) related to comprehensive income is as follows

	2022			2021			2020		
	BEFORE TAXES	**TAX CHARGED (CREDITED)**	**AFTER TAXES**	BEFORE TAXES	TAX CHARGED (CREDITED)	AFTER TAXES	BEFORE TAXES	TAX CHARGED (CREDITED)	AFTER TAXES
Effect of derivative financial instruments contracted as cash flow hedge	**$ (1,444)**	**$ 433**	**$ (1,011)**	$ 347	$ (104)	$ 243	$ 377	$ (113)	$ 264
Remeasurement of employee benefit obligations	**(369)**	**111**	**(258)**	611	(184)	427	132	(44)	88
Translation effect of foreign entities	**(3,111)**	**-**	**(3,111)**	(1,741)	-	(1,741)	(179)	-	(179)
Discontinued operations	**29**	**(9)**	**20**	258	(77)	181	2,861	(56)	2,818
Other comprehensive income	**$ (4,895)**	**$ 535**	**$ (4,360)**	$ (525)	$ (365)	$ (890)	$ 3,198	$ (207)	$ 2,991

e. Income tax payable consists of the following:

	DECEMBER 31,		
	2022	2021	2020
Current income tax	**$ 1,936**	$ 3,015	$ 2,666
Income tax from tax consolidation (regime in effect through 2013)	**114**	233	565
Income tax from optional regime for group of entities in Mexico	**1,561**	1,268	742
Total income tax payable	**$ 3,611**	$ 4,516	$ 3,973
Current portion	**$ 3,611**	$ 3,015	$ 2,470
Non-current portion	**-**	1,501	1,503
Total income tax payable	**$ 3,611**	$ 4,516	$ 3,973

20. PROVISIONS

	DISPUTES	RESTRUCTURING AND DEMOLITION [(1)]	CONTINGENCIES [(3)]	GUARANTEES [(2)]	OTHER	TOTAL
At January 1, 2020	$ 171	$ 302	$ 1,259	$ 544	$ 633	**$ 2,909**
Business acquisitions	2	183	-	-	43	**228**
Additions	61	80	264	-	(238)	**167**
Exchange effects	10	9	(99)	124	(12)	**32**
Cancelation of provisions	(28)	(205)	-	(67)	(294)	**(594)**
Payments	(4)	(35)	-	(563)	(12)	**(614)**
At December 31, 2020	212	334	1,424	38	120	**2,128**

	DISPUTES	RESTRUCTURING AND DEMOLITION [1]	CONTINGENCIES [3]	GUARANTEES [2]	OTHER	TOTAL
Additions	294	131	69	-	248	**742**
Exchange effects	(2)	-	6	-	(9)	**(5)**
Cancelation of provisions	-	-	(203)	-	(181)	**(384)**
Payments	(65)	(34)	(3)	(38)	(62)	**(202)**
At December 31, 2021	439	431	1,293	-	116	**2,279**
Reclassification to liabilities held for disposal	(29)	-	-	-	-	**(29)**
Business acquisition [4]	-	-	-	-	904	**904**
Additions	11	15	78	-	273	**377**
Exchange effects	(5)	(11)	7	-	(46)	**(55)**
Cancelation of provisions	(119)	(21)	(87)	-	(132)	**(359)**
Payments	(149)	(103)	(8)	-	(304)	**(564)**
At December 31, 2022	**$ 148**	**$ 311**	**$ 1,283**	**$ -**	**$ 811**	**$ 2,553**

[1] This provision comes from a strategic redefinition process to obtain, among others, efficiencies and a higher level of specialization in the production and logistics centers, as well as strengthening existing synergies in a subsidiary of Sigma.
[2] As of December 31, 2020, it corresponds to a provision for guarantees related to the transaction of a cogeneration plant sold by Alpek (see Note 2).
[3] Includes labor, civil and tax contingencies of Alpek derived from the acquisition of PQS and Citepe, for which there is an account receivable in compensation under the item of other non-current assets.
[4] Corresponds to the contingent consideration generated in the acquisition of Octal by Alpek (see Note 2).

	DECEMBER 31,		
	2022	2021	2020
Current provisions	**$ 1,408**	$ 1,298	$ 894
Non-current provisions	**1,145**	981	1,234
	$ 2,553	$ 2,279	$ 2,128

21. OTHER LIABILITIES

	DECEMBER 31,		
	2022	2021	2020
Share-based employee benefits (Note 25)	**$ 364**	$ 332	$ 301
Dividends payable	**81**	107	605
Deferred credits	**559**	247	248
Accounts payable - affiliates (Note 30)	**2,081**	2,224	2,759
Liabilities held for sale [1]	**2,866**	3,208	-
Total other liabilities	**$ 5,951**	$ 6,118	$ 3,913
Current portion	**$ 5,144**	$ 5,646	$ 3,454
Non-current portion	**807**	472	459
Total other liabilities	**$ 5,951**	$ 6,118	$ 3,913

[1] As of December 31, 2022 and 2021, corresponds to the liabilities that were classified as held for sale by Sigma (see Note 2).

22. EMPLOYEE BENEFITS

The valuation of employee benefits for retirement plans is based primarily on their years of service, current age and estimated salary at retirement date.

The Company has established funds for the payment of retirement benefits through irrevocable trusts.

The employee benefits recognized in the consolidated statement of financial position are shown below:

	DECEMBER 31,		
	2022	2021	2020
Country			
Mexico	**$ 2,686**	$ 2,670	$ 3,083
United States	**538**	405	788
Others	**447**	823	862
Total	**$ 3,671**	$ 3,898	$ 4,733

Below is a summary of the primary financial data of these employee benefits:

	DECEMBER 31,		
	2022	2021	2020
Obligations in the consolidated statement of financial position:			
Pension benefits	**$ 2,965**	$ 3,286	$ 4,064
Post-employment medical benefits	**706**	612	669
Liability recognized in the consolidated statement of financial position	**$ 3,671**	$ 3,898	$ 4,733
Charge in the statement of income for:			
Pension benefits	**$ (385)**	$ (340)	$ (500)
Post-employment medical benefits	**(51)**	(52)	(52)
	$ (436)	$ (392)	$ (552)
Remeasurements for employee benefit obligations recognized in other comprehensive income for the year from continuing operations	**$ (369)**	$ 611	$ 132
Remeasurements for accrued employee benefit obligations recognized in other comprehensive income	**$ (646)**	$ (277)	$ (765)

Post-employment pension and 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). The Company operates post-employment medical benefit schemes in Mexico and the United States. The accounting method, assumptions and frequency of the valuations are similar to those used for defined benefits in pension schemes. Most of these plans are not funded.

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

	DECEMBER 31,		
	2022	2021	2020
Present value of obligations	**$ 5,747**	$ 7,839	$ 10,179
Fair value of plan assets	**(4,021)**	(5,322)	(6,635)
Present value of defined benefit obligations	**1,726**	2,517	3,544
Liability for defined contributions	**1,945**	1,381	1,189
Liability in the consolidated statement of financial position	**$ 3,671**	$ 3,898	$ 4,733

The movement in the defined benefit obligation during the year was as follows:

	2022	2021	2020
As of January l	**$ 7,839**	$ 10,179	$ 11,178
Current service cost	**303**	310	355
Interest cost	**344**	327	338
Contributions from plan participants	**4**	6	6
Actuarial remeasurements	**(621)**	(275)	626
Exchange differences	**(281)**	47	263
Benefits paid	**(673)**	(648)	(777)
Acquired in business combinations	**-**	-	195
Reorganization effects	**(128)**	20	-
Effects of subsidiary spin-off	**-**	-	(1,938)
Transfer to liabilities held for sale	**-**	(1,985)	-
Transfer to liabilities held for disposal	**(891)**	-	-
Curtailments	**(149)**	(142)	(67)
As of December 31,	**$ 5,747**	$ 7,839	$ 10,179

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

	2022	2021	2020
As of January 1	**$ (5,322)**	$ (6,635)	$ (6,394)
Remeasurements – expected return on plan assets, excluding interest in income	**694**	(422)	(728)
Exchange differences	**256**	(467)	(348)
Contributions from plan participants	**-**	(1)	(1)
Employee contributions	**-**	(23)	(97)
Effects of subsidiary spin-off	**-**	-	669
Benefits paid	**351**	293	264
Transfer to liabilities held for sale	**-**	1,933	-
As of December 31,	**$ (4,021)**	$ (5,322)	$ (6,635)

The primary actuarial assumptions were as follows:

	DECEMBER 31,		
	2022	2021	2020
Discount rate	**MX 9.25%**	MX7.75%	MX6.75%
Discount rate	**US 5.06%**	US2.64%	US2.30%
Inflation rate	**7.00%**	3.50%	3.50%
Wage increase rate	**5.00%**	4.50%	4.50%
Future wage increase	**3.50%**	3.50%	3.50%
Medical inflation rate	**7.00%**	4.50%	6.50%

The sensitivity analysis of the discount rate was as follows:

		EFFECT ON DEFINED BENEFIT OBLIGATIONS	
	CHANGE IN ASSUMPTIONS	INCREASE IN ASSUMPTIONS	DECREASE IN ASSUMPTIONS
Discount rate	+1%	Decrease by $312	Increase by $357

Pension benefit assets

Plan assets are comprised of the following:

	AS OF DECEMBER 31,		
	2022	2021	2020
Equity instruments	**$ 2,872**	$ 2,405	$ 3,208
Short and long-term fixed-income securities	**1,149**	2,917	3,427
	$ 4,021	$ 5,322	$ 6,635

23. STOCKHOLDERS' EQUITY

As of December 31, 2022, 2021 and 2020, the capital stock is variable, with a fixed minimum of $170, $170 and $170, respectively, represented by 4,818,823,020, 4,905,698,020 and 4,909,211,020, respectively, registered shares "Class I" of Series " A" outstanding, without expression of nominal value, fully subscribed and paid. The variable capital with the right to withdrawal will be represented, where appropriate, with nominative shares without expression of nominal value, "Class II" of Series "A".

For the year ended December 31, 2022, 2021 and 2020, Alfa SAB repurchased 86,875,000, 3,513,000, 105,830,000 shares equivalent to $1,209, $53 and $1,060, respectively, which were held in treasury. As of December 31, 2022, 2021 and 2020, Alfa SAB holds 90,388,000, 3,513,000 and 145,900,000 shares in treasury, respectively, and the market value of the shares was $12.41, $15.02 and $14.38, respectively. In the Extraordinary Meeting of March 11, 2021, the Shareholders approved the cancellation of 145,900,000 shares that Alfa SAB had in the treasury. As of December 31, 2022, Alpek, subsidiary of the Company, repurchased and repositioned its shares for a total of $66, which were recognized by reducing retained earnings and non-controlling interest by $54 and $12, respectively. As of December 31, 2021, Alpek and Axtel, subsidiaries of the Company, repurchased and repositioned their shares for a total of $65, which were recognized by reducing retained earnings and non-controlling interest by $50 and $15, respectively. As of December 31, 2020, Alpek and Axtel, subsidiaries of the Company, repurchased and repositioned their shares for a total of $266, which were recognized by reducing retained earnings and non-controlling interest by $157 and $109, respectively.

The consolidated net profit for the year is subject to the legal provision that requires that at least 5% of the profit for each year be used to increase the legal reserve until it is equal to one-fifth of the amount of paid-in capital stock. As of December 31, 2022, 2021 and 2020, the amount of the legal reserve amounts to $60, which is included in retained earnings.

On March 7, 2022, the Ordinary General Shareholders' Meeting of Alfa SAB approved the payment of an ordinary cash dividend of $0.04 US dollars for each of the outstanding shares, which is equivalent to approximately $4,063 (US$196).

On March 11, 2021, the Ordinary General Shareholders' Meeting of Alfa SAB approved the payment of an ordinary cash dividend of $0.020 US dollars for each of the outstanding shares, which is equivalent to approximately $2,087 (US$98).

On February 27, 2020, the Ordinary General Shareholders' Meeting of Alfa SAB approved the payment of an ordinary cash dividend of $0.020 US dollars for each of the outstanding shares, which is equivalent to approximately $1,914 (US$100). Additionally, on December 15, 2020, the Alfa SAB Board of Directors, exercising the powers delegated to it at the Alfa SAB Ordinary General Shareholders' Meeting on February 27, 2020, and given the favorable recovery of the results of Alfa approved the payment of an additional cash dividend of $0.0051 US dollars for each of the outstanding shares, which is equivalent to approximately $503 (US$25).

On August 17, 2020, at the Extraordinary Shareholders' Meeting of Alfa SAB, a reduction in the capital stock of Alfa SAB was approved for $36, as a consequence of the partial spin-off of Alfa SAB and the transfer to a new company of the shareholding in Nemak.

Dividends paid will be free of ISR tax if they come from the Net Tax Profit Account ("CUFIN", for its acronym in Spanish). Dividends that exceed CUFIN will cause income tax at the rate applicable to the period in which they are paid. The tax incurred will be borne by the Company and may be credited against the ISR of the fiscal year or that of the two immediately following fiscal years. The dividends paid that come from profits previously taxed by ISR will not be subject to any withholding or additional payment of taxes. As of December 31, 2022, the tax value of the CUFIN and the tax value of the Contribution Capital Single Account ("CUCA", for its acronym in Spanish) amounted to $40,909 ($33,585 in 2021 and $28,620 in 2020) and $30,904 ($28,686 in 2021 and $27,653 in 2020), respectively.

In the event of a capital reduction, the procedures established by the LISR provide that any excess of stockholders' equity over the balances of the tax accounts of contributed capital be given the same tax treatment as that applicable to dividends.

24. DISCONTINUED OPERATIONS

Spin-off of Axtel Segment

The resolution of the General Extraordinary Stockholders' Meeting of Alfa SAB to approve the spin-off of the entire ownership interest of Alfa SAB in Axtel SAB, requires qualifying for accounting purposes, as a discontinued operation in the consolidated financial statements, because it represented an operating segment of Alfa in accordance with IFRS 5, Non-current assets held for sale and discontinued operations. Therefore, Axtel's income and cash flows are presented as discontinued operations in the consolidated financial statements for the year ended December in 31, 2022, adjusting the comparative amounts for the years ended December 31, 2021 and 2020.

Condensed information related to the consolidated income statement of discontinued operations for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Revenues	**$ 10,334**	$ 11,258	$ 12,199
Cost of sales	**(5,084)**	(5,630)	(6,152)
Gross profit	**5,250**	5,628	6,047
Selling and administrative expenses	**(5,214)**	(5,464)	(5,889)
Other income (expenses), net	**66**	(372)	1,998
Operating income (loss)	**102**	(208)	2,156
Financial expenses, net	**(772)**	(1,164)	(1,223)
Foreign exchange gain (loss), net	**512**	(277)	(385)
(Loss) income before taxes	**(158)**	(1,649)	548
Benefits (income) taxes	**40**	465	(648)
Loss from discontinued operations	**$ (118)**	$ (1,184)	$ (100)

Derived from the transaction, a tax loss was generated which resulted in an income tax of $4,290.

Condensed information regarding the assets and liabilities classified as held for disposal presented in the consolidated statement of financial position as of December 31, 2022:

		2022
Assets		
Cash and cash equivalents	$	1,543
Trade and other accounts receivable, net		1,914
Inventories		170
Other current assets		758
Property, plant and equipment, net and right-of-use asset, net		9,982
Goodwill and intangible assets, net		5,298
Deferred income taxes		2,958
Other non-current assets		435
Total assets classified as held for disposal	**$**	**23,058**
Liabilities		
Debt and lease liability	$	11,881
Suppliers and other accounts payable		2,599
Other current liabilities		42
Deferred income taxes		807
Employee benefits		891
Other non-current liabilities		13
Total liabilities classified as held for disposal	**$**	**16,233**
Net assets held for disposal	**$**	**6,825**

The spin-off of the Axtel segment is expected to conclude during the first months of the year 2023.

Split of Nemak Segment

The resolution of the Extraordinary Stockholders' Meeting of Alfa SAB to approve the spin-off of its entire shareholding in Nemak S.A.B. de C.V., requires qualifying for accounting purposes, as a discontinued operation in the consolidated financial statements, because it represented an operating segment of Alfa in accordance with IFRS 5, Non-current assets held for sale and discontinued operations. Therefore, Nemak's income and cash flows are presented as discontinued operations in the consolidated financial statements for the years ended December 31, 2020.

At the time the listing of Controladora Nemak as an issuer on the BMV was completed, as well as the delivery of the shares to the corresponding Stockholders (in the proportion of one share for each share held in Alfa SAB), on December 14, 2020, these effects were recognized, ceasing to consolidate Nemak and derecognizing its net assets against an effect on the stockholders' equity of Alfa SAB for an amount of $35,860.

Condensed information related to the consolidated income statement of discontinued operations for the period from January 1, 2020 to December 14, 2020:

	2020
Revenues	$ 63,296
Cost of sales	(55,560)
Gross profit	**7,736**
Selling and administrative expenses	(4,313)
Other (expenses) income, net	(857)
Operating income	**2,566**
Financial expenses, net	(1,668)
Foreign exchange loss, net	(785)
Results of associates recognized through the equity method	(31)
Income before taxes	**82**
Income taxes	(29)
Net income	**53**
Income tax from spin-off [1]	(2,530)
Reclassification of comprehensive income from spin-off [2]	11,601
Income from discontinued operations, net of income tax	**$ 9,124**

[1] The tax effect generated by the transaction was $2,530, of which $1,747 tax losses were applied, and the remainder of $783 is presented within the current income tax payable in the consolidated statement of financial position.
[2] Corresponds to the translation effect of $12,028 generated by Nemak, which in compliance with IAS 21, the accumulated amount of exchange rate differences related to the foreign business, recognized in "Other Comprehensive Income" and accumulated in a component separated from equity, it must be reclassified to income, as a reclassification adjustment, when the gain or loss of the disposal is recognized at the time of loss of effective control. Additionally, it includes an accumulated loss for $(427) within the translation effect in "Other Comprehensive Income", and which was reclassified to profit or loss as a reclassification adjustment, in compliance with the requirements

The spin-off of the Nemak shares that Alfa SAB held is considered an alienation in tax terms. In this sense, the Company determined the tax effects of the transaction, which mainly correspond to the income tax that was generated by the tax profit that arose when comparing the market price of the shares of Nemak S.A.B. de C.V. of $6.04 with its tax cost of $2.40 determined on the date of approval of the aforementioned Stockholders' Meeting resolution.

25. SHARE-BASED PAYMENTS

The Company has a compensation scheme referenced to the value of Alfa SAB shares and the value of the shares of its subsidiaries for senior executives of the Company. According to the terms of the plan, eligible executives will receive a cash payment conditional on the achievement of certain quantitative and qualitative metrics based on the following financial measures:

- Improved share price of Alfa SAB, Alpek and Axtel
- Improvement in consolidated net income
- Permanence of the executives in the Company

The bonus will be paid in cash over five years after the grant date, i.e. 20% each year and will be paid with reference to the average price of the shares for the month of December at the end of each year. The average price of the shares in pesos to measure the executive incentive in 2022, 2021 and 2020 is $15.92, $15.26 and $15.39, respectively. These payments are measured at the fair value of the consideration, so, because they are based on the price of Alfa SAB shares, the measurement is considered to be within level 1 of the fair value hierarchy.

As of December 31, 2022, 2021 and 2020, the liability for share-based payments amounted to $364, $332, $301, respectively.

The current and non-current liability is as follows:

	DECEMBER 31,		
	2022	2021	2020
Current	**$ 116**	$ 107	$ 89
Non-current	**248**	225	212
Total carrying amount	**$ 364**	$ 332	$ 301

26. EXPENSES AND COSTS CLASSIFIED BY THEIR NATURE

The total cost of sales, selling and administrative expenses, classified by nature of the expense, were as follows:

	2022	2021	2020
Raw material and service costs	**$ 239,458**	$ 188,574	$ 154,887
Maquila (production outsourcing)	**40**	52	-
Employee benefit expenses	**31,317**	34,747	34,048
Maintenance	**7,182**	6,604	5,679
Depreciation and amortization	**8,876**	8,963	9,315
Freight charges	**13,082**	4,593	8,789
Advertising expenses	**2,782**	3,734	2,421
Lease expenses	**1,310**	761	1,258
Consumption of energy and fuel	**9,903**	7,148	6,682
Travel expenses	**728**	1,085	457
Technical assistance, professional fees and administrative services	**4,937**	4,204	5,237
Other items	**11,914**	8,750	7,229
Total	**$ 331,529**	$ 269,215	$ 236,002

27. OTHER INCOME (EXPENSES), NET

	2022	2021	2020
Gain on sale of property, plant and equipment	**$ 44**	$ 44	$ -
Gain on sale of business	**-**	-	89
Gain on business combinations [1]	**425**	29	657
Other income, net	**345**	721	732
	814	832	1,478
Loss on sale of property, plant and equipment	**-**	-	(55)
Impairment of long-lived assets [2]	**(644)**	(2,929)	(1,679)
	(644)	(2,929)	(1,734)
Total other income (expenses), net	**$ 170**	$ (2,097)	$ (256)

(1) For 2022, corresponds to the gain from the business combination of Octal by Alpek (see Note 2). For 2021, corresponds to the gain generated in the business combination of Nova Chemicals by Alpek (see Note 2). For 2020, it corresponds to the profit generated in the business combination of Alpek Polyester UK by Alpek (see Note 2).

(2) For 2022, comprised mainly from $394 and $246 of impairment of Sigma's and Alpek's, respectively, fixed and intangible assets. For 2021, comprised mainly from $1,460 of impairment of Alpek's fixed and intangible asset, mainly due to the closure of Univex and the Cooper River plant; $1,466 of impairment of Sigma's fixed and intangible assets, mainly due to the sale process of the production plants in Europe $3 impairment from other subsidiaries. For 2020, comprised mainly from $830 of impairment of Sigma's intangible assets and fixed assets, for the restructuring of its production plants and distribution centers in France, and for the decrease in the recoverable value of the CGUs in Italy, Ecuador and Mexico; $751 impairment of Newpek's intangible assets for the divestiture of Newpek LLC and an impairment of fixed assets in Newpek Exterior.

28. FINANCIAL INCOME AND EXPENSES

	2022	2021	2020
Financial income:			
Interest income on short-term bank deposits	**$ 497**	$ 257	$ 282
Other financial income	**637**	419	545
Valuation effect of derivative financial instruments	**265**	196	-
Total financial income	**$ 1,399**	$ 872	$ 827
Financial expenses:			
Interest expense on bank loans	**$ (921)**	$ (379)	$ (508)
Interest expense on debt securities	**(4,555)**	(5,433)	(5,056)
Interest expense on portfolio sale	**(441)**	(204)	(440)
Financial cost of employee benefits	**(413)**	(295)	(237)
Supplier interest expense	**(104)**	(49)	(68)
Valuation effect of derivative financial instruments	**-**	-	(21)
Other financial expenses	**(1,201)**	(768)	(704)
Total financial expenses	**$ (7,635)**	$ (7,128)	$ (7,034)

	2022	2021	2020
Exchange fluctuation loss, net:			
Exchange fluctuation gain	**$ 1,262**	$ 2,798	$ 5,308
Exchange fluctuation loss	**(2,570)**	(4,767)	(5,637)
Exchange fluctuation loss, net	**$ (1,308)**	$ (1,969)	$ (329)
Financial result, net	**$ (7,544)**	$ (8,225)	$ (6,536)

29. EMPLOYEE BENEFIT EXPENSES

	2022	2021	2020
Salaries, wages and benefits	**$ 30,786**	$ 31,615	$ 31,188
Social security fees	**2,820**	2,255	2,220
Employee benefits	**1,166**	790	580
Other fees	**211**	87	60
Total	**$ 34,983**	$ 34,747	$ 34,048

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 Mexico were reformed, which will be effective on January 1, 2023. The main changes 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.

30. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties during the years ended December 31, 2022, 2021 and 2020, which were carried out in terms similar to those of arm's-length transactions with independent third parties, were as follows:

	2022	2021	2020
Sale of goods and services:			
Affiliates	**$ 170**	$ 442	$ 537
Stockholders with significant influence over subsidiaries [1]	**2,181**	1,841	1,408
Purchase of goods and services:			
Affiliates	**$ 781**	$ 780	$ 653
Stockholders with significant influence over subsidiaries [1]	**778**	2,134	1,473

[1] Includes the effects of the agreements between Alpek and BASF y BASELL on the polyurethane (PU) businesses.

For the years ended December 31, 2022, 2021 and 2020, wages and benefits received by top officials of the Company were $784, $794 and $855, respectively, an amount comprising base salary and legal benefits, supplemented by a variable compensation program primarily based on the results of the Company and the market value of its shares.

As of December 31, 2022, 2021 and 2020, the balances with related parties were as follows:

	NATURE OF THE TRANSACTION	2022	2021	2020
Receivables:				
Affiliates	Sale of goods	**$ 1,278**	$ 1,294	$ 1,212
Affiliates	Loans	**316**	470	453
Payable:				
Affiliates	Purchase of raw materials	**$ 1,897**	$ 2,042	$ 2,539
Affiliates	Loans	**184**	182	220

Balances payable to related parties at December 31, 2022 are payable in 2023. As of December 31, 2022 and 2021, a loan is maintained with an affiliate that bear interest at a rate of 11.50% and 6.42%, respectively.

The Company and its subsidiaries did not have significant transactions with related parties or significant conflicts of interest to be disclosed.

31. FINANCIAL INFORMATION BY SEGMENTS

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

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

The Company manages and evaluates its operation through three primary operating segments, which are:

- Alpek: This segment operates in the petrochemical and synthetic fibers industry, and its revenues are derived from sales of its main products: polyester, plastics and chemicals.
- Sigma: This segment operates in the refrigerated food sector and its revenues are derived from sales of its main products: deli meats, dairy and other processed foods.
- Axtel: This segment operates in the telecommunications sector and its revenues are derived from the provision of data transmission services, internet and long-distance phone service.

- Other segments: includes all other companies operating in business services and others which are non-reportable segments and do not meet the quantitative limits in the years presented and, therefore, are presented in aggregate, besides the eliminations of consolidation.

Derived from the modification of the internal structure of the Company, due to the spin-off of Alfa's shareholding in Nemak, and the presentation of Axtel's financial information as a discontinued operation, described, described in Note 2, the condensed financial information of the operating segments included in the consolidated statements of income for the years ended December 31, 2021 and 2020 were reformulated to consider the operating segments that were presented to the CEO as of and for the year ended December 31, 2022. Additionally, during 2022 Management made a change in the way of evaluating decision-making, as well as the administration and evaluation of its operation, integrating Newpek within "Other segments". Consequently, and in compliance with the requirements of IFRS 8, the financial information as of and for the years ended December 31, 2021 and 2020, was reformulated.

These operating segments are managed and controlled independently because the products and the markets they serve are different. Their activities are performed through various subsidiaries.

The transactions 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 evaluates the performance of each of the operating segments based on income before financial result, income taxes, depreciation and amortization ("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, 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.

The Company has defined the Adjusted EBITDA by also adjusting EBITDA by the impacts of asset impairment. Below is the condensed financial information of the operating segments to be reported as of and for the years ended December 31, 2022, 2021 and 2020:

FOR THE YEAR ENDED DECEMBER 31, 2022	ALPEK	SIGMA	OTHER SEGMENTS AND ELIMINATIONS	TOTAL
Consolidated statement of income				
Income by segment	$ 212,435	$ 149,311	$ 964	$ 362,710
Inter-segment income	(169)	-	1,323	1,154
Income from external customers	**$ 212,266**	**$ 149,311**	**$ 2,287**	**$ 363,864**
Adjusted EBITDA	$ 29,424	$ 13,106	$ (509)	$ 42,021
Depreciation and amortization	4,639	4,072	161	8,872
Impairment of assets	246	394	4	644
Operating income	24,539	8,640	(674)	32,505
Financial result, net	(2,997)	(3,388)	(1,159)	(7,544)
Equity in results of associates	(67)	(1)	92	24
Income before taxes	**$ 21,475**	**$ 5,251**	**$ (1,741)**	**$ 24,985**

AS OF DECEMBER 31, 2022	ALPEK	SIGMA	AXTEL	OTHER SEGMENTS AND ELIMINATIONS	TOTAL
Consolidated statement of financial position					
Investment in associates	$ 9,162	$ 81	$ -	$ 41	$ 9,284
Other assets	127,657	104,914	20,790	12,802	266,163
Total assets	136,819	104,995	20,790	12,843	275,447
Total liabilities	84,625	81,341	16,233	35,460	217,659
Net assets	$ 52,194	$ 23,654	$ 4,557	$ (22,617)	$ 57,788
Capital investment (Capex)	$ (2,987)	$ (4,996)	$ -	$ (1,741)	$ (9,724)

FOR THE YEAR ENDED DECEMBER 31, 2021	ALPEK	SIGMA	OTHER SEGMENTS AND ELIMINATIONS	TOTAL
Consolidated statement of income				
Income by segment	$ 156,224	$ 138,314	$ 784	$ 295,322
Inter-segment income	(135)	-	1,615	1,480
Income from external customers	$ 156,089	$ 138,314	$ 2,398	$ 296,802
Adjusted EBITDA	$ 23,234	$ 15,050	$ (902)	$ 37,382
Depreciation and amortization	(4,280)	(4,511)	(172)	(8,963)
Impairment of assets	(1,460)	(1,467)	(2)	(2,929)
Operating income	17,494	9,072	(1,076)	25,490
Financial result, net	(3,144)	(3,361)	(1,720)	(8,225)
Equity in results of associates	(39)	21	42	24
Income before taxes	$ 14,311	$ 5,732	$ (2,754)	$ 17,289

AS OF DECEMBER 31, 2021	ALPEK	SIGMA	AXTEL	OTHER SEGMENTS AND ELIMINATIONS	TOTAL
Consolidated statement of financial position					
Investment in associates	$ 9,045	$ 96	$ -	$ (51)	$ 9,090
Other assets	114,900	110,519	22,384	12,214	260,017
Total assets	123,945	110,615	22,384	12,163	269,107
Total liabilities	74,360	83,265	17,827	38,834	214,286
Net assets	$ 49,585	$ 27,350	$ 4,557	$ (26,671)	$ 54,821
Capital investment (Capex)	$ (4,431)	$ (4,561)	$ (1,532)	$ (37)	$ (10,561)

FOR THE YEAR ENDED DECEMBER 31, 2020	ALPEK	SIGMA	OTHER SEGMENTS AND ELIMINATIONS	TOTAL
Consolidated statement of income				
Income by segment	$ 113,989	$ 135,983	$ 3,751	**$ 253,723**
Inter-segment income	(118)	-	(1,937)	**(2,055)**
Income from external customers	**$ 113,871**	**$ 135,983**	**$ 1,814**	**$ 251,668**
Adjusted EBITDA	$ 11,993	$ 14,707	$ (296)	**$ 26,404**
Depreciation and amortization	(4,486)	(4,610)	(219)	**(9,315)**
Impairment of assets	(14)	(830)	(835)	**(1,679)**
Operating income	7,493	9,267	(1,350)	**15,410**
Financial result, net	(2,084)	(2,465)	(1,987)	**(6,536)**
Equity in results of associates	(86)	12	149	**75**
Income before taxes	**$ 5,323**	**$ 6,814**	**$ (3,188)**	**$ 8,949**

AS OF DECEMBER 31, 2020	ALPEK	SIGMA	AXTEL	OTHER SEGMENTS AND ELIMINATIONS	TOTAL
Consolidated statement of financial position					
Investment in associates	$ 8,586	$ 87	$ -	$ 193	**$ 8,866**
Other assets	97,767	109,784	23,704	16,035	**247,290**
Total assets	106,353	109,871	23,704	16,228	**256,156**
Total liabilities	60,841	86,567	20,209	35,187	**202,804**
Net assets	**$ 45,512**	**$ 23,304**	**$ 3,495**	**$ (18,959)**	**$ 53,352**
Capital investment (Capex)	**$ (2,570)**	**$ (2,617)**	**$ 1,002**	**$ (295)**	**$ (4,480)**

Below are the sales to external customers, as well as property, plant and equipment, goodwill and intangible assets by geographic area. Sales to external customers were classified based on their origin:

FOR THE YEAR ENDED DECEMBER 31, 2022	SALES TO EXTERNAL CUSTOMERS	PROPERTY, PLANT AND EQUIPMENT	GOODWILL	INTANGIBLE ASSETS
Mexico	**$ 98,298**	**$ 36,859**	**$ 2,802**	**$ 5,291**
United States	**118,955**	**12,189**	**94**	**1,218**
Canada	**4,881**	**669**	**-**	**4**
Central and South America	**70,165**	**8,153**	**48**	**334**
Europe and other countries	**71,565**	**24,707**	**10,347**	**10,157**
Total	**$ 363,864**	**$ 82,577**	**$ 13,291**	**$ 17,004**

FOR THE YEAR ENDED DECEMBER 31, 2021	SALES TO EXTERNAL CUSTOMERS	PROPERTY, PLANT AND EQUIPMENT	GOODWILL	INTANGIBLE ASSETS
Mexico	$ 117,188	$ 48,349	$ 5,539	$ 8,730
United States	72,002	12,444	119	1,582
Canada	3,143	775	-	20
Central and South America	47,903	7,610	41	236
Europe and other countries	56,566	15,553	11,821	9,761
Total	**$ 296,802**	**$ 84,731**	**$ 17,520**	**$ 20,329**

FOR THE YEAR ENDED DECEMBER 31, 2020	SALES TO EXTERNAL CUSTOMERS	PROPERTY, PLANT AND EQUIPMENT	GOODWILL	INTANGIBLE ASSETS
Mexico	$ 67,631	$ 49,522	$ 5,433	$ 9,012
United States	78,268	10,531	106	1,751
Canada	2,661	865	-	22
Central and South America	41,439	6,849	14	513
Europe and other countries	61,669	19,903	12,378	10,176
Total	**$ 251,668**	**$ 87,670**	**$ 17,931**	**$ 21,474**

32. COMMITMENTS AND CONTINGENCIES

In the normal course of its business, the Company is involved in disputes and litigations. While the results of the disputes cannot be predicted, as of December 31, 2021, the Company does not believe that there are current or threatened actions, claims or legal proceedings against or affecting the Company, which, if determined adversely to it, would damage significantly its individual or overall results of operations or financial position.

As of December 31, 2022, the Company and its subsidiaries had the following commitments:

a. The subsidiaries have entered into various contracts with suppliers and customers for the purchase of raw material used for the production and sale of finished products, respectively. These agreements, with a term of between one and five years, generally contain price adjustment clauses.

b. Alpek, a subsidiary of the Company, entered into contracts to cover the supply of propylene, these contracts establish the obligation to buy the product at a price referenced to market values for a given period.

c. Alpek, a subsidiary of the Company, is in a tax litigation process in one of its subsidiaries in Brazil, in relation to the demand for payment of the Tax on the Circulation of Merchandise and Services ("ICMS") that the Ministry of Finance of the State of Sao Paulo ("SFSP", for its acronym in Portuguese) has filed an action against Alpek, due to differences in the criteria for calculating and accrediting said tax. Considering all the circumstances and case law available as of such date, management and its advisors have determined that it is likely that the Superior Court of Justice of Brazil will issue a ruling in favor of Alpek for the amount related to differences in the calculation, which would exempt her from paying $455 in taxes, penalties and interest that the SFSP requires; therefore, as of December 31, 2022, Alpek has not recognized any provision related to this concept.

On the other hand, for ICMS accreditation, the amount demanded amounts to $91, and management and its directors consider that an unfavorable resolution for Alpek is not likely to proceed, for which no provision has been recognized as of December 31 of 2022.

d. Newpek, a subsidiary of the Company, was the winner in areas 2 and 3 auctioned on July 12, 2017, corresponding to the third tender of Round 2 carried out by the National Hydrocarbons Commission ("CNH"). In order to comply with the provisions of the contract for the exploration and extraction of hydrocarbons in conventional land deposits under the license modality, the Company has granted the CNH the indirect investment in Newpek Capital, SA de CV as a corporate guarantee. The latter must maintain a stockholders' equity equal to or greater than US$250 or the shareholding that is maintained must be equivalent to said amount, which covers the part that corresponds to Newpek. The contract establishes that said guarantee will be exercised in the last instance, in a subsidiary manner and exclusively to demand the fulfillment of the obligations established in the bidding of the contract, referring to those obligations that have not been paid and/or fulfilled in their entirety.

e. Alpek, a subsidiary of the Company, through Octal, currently has investigations and open cases in relation to:

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

b. Anti-Dumping of PET Sheet:
In July 2019, in response to requests made by PET sheet manufacturers in the US, the ITC and the USDOC initiated an Anti-Dumping investigation on PET sheet imports from Oman, Korea and Mexico, resulting in the imposition of a tariff (percentage on export sales of PET sheet to the US) that is currently 4.74%, which is currently in a review process.

33. SUBSEQUENT EVENTS

In the preparation of the consolidated financial statements, the Company has evaluated the events and transactions for their recognition or disclosure subsequent to December 31, 2022 and until January 31, 2023 (date of issuance of the consolidated financial statements), and except as mentioned below, no significant subsequent events have been identified.

a. During the month of January 2023, Sigma contracted derivative financial instruments to hedge the exchange risk through forward contracts, for a total value of $3,921 (US$201).

b. On January 17, 2023, Axtel announced that it initiated an offer to purchase up to US$75 principal of its 6.375% coupon notes due 2024 ("Senior Notes 2024"). On January 31, 2023, Axtel announced the results of the early offering, where the Senior Notes 2024 offered by the holders and accepted by Axtel was for US$77.7. In connection with this, Axtel is also increasing the previously announced US$75 offer limit to US$120. Axtel has decided to extend the early offer date to February 13, 2023, which is also the expiration date of the offer.

34. AUTHORIZATION TO ISSUE THE CONSOLIDATED FINANCIAL STATEMENTS

On January 31, 2023, the issuance of the accompanying consolidated financial statements was authorized by Alvaro Fernández Garza, Chief Executive Office, Eduardo A. Escalante Castillo, Chief Financial Officer and Juvenal Villarreal Zambrano, Director of Corporate Comptrollership. These consolidated financial statements will be subject to the approval of the Company's Ordinary Stockholders' Meeting.

About this Report

GRI 2-3, 2-4, 2-5, 3-2, 102-54

ALFA's 2022 Annual Report presents financial, operational, corporate governance, labor, social, and environmental (ESG) results from January 1st to December 31st, 2022. The information herein includes ALFA and its Business Units unless otherwise specified. In the case of ESG topics, the data from the Business Units is consolidated with that of the holding company. The social information covers 75% to 100% of the operations of ALFA Corporativo, Alpek, Sigma, and Axtel. As for environmental data, it covers 75% to 100% of the operations of Alpek, Sigma, and Axtel.

The Sustainability section of this report was developed in reference to the updated 2021 GRI standards, where applicable. The sustainability section of this report has not been third-party verified.

For the elaboration of the sustainability section of this report, the Sustainability Accounting Standards Board (SASB) standards indicators applicable to the industries of the Business Units were considered. These are linked to GRI requirements and supported Sustainable Development Goals.

SASB CODE	SASB INDUSTRY CLASSIFICATION	BUSINESS UNIT
FB-MP	Meat, poultry and dairy	Sigma
FB-FR	Food retailers and distributors	Sigma
FB-PF	Processed foods	Sigma
RT-CH	Chemicals	Alpek
TC-SI	Software and IT services	Axtel

Furthermore, information is reported based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in the thematic areas of governance, strategy, risk management, metrics, and objectives. The main advancements in 2022 were in the Governance dimension, as well as Objectives and Metrics, through the definitions made by the Business Units. The ESG index table specifies the recommendations of this methodology that are being reported.

Below is a summary of progress on TCFD recommendations.

TCFD DIMENSION	TCFD RECOMMENDATIONS	PROGRESS
Governance	a) Board function in assessing and managing climate change-related risks and opportunities. b) Board oversight of climate change-related risks and opportunities.	The Internal Audit department periodically reports ESG (Environmental, Social, and Governance) issues to ALFA's Board of Directors' Audit Committee. In 2022, reports included the establishment of goals at the Business Units to combat climate change, among other programs, and progress updates.
Strategy	a) Short-, medium-, and long-term climate change-related risks and opportunities identified. b) Impact of climate change-related risks and opportunities on the organization's business, strategy, and financial planning. c) Resilience of the organization's strategy, considering different scenarios, including a 2°C or lower scenario.	**Alpek** has received approval from SBTi for its emissions reduction targets. It has begun establishing metrics to achieve its goals in line with the Paris Agreement. It has conducted at least four sessions with the ESG committees of its Business Units. **Sigma** has made progress towards its climate change goals for 2025 and submitted its emissions reduction targets to SBTi for approval, which is still ongoing. **Axtel** updated its Materiality Analysis and created the Sustainability Steering and Operational Committees.
Risks and opportunities identification and management	a) Organization processes to identify and evaluate climate change-related risks. b) Organization processes to manage climate change-related risks. c) Integration of processes to identify, evaluate, and manage climate change-related risks into the organization's overall risk management.	Periodical ESG issues reports from the Internal Audit department to ALFA's Board of Director's Audit Committee have been determined. The Business Units strengthened their process of identifying environmental risk and opportunity within their business strategies.
Targets and Metrics	a) Organization metrics used to evaluate climate change-related risks and opportunities in line with its risk management processes and strategy. b) Scopes 1 and 2, and if necessary, Scope 3 greenhouse gas (GHG) emissions, and related risks. c) Organization targets used to manage climate change-related risks and opportunities and performance compared to targets.	**Alpek, Sigma,** and **Axtel** have established specific goals and metrics for environmental stewardship, and set timelines for achieving them. In some cases, progress has been made, such as Sigma, which achieved a 62.5% usage of cleaner or renewable energy in its operations. Alpek obtained approval of its emissions reduction targets from the Science Based Target initiative; Sigma is in the process of obtaining it.

GRI content index

STATEMENT OF USE	ALFA has reported the information cited in this GRI content index for the period from January 1st to December 31st, 2022, with reference to the GRI Standards.
GRI 1	GRI 1: Foundation 2021

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 2: General Disclosures 2021	2-1 Organizational details	www.alfa.com.mx			
	2-2 Entities included in the organization's sustainability reporting	For environmental information: Sigma, Alpek and Axtel. For employment information: Sigma Alpek Axtel ALFA Corporate Alliax ALFA Fundación			
	2-3 Reporting period, frequency and contact point	The reporting period is from January 1st to December 31st, 2022. The reporting frequency is annual. Contact: comunicacion@alfa.com.mx			
	2-4 Restatements of information	It is specified throughout the document. See the "About this report" section, page 200			
	2-5 External assurance	This report is not externally verified.			
	2-6 Activities, value chain and other business relationships	Pages 3, 6, 30, 33, 34, 37, 38, 39 44, 68 and 69.	Value chain involvement		Goal 12: Responsible consumption and production
	2-7 Employees	Page 46.	Employee well-being, safety, and development		Goal 5: Gender equality Goal 8: Decent work and economic growth Goal 10: Reduced inequalities
	2-8 Workers who are not employees	Not applicable			
	2-9 Governance structure and composition	Page 80 to 83.	Corporate governance with a sustainable approach	TCFD: a) Governance	

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 2: General Disclosures 2021	2-10 Nomination and selection of the highest governance body	Pages 78 - 83.	Corporate governance with a sustainable approach		
	2-11 Chair of the highest governance body	Page 80.	Corporate governance with a sustainable approach		
	2-12 Role of the highest governance body in overseeing the management of impacts	Pages 43, 78 and 79.	Corporate governance with a sustainable approach	TCFD: a) Governance	
	2-13 Delegation of responsibility for managing impacts	Pages 43, 78 and 79.	Corporate governance with a sustainable approach ESG strategy and risk management	TCFD: a) Governance	
	2-14 Role of the highest governance body in sustainability reporting	Each of the corresponding departments is responsible for carrying out an exhaustive review of the sections and information included in this Report: Human Capital, Labor, Sustainability, Audit, Compliance, etc. It is essential that each section of the Report is thoroughly evaluated and analyzed, in order to ensure that the results presented are accurate, relevant and consistent with corporate strategy and policies.	ESG strategy and risk management	TCFD: a) Governance	
	2-15 Conflicts of interest	Page 41. Complement: ALFA has a Conflict of Interest Policy for its Board members and collaborators. This policy establishes that the Board members' responsibilities and duties are governed by the Mexican Securities Market Law (LMV), applicable in Mexico to securities issuers, considering the Mexican Stock Exchange Community's Code of Ethics, Code of Best Corporate Practices, and the BMV's internal regulations. Pursuant to the LMV, Board members have a duty of diligence, so they must always act in good faith and in the company's best interest. Board members must maintain confidentiality with respect to company's information and/or matters of a public nature, as well as abstain from participating and being present in the deliberation and voting on matters that represent a conflict of interest. By policy, those Board members who may have a conflict of interest in the decision on any matter must inform the Chairman and other members of this, as well as refrain from participating in rdiscussions and voting relevant to said issue in meetings. In the case of collaborators, ALFA's policy states that they must avoid any situation in which their interests differ from those of the company. All employees who may have interests or relationships with current or potential suppliers or customers must inform their immediate supervisor of this.	Corporate governance with a sustainable approach Transparency, reliability, and investor relations		Goal 16: Peace, justice and strong institutions

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 2: General Disclosures 2021	2-16 Communication of critical concerns	Page 78 and 79.	ESG strategy and risk management	TCFD: a) Governance c) Risk Management	
	2-17 Collective knowledge of the highest governance body	The relevant advances in Sustainability strategy are presented to the Audit Committee of the Board of Directors. The Business Units manage internally before their own committees, their General Management and Corporate Directors.	Corporate governance with a sustainable approach		Goal 16: Peace, justice and strong institutions
	2-18 Evaluation of the performance of the highest governance body	This information is available in the ESG Booklet 2022.	Corporate governance with a sustainable approach		
	2-22 Statement on sustainable development strategy	Pages 11, 12, and 29-32.	ESG strategy and risk management		
	2-23 Policy commitments	Pages 8 to 12, 31, 47.	ESG strategy and risk management		
	2-24 Embedding policy commitments	Pages 30, 36.	ESG strategy and risk management		
	2-25 Processes to remediate negative impacts	Pages 68 to 77.	ESG strategy and risk management		
	2-26 Mechanisms for seeking advice and raising concerns	Page 42.			
	2-27 Compliance with laws and regulations	All of ALFA's Business Units comply with the regulations established for the types of industries they participate in.			
	2-28 Membership associations	Page 58.			Goal 17: Partnerships for the goals
	2-29 Approach to stakeholder engagement	Page 35.			
	2-30 Collective bargaining agreements	27% of the population is under a collective bargaining agreement	Human rights, Diversity, Equity, and Inclusion (DEI)		Goal 8: Decent work and economic growth
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Page 33.	ESG strategy and risk management		
	3-2 List of material topics	Page 33.	ESG strategy and risk management		
	3-3 Management of material topics	Pages 37 to 40.	ESG strategy and risk management		

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Pages 4 and 5. See the 4Q22 Report: https://www.alfa.com.mx/wp-content/uploads/2023/03/ALFA4Q22Results_2.pdf			Goal 8: Decent work and economic growth
	201-2 Financial implications and other risks and opportunities due to climate change	The most important opportunity for ALFA related to climate change is the adoption of a circularity approach in operations, which the Business Units are already implementing.	ESG strategy and risk management Climate change strategy: energy efficiency and emissions		
	201-3 Defined benefit plan obligations and other retirement plans	Pages 48 to 52.	Employee well-being, safety, and development		
	201-4 Financial assistance received from government	ALFA does not receive financial assistance from any government.			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Pages 59 to 66.	Social impact		
	203-2 Significant indirect economic impacts	Pages 59 to 66.	Social impact		Goal 11: Sustainable cities and communities
GRI 204: Procurement Practices 2016 **S&P CSA 1.5**	204-1 Proportion of spending on local suppliers	Page 44.	Value chain involvement		Goal 12: Responsible consumption and production
GRI 205: Anticorruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Page 42.	Transparency, reliability, and investor relations		Goal 16: Peace, justice and strong institutions
	205-3 Confirmed incidents of corruption and actions taken	Page 42.	Transparency, reliability, and investor relations		Goal 16: Peace, justice and strong institutions
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None in 2022.	Transparency, reliability, and investor relations		Goal 16: Peace, justice and strong institutions
GRI 207: Tax 2019	207-1 Approach to tax	This information is available in the ESG Booklet 2022. View Sigma's Tax Policy at: https://sustainability.sigma-alimentos.com/wp-content/uploads/2022/11/FIN-PG-Tax-001-Oct22.pdf	Transparency, reliability, and investor relations		

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 207: Tax 2019	207-2 Tax governance, control, and risk management	This information is available in the ESG Booklet 2022. View Sigma's Tax Policy at: https://sustainability.sigma-alimentos.com/wp-content/uploads/2022/11/FIN-PG-Tax-001-	Transparency, reliability, and investor relations		
	207-3 Stakeholder engagement and management of concerns related to tax	This information is available in the ESG Booklet 2022.	Transparency, reliability, and investor relations		
	207-4 Country-by-country reporting	Not reported in this manner.	Transparency, reliability, and investor relations		
GRI 301: Materials 2016	301-1 Materials used by weight or volume	This information is available in the ESG Booklet 2022.	Circularity approach	FB-PF-410a.1	Goal 12: Responsible consumption and production
	301-2 Recycled input materials used	Pages 76 and 77.	Circularity approach	FB-PF-410a.1	Goal 12: Responsible consumption and production
	301-3 Reclaimed products and their packaging materials	It was not necessary to reclaim any products from any of ALFA's subsidiaries during 2022.	Circularity approach	FB-PF-410a.1	Goal 12: Responsible consumption and production
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 71.	Climate change strategy: energy efficiency and emissions	FB-PF-130a.1 FB-MP-130a.1 FB-FR-130a.1 TC-SI-130a.1 TC-TL-130a.1 TCFD: a) Governance b) Strategy c) Risk Management	Goal 7: Affordable and clean energy Goal 8: Decent work and economic growth Goal 12: Responsible consumption and production Goal 13: Climate action
	302-2 Energy consumption outside of the organization	Page 71.	Climate change strategy: energy efficiency and emissions		Goal 7: Affordable and clean energy Goal 8: Decent work and economic growth Goal 12: Responsible consumption and production Goal 13: Climate action

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 302: Energy 2016	302-3 Energy intensity	Page 71.	Climate change strategy: energy efficiency and emissions		Goal 7: Affordable and clean energy Goal 8: Decent work and economic growth Goal 12: Responsible consumption and production Goal 13: Climate action
	302-4 Reduction of energy consumption	Page 71 and 72.	Climate change strategy: energy efficiency and emissions		Goal 7: Affordable and clean energy Goal 8: Decent work and economic growth Goal 12: Responsible consumption and production Goal 13: Climate action
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Page 74 and 75.	Water management		Goal 6: Clean water and sanitation Goal 8: Decent work and economic growth Goal 12: Responsible consumption and production
	303-2 Management of water discharge- related impacts	All of ALFA's Business Units comply with the regulations established for their water discharge practices.	Water management		Goal 6: Clean water and sanitation Goal 8: Decent work and economic growth Goal 12: Responsible consumption and production

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	Page 74.	Water management	RT-CH-140a.1 FB-MP-140a.1 FB-PF-140a.1	Goal 6: Clean water and sanitation Goal 8: Decent work and economic growth Goal 12: Responsible consumption and production
	303-4 Water discharge	Page 74.	Water management	RT-CH-140a.1 FB-MP-140a.3 FB-PF-140a.3	Goal 6: Clean water and sanitation Goal 8: Decent work and economic growth Goal 12: Responsible consumption and production
	303-5 Water consumption	Page 74.	Water management	RT-CH-140a.1 TC-SI-130a.2	Goal 6: Clean water and sanitation Goal 8: Decent work and economic growth Goal 12: Responsible consumption and production
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None of ALFA's operations are located within or adjacent to protected areas or areas of high biodiversity value outside of protected areas.			Goal 6: Clean water and sanitation Goal 14: Life below water Goal 15: Life on land
	304-2 Significant impacts of activities, products and services on biodiversity	The Business Units are in the process of adopting a circularity approach in their operations to minimize their impacts on the environment and biodiversity.			Goal 6: Clean water and sanitation Goal 14: Life below water Goal 15: Life on land
	304-3 Habitats protected or restored	None.			Goal 6: Clean water and sanitation Goal 14: Life below water Goal 15: Life on land

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 304: Biodiversity 2016	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	No IUCN Red List species or national conservation list species are affected by ALFA's operations.			Goal 6: Clean water and sanitation Goal 14: Life below water Goal 15: Life on land
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Page 73. Sigma and Alpek are aligning their targets to SBTi criteria, using the GHG Protocol Corporate and Corporate Value Chain (scope 3) Accounting and Reporting Standards. According to GHG Standards, ALFA holds a Financial Control Approach.	Climate change strategy: energy efficiency and emissions	RT-CH-110a.1 RT-CH-120a.1 FB-MP-110a.1 TCFD: a) Governance b) Strategy d) Goals and metrics	Goal 3: Good health and well-being Goal 12: Responsible consumption and production Goal 13: Climate action Goal 14: Life below water Goal 15: Life on land
	305-2 Energy indirect (Scope 2) GHG emissions	Page 73. Sigma and Alpek are aligning their targets to SBTi criteria, using the GHG Protocol Corporate and Corporate Value Chain (scope 3) Accounting and Reporting Standards. According to GHG Standards, ALFA holds a Financial Control Approach.	Climate change strategy: energy efficiency and emissions	RT-CH-110a.1 RT-CH-120a.1 TCFD: d) Goals and metrics	Goal 3: Good health and well-being Goal 12: Responsible consumption and production Goal 13: Climate action Goal 14: Life below water Goal 15: Life on land
	305-3 Other indirect (Scope 3) GHG emissions	This information is available in the ESG Booklet 2022.	Climate change strategy: energy efficiency and emissions	TCFD: d) Goals and metrics	Goal 3: Good health and well-being Goal 12: Responsible consumption and production Goal 13: Climate action Goal 14: Life below water Goal 15: Life on land

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 305: Emissions 2016	305-4 GHG emissions intensity	Page 73.	Climate change strategy: energy efficiency and emissions		Goal 3: Good health and well-being Goal 12: Responsible consumption and production Goal 13: Climate action Goal 14: Life below water Goal 15: Life on land
	305-5 Reduction of GHG emissions	Page 73.	Climate change strategy: energy efficiency and emissions	FB-MP-110a.2 TCFD: b) Strategy d) Goals and metrics	Goal 3: Good health and well-being Goal 12: Responsible consumption and production Goal 13: Climate action Goal 14: Life below water Goal 15: Life on land
	305-6 Emissions of ozone-depleting substances (ODS)	This information is available in the ESG Booklet 2022.	Climate change strategy: energy efficiency and emissions		Goal 3: Good health and well-being Goal 12: Responsible consumption and production Goal 13: Climate action Goal 14: Life below water Goal 15: Life on land
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	This information is available in the ESG Booklet 2022.	Climate change strategy: energy efficiency and emissions		Goal 3: Good health and well-being Goal 12: Responsible consumption and production Goal 13: Climate action Goal 14: Life below water Goal 15: Life on land

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	The Business Units are in process of identifying these impacts. Alpek worked on the development of a Life Cycle Analysis procedure to identify its products' environmental impacts over time, which allows it to determine mitigation actions. Sigma is in process of evaluating the use of recycled PET in its packaging.			Goal 3: Good health and well-being Goal 12: Responsible consumption and production
	306-2 Management of significant waste- related impacts	By the end of 2022, Alpek was capable of producing 268,000 tons of recycled PET, which mitigates the impact of PET waste. Sigma is increasing the recycled PET content in some of its products' packaging to 60-80%.			Goal 3: Good health and well-being Goal 12: Responsible consumption and production
	306-3 Waste generated	This information is available in the ESG Booklet 2022.			Goal 3: Good health and well-being Goal 12: Responsible consumption and production
	306-4 Waste diverted from disposal	This information is available in the ESG Booklet 2022.			Goal 3: Good health and well-being Goal 12: Responsible consumption and production
	306-5 Waste directed to disposal	This information is available in the ESG Booklet 2022.			Goal 3: Good health and well-being Goal 12: Responsible consumption and production
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Page 44.	Value chain involvement		Goal 8: Decent work and economic growth Goal 12: Responsible consumption and production
	308-2 Negative environmental impacts in the supply chain and actions taken	The Business Units are in the process of identifying these impacts. Sigma started working on 145 suppliers' CDP assessments in 2022. These suppliers represented 35% of the company's purchases during the year. The results on negative impacts identified have not been obtained yet. Based on these results, relevant action plans will be generated.	Value chain involvement		Goal 8: Decent work and economic growth Goal 12: Responsible consumption and production

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	This information is available in the ESG Booklet 2022.	Employee well-being, safety, and development		Goal 5: Gender equality Goal 8: Decent work and economic growth
	401-3 Parental leave	All ALFA employees have access to parental leave.	Human rights, Diversity, Equity, and Inclusion (DEI)		Goal 5: Gender equality Goal 8: Decent work and economic growth
GRI 402: Labor Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Two weeks.			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Pages 51, 52.	Employee well-being, safety, and development		Goal 3: Good health and well-being Goal 8: Decent work and economic growth
	403-2 Hazard identification, risk assessment, and incident investigation	The risk identification process for Business Units is based on international methodologies such as OSHA (Occupational Safety and Health Administration), ISO 14001 (Environmental Management System), or the country's own, and involves several steps. Generally speaking, the first step is to identify potential hazards in the workplace, such as physical, chemical, biological, or ergonomic hazards. The next step is to determine the workers' potential exposure to these hazards. Then, the likelihood and severity of harm that could result from exposure to these identified hazards is assessed. Finally, measures are implemented to control the identified hazards, such as engineering controls, administrative controls, or the use of personal protective equipment. Likewise, we identify the environmental aspects of the organization's activities, products, and services that could have a significant impact on the environment. Lastly, measures are implemented to control identified risks, such as pollution prevention measures, waste reduction initiatives, and environmental training programs.	Employee well-being, safety, and development		Goal 3: Good health and well-being Goal 8: Decent work and economic growth
	403-3 Occupational health services	Pages 51, 52.	Employee well-being, safety, and development	RT-CH-320a.1	Goal 3: Good health and well-being Goal 8: Decent work and economic growth
	403-4 Worker participation, consultation, and communication on occupational health and safety	ALFA's facilities have health and safety committees made up of employees where feedback sessions on operational safety measures are held.	Employee well-being, safety, and development		Goal 3: Good health and well-being Goal 8: Decent work and economic growth

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 403: Occupational Health and Safety 2018	403-5 Worker training on occupational health and safety	Page 52.	Employee well-being, safety, and development		Goal 3: Good health and well-being Goal 8: Decent work and economic growth
	403-6 Promotion of worker health	Page 52.	Employee well-being, safety, and development		Goal 3: Good health and well-being Goal 8: Decent work and economic growth
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	The Business Units provide the necessary training, equipment, and measures to safeguard their employees' health.	Employee well-being, safety, and development		Goal 3: Good health and well-being Goal 8: Decent work and economic growth
	403-8 Workers covered by an occupational health and safety management system	All of ALFA's subsidiaries have various health and safety management systems in accordance with the regulations of the country in which they operate, such as OSHA, ISO 45001, etc. 100% of Scope 1 collaborators are covered by these management systems in health and safety areas.	Employee well-being, safety, and development		Goal 3: Good health and well-being Goal 8: Decent work and economic growth
	403-9 Work-related injuries	Page 51.	Employee well-being, safety, and development		Goal 3: Good health and well-being Goal 8: Decent work and economic growth
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 52.	Employee well-being, safety, and development Human rights, diversity, equity, and inclusion (DEI)		Goal 3: Good health and well-being Goal 8: Decent work and economic growth
	404-2 Programs for upgrading employee skills and transition assistance programs	Page 52.	Employee well-being, safety, and development Human rights, diversity, equity, and inclusion (DEI)		Goal 3: Good health and well-being Goal 8: Decent work and economic growth
	404-3 Percentage of employees receiving regular performance and career development reviews	Executives receive this type of evaluations on a mandatory basis. For other organizational levels, a feedback culture is promoted through various media and communications campaigns.	Employee well-being, safety, and development Human rights, diversity, equity, and inclusion (DEI)		Goal 3: Good health and well-being Goal 8: Decent work and economic growth

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Page 46.	Human rights, Diversity, Equity, and Inclusion (DEI)		Goal 5: Gender equality Goal 8: Decent work and economic growth
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	13% of complaints received in the Transparency Mailbox were classified as inappropriate treatment of collaborators. 100% of the complaints were dealt with and/or are in process of being investigated.	Human rights, Diversity, Equity, and Inclusion (DEI)		Goal 5: Gender equality Goal 8: Decent work and economic growth
GRI 407: Freedom of Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	There are no such risks in ALFA's operations, and to date, no suppliers have been identified with such risks.	Human rights, Diversity, Equity, and Inclusion (DEI)		Goal 8: Decent work and economic growth
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	There are no such risks in ALFA's operations, and to date, no suppliers have been identified with such risks.	Human rights, Diversity, Equity, and Inclusion (DEI)		Goal 8: Decent work and economic growth
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	There are no such risks in ALFA's operations, and to date, no suppliers have been identified with such risks.	Human rights, Diversity, Equity, and Inclusion (DEI)		Goal 8: Decent work and economic growth
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Each Business Unit periodically trains its employees and security personnel.	Human rights, Diversity, Equity, and Inclusion (DEI)		Goal 8: Decent work and economic growth
GRI 411: Rights of Indigenous People 2016	411-1 Incidents of violations involving rights of indigenous peoples	There were no such incidents.	Social impact		Goal 2: Zero hunger
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Pages 65, 66.	Social impact		Goal 1: No poverty Goal 2: Zero hunger Objetivo 10: Reduced inequalities
	413-2 Operations with significant actual and potential negative impacts on local communities	Pages 65, 66.	Social impact		Goal 1: No poverty Goal 2: Zero hunger Objetivo 10: Reduced inequalities

GRI STANDARD	CONTENT	LOCATION OR RESPONSE	MATERIAL ISSUE	LINK WITH SASB AND/OR TCFD	LINK WITH SDGS
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Page 44.	Value chain involvement		Goal 5: Gender equality Goal 8: Decent work and economic growth Goal 16: Peace, justice and strong institutions
	414-2 Negative social impacts in the supply chain and actions taken	Sigma has started working on these assessments and will implement action plans once impacts are identified.	Value chain involvement		Goal 5: Gender equality Goal 8: Decent work and economic growth Goal 16: Peace, justice and strong institutions
GRI 415: Public Policy 2016	415-1 Political contributions	ALFA does not make any contributions to political parties.			Goal 16: Peace, justice and strong institutions
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	All Business Units carry out product safety evaluations on an ongoing basis.	Value chain involvement Social impact		
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	None.	Value chain involvement Social impact		
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labeling	Indicator applies to Sigma (subsidiary). Sigma complies with all national and international regulations with respect to this topic.	Social impact		
	417-2 Incidents of non-compliance concerning product and service information and labeling	None.	Social impact	FB-FR-270a.1	
	417-3 Incidents of non-compliance concerning marketing communications	None.	Social impact		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	None.		FB-FR-230a.1 TC-SI-220a.3 TC-TL-220a.3	Goal 16: Peace, justice and strong institutions

Glossary

CAPROLACTAM
Raw material derived from petroleum used for the production of nylon.

CLOUD SERVICES
Business model where applications are accessed via the Internet and are not physically at the customer's premises.

DIRECT EMISSIONS (SCOPE 1)
Greenhouse gas (GHG) emissions from sources directly owned or controlled by the company.

EXPANDABLE POLYSTYRENE
Thermoplastic used for thermal insulation and packaging.

INDEPENDENT BOARD MEMBER
Does not own shares and is not related to the day-to-day administration of the company.

INDEPENDENT PROPRIETARY BOARD MEMBER
Owns shares but is not related to the day-to-day administration of the company.

INDIRECT EMISSIONS (SCOPE 2)
Greenhouse gas (GHG) emissions from the generation of electricity, steam, heating and cooling purchased and consumed by the company.

NPS
Net Promoter Score, better known by its acronym NPS, is a tool that proposes to measure the loyalty of a company's customers based on recommendations.

PET (POLYETHYLENE TEREPHTHALATE)
Plastic resin used mainly in the production of containers.

POLYESTER
Plastic resin that is used in the production of textile fibers, films and packaging.

POLYPROPYLENE
Derived from propylene, used in the production of plastics and fibers, among others.

PTA (PURIFIED TEREPHTALIC ACID)
Raw material used for the production of polyester.

rPET
Recycled PET.

SCALEUPS
Companies that started their activity as startups but that intend to expand, reach new markets, new customers and improve their products to make them modern and innovative.

SYSTEMS INTEGRATION
Service practice that consists of designing and building custom computing solutions, combining and connecting hardware and/or software products from one or more manufacturers.

STARTUPS
Newly created and technology-based company.

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