alfa

ANNUAL REPORT 2023

CONTENTS

5 Financial Highlights
6 Business Groups
7 Presence
8 Letter to Shareholders
15 Sigma
23 Alpek
29 Axtel
31 Sustainability
35 Corporate Governance
53 Board of Directors
56 Management Team
57 Our People
69 Community
81 Environment
95 Innovation
99 Consolidated Financial Statements
206 Glossary

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. Its diversified portfolio includes more than 100 brands and operates in four main regions: Mexico, Europe, the U.S., and Latin America.

ALPEK

Leading petrochemical company in the Americas in the production of Polyester (PTA, PET resin & sheet, and recycled PET), as well as one of the main manufacturers of Expandable Polystyrene (EPS). Only producer of Polypropylene (PP) in Mexico.

GRI 2-6, 201-1

Revenues

US $16.4

billion
($291,208 Million)

EBITDA [1]

US $1.4

billion
($24,784 Million)

[1] EBITDA = Operating income, plus depreciation and amortization, plus impairments.
NOTE: All consolidated financial figures for 2023, 2022, 2021 and 2020 exclude Axtel, unless otherwise specified.

GRI 2-6, 201-1

Financial Higlights

ALFA AND SUBSIDIARIES	MXN $ MILLION			US $ MILLION [4]		
	2023	2022	% VAR.	**2023**	2022	% VAR.
Income Statement						
Net Income	**291,208**	363,864	(20)	16,388	18,085	(9)
Operating Income	**3,113**	32,505	(90)	149	1,608	(91)
Majority Net Income	**(12,250)**	11,723	(204)	(711)	578	(223)
Majority Net Income per Share[1] (MXN $ & US $)	**(2.55)**	2.42	(205)	(0.15)	0.12	(225)
EBITDA[2]	**24,784**	42,021	(41)	1,391	2,082	(33)
Balance Sheet						
Total Assets	**209,032**	275,447	(24)	12,374	14,227	(13)
Total Liabilities	**177,268**	217,659	(19)	10,493	11,242	(7)
Total Consolidated Stockholders' Equity	**31,764**	57,788	(45)	1,880	2,985	(37)
Majority Interest	**22,083**	41,941	(47)	1,307	2,166	(40)
Book Value per Share[3] (MXN $ & US $)	**4.58**	8.63	(47)	0.27	0.45	(40)

NOTE: In this annual report, monetary figures are expressed in nominal Mexican pesos (MXN $) and in nominal dollars (USD $), 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 2023 and 2022 are expressed in nominal terms.

[1] Based on the weighted average number of thousands of outstanding shares (4'818,823,020 in 2023 and 4'859,105,750 in 2022).

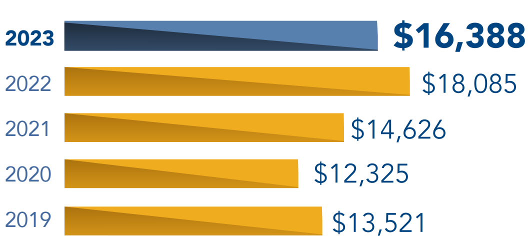
[2] EBITDA = Operating income, plus depreciation and amortization, plus impairments.

[3] Based on the number of thousands of outstanding shares (4'818,823,020 in 2023 and 4'859,105,750 in 2022).

[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.

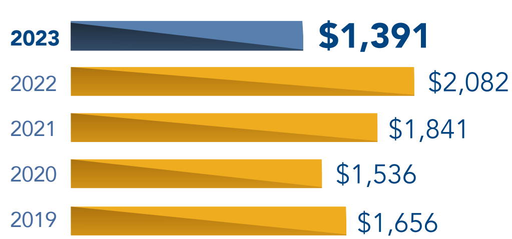
REVENUES

US $ Million



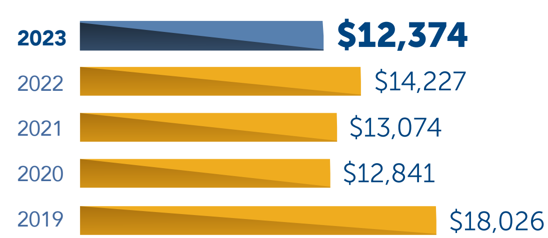
EBITDA

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

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

FOOD PRODUCTS

FINANCIAL HIGHLIGHTS

REVENUES: US $8,505 MILLION
EBITDA: US $893 MILLION

MAIN PRODUCTS

- Cooked meats: ham, sausage, bacon, pork sausage, among others.
- Aged meats: serrano, prosciutto, salami, fuet, among others.
- Dairy products: yogurt, cheese, among others.
- Others: snacks, prepared foods, non-perishable products, refrigerated, frozen, beverages, plant-based products, drinks, among others.

PRESENCE:
17 countries

FACILITIES:
64 and 179 distribution centers

POINTS OF SALE/ CUSTOMERS:
680,000+

PERSONNEL
46,315

PETROCHEMICALS

FINANCIAL HIGHLIGHTS

REVENUES: US $7,759 MILLION
EBITDA: US $514 MILLION

MAIN PRODUCTS

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

PRESENCE:
9 countries

FACILITIES:
35

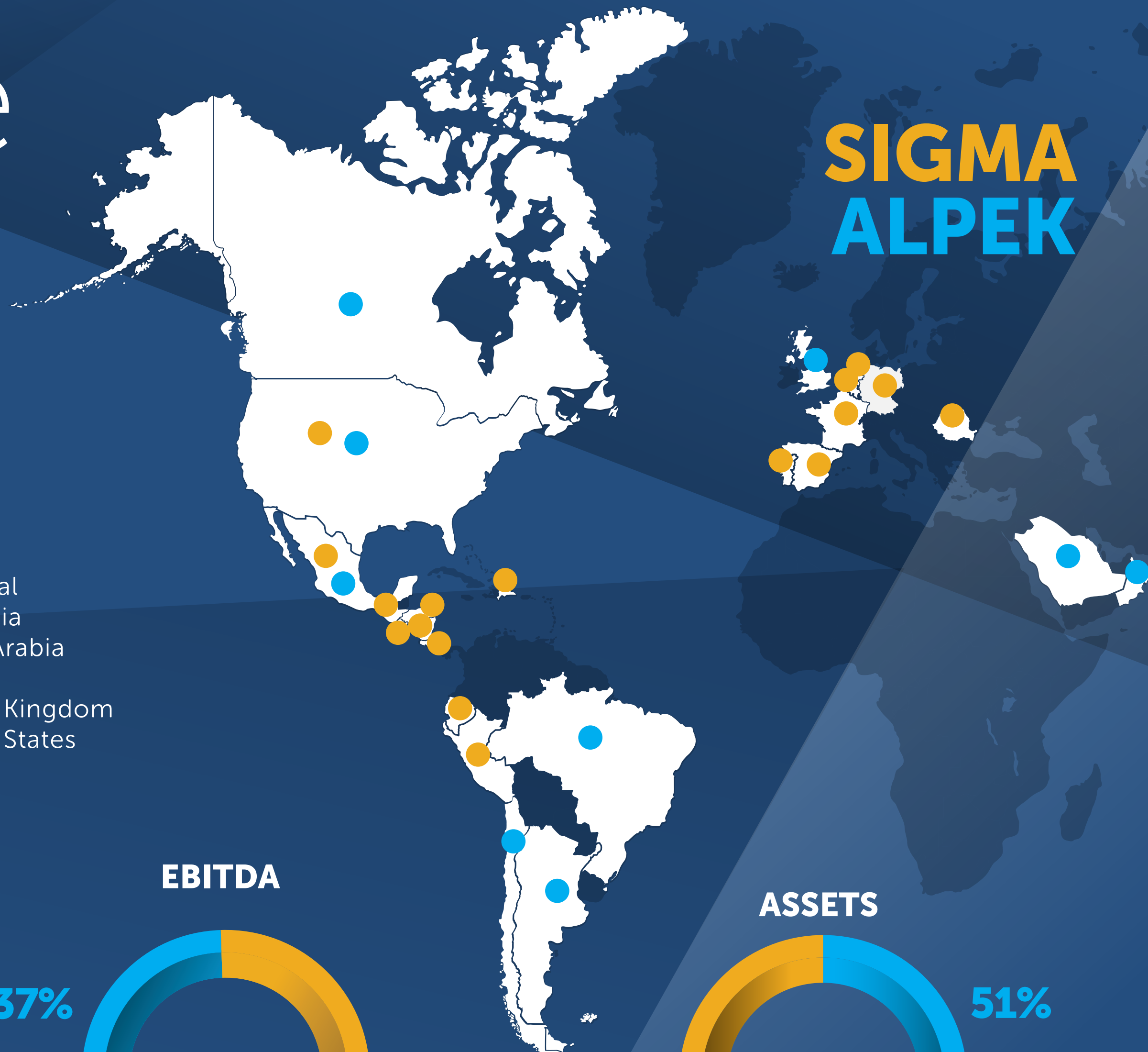
PERSONNEL
5,930

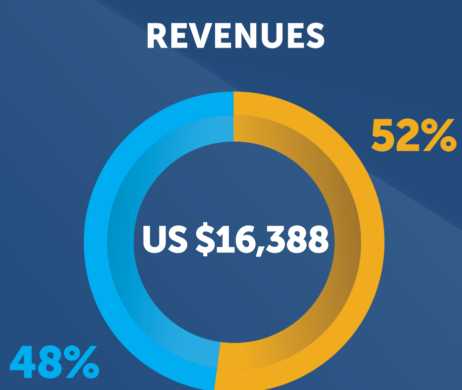
GRI 2-6

Presence

ALFA IS PRESENT IN 24 COUNTRIES AND OPERATES 99 PLANTS IN 20 OF THEM.

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





Note: Contribution ratios exclude Axtel, Newpek and others.

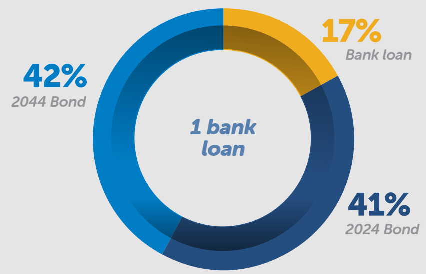
Transformation Plan

Since 2020, one of ALFA's strategic priorities has been its Transformation Plan, focused on unlocking the Company's fair value potential through the efficient simplification of its corporate structure. This gradual and orderly process contemplates:

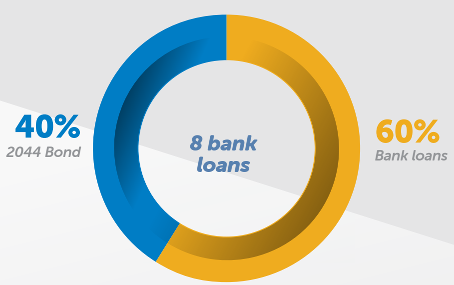
1 Ensure a solid financial position

Debt refinancing and reduction

ALFA Holding – Debt by Instrument
4Q22: US $1,200 million



ALFA Holding – Debt by Instrument
4Q23: US $1,250 million



2 Strengthen the businesses

Acquisitions

Sigma
- Los Altos (Cheese) 2023
- Iowa (Cold cuts) 2023

Alpek
- OCTAL (PET resin & sheet) 2022
- CarbonLITE (rPET) 2021
- Nova Chemicals (Styrenics) 2020

Footprint optimization

Sigma
- Italy divestment
- Europe functions restructuring

Alpek
- Divestment in Cooper River (U.S.) and Akra Poliéster (Mexico)
- Temporary pause in construction at Corpus Christi (U.S.)

Innovación

Sigma
- Growth Business Unit

Alpek
- New product lines (organic fertilizers)

3 Improve business independence

Corporate structure simplification

Nemak
Spin-off 2020

axtel
Spin-off 2023

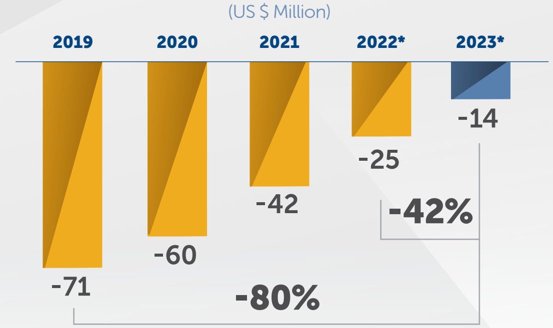
Consolidation of senior-level roles at ALFA

2020 pre-transformation	2024 post-succession plans
9 EXECUTIVES	4 EXECUTIVES

ALFA Chairman and Senior Executives

Corporate expenses reduction

Consolidated ALFA EBITDA minus Operating subsidiaries[1]
(US $ Million)



1 - Operating subsidiaries: Alpek, Sigma, Axtel and Newpek
*Axtel reported as discontinued operations in 2022 and 2023

GRI 2-22, 2-23

Letter to shareholders

ARMANDO GARZA SADA
Charmain of the Board

ÁLVARO FERNÁNDEZ GARZA
President

42%
reduction in corporate expenses during 2023, compared to 2022

Dear Shareholders:

We hope you and your families are well. The progress made in transforming ALFA, outstanding performance at Sigma, and the challenging conditions facing the petrochemicals industry, are signs of the contrasts the Group experienced in 2023.

ALFA completed another transformational step by spinning off its share ownership in Axtel, which is now the Company's second independent business. The spin-off simplifies ALFA's corporate structure even further, while all of its shareholders received shares in Controladora Axtel. ALFA's portfolio now comprises two businesses: Sigma and Alpek, although its investors benefit from their stake in the three separate entities of ALFA, Nemak, and Controladora Axtel.

As an independent business, Axtel maintains its unique position for capitalizing on attractive growth opportunities, making use of its valuable fiber optic network, and its abilities to provide managed information technology and communication solutions.

ALFA continued transferring corporate capabilities to its subsidiaries as the business portfolio is simplified. This important part of the transformation process has contributed to a reduction of more than 80% in corporate expenses, from 2019 to the close of 2023.

Reducing debt is an important variable in ALFA's evolution towards independent businesses. However, deleverage takes time. Thus, refinancing the US $500 million bond due in 2024 through multiple long-term bank loans was significant. Unlike the bond, the new loans offer greater flexibility in terms of amount and timing for future debt repayments.

Regarding capital allocation, ALFA has maintained a balanced approach to ensure a solid financial position in all stages of the process. Dividend payments were reduced in 2023, with respect to the prior year, and share buybacks were suspended.

Progress on corporate structure simplification: spin-off of ALFA's stake in Axtel, corporate expenses optimization and succesion planning for senior-level roles

ALFA also advanced with its succession plans for the positions of Chairman of the Board and Senior Counsel, through orderly transition processes that complement corporate simplification efforts.

In conjunction with the transformation process driving the independence of the businesses, ALFA continues to encourage its Subsidiaries to develop and implement strategies to work on their material topics in terms of best sustainability practices (ESG), which will be detailed in their respective sections.

ALFA participates in evaluations of more than 10 regional and global benchmark institutions, such as the S&P CSA, MSCI, CDP, and Sustainalytics to identify areas of opportunity with respect to other players in its industry, and to improve its relative level of performance.

It also continues supporting investment for the community via the ALFA Foundation, which promotes social mobility through education. In 2023, the Foundation served 2,219 young people, and now totals more than 160 professionals who have graduated from prestigious national and international universities.

Next, ALFA's annual results summary and the most noteworthy progress of the Subsidiaries, within the context of expanding their individual capabilities.

In 2023, the Company's Revenues and EBITDA reflect a significant decline at Alpek, although this was partially offset by record performance at Sigma. Consolidated Revenues decreased 9% versus 2022, ending the year at US$ 16.388 billion. Consolidated EBITDA was US$ 1.391 billion, with Comparable EBITDA of US$ 1.623 billion, 33% and 20% lower, respectively, compared to record figures in the prior year.

162

ALFA Fundación students graduated from university

SIGMA

Sigma's highest results ever in Mexico, the United States, and Latin America, plus recovery in Europe during the second half of the year, drove growth of 2% in Volume, 15% in Revenues, and 37% in EBITDA, compared to 2022.

Sigma successfully capitalized on solid demand in the Americas, lower costs of certain raw materials, a stronger-than-expected peso-dollar exchange rate, and various operating efficiencies to increase its EBITDA Margin over Sales to 10.5%, against 8.8% in the prior year.

The extraordinary performance in Mexico was driven by high volume growth supported by consumers' higher preferences in all channels and categories. Growth in this region in terms of Volume, Revenues, and EBITDA was 7%, 22%, and 52%, respectively.

Sigma had one of the best years in its history with record results in Volume, Revenues, and EBITDA

There were also positive results in the United States. Volume grew 3% year-over-year, driven mainly by the Hispanic brands business. Revenues and EBITDA were 9% and 21% higher, respectively, compared to the prior year. The region advanced with initiatives to increase capacity, such as the successful start-up of new production lines at the plant in Iowa, acquired in the second quarter of the year. There were also better-than-expected results from the acquisition of Los Altos Foods, based in California, which extended Sigma's geographic coverage along the West Coast, and its presence in the Hispanic cheese category; a market that is valued at approximately US$ 2 billion.

In Europe, the food sector faced new inflationary pressures. However, Sigma continued implementing structural changes to obtain operating efficiencies. Besides the important restructuring of administrative functions in the middle of the year, during the third quarter it divested all its operations in Italy. This marked yet another important step of the comprehensive plan to improve profitability by focusing on the core markets in the region. Revenues and EBITDA in Europe improved during the second half of the year, on the back of the recent initiatives.

7

new business models explored by Sigma's Growth Business Unit

Revenues and EBITDA also increased in Latin America, mainly due to strong results in Costa Rica and the Dominican Republic.

In addition to the positive dynamics in each region, the Growth Business Unit has now been operating for two years, advancing on multiple fronts to create, nurture, launch, and scale up different categories and business models. The objective is to expand the portfolio of products and services, improve ties with entrepreneurs, and cultivate skills to drive long-term growth. This includes new technologies to develop next-generation foods, and to collaborate with strategic partners in alternative proteins and clean-label products.

Snack'In For You® and Better Balance® are two brands from the Growth Business Unit that went through an advanced launch stage during 2023. Snack'In For You® is the new global brand of high-protein, healthy, and delicious snacks; it reached more than 30,000 points of sale in Mexico, the United States, and Europe. Better Balance® is the new global brand of plant protein-based foods. It received the Best!Nfood award for its outreach to consumers, and now has the most widely sold sausage in this category in Spain.

In its Sustainability efforts, Sigma took a big step to ensure that its actions are in line with the Paris Accord to fight climate change. After a rigorous validation process, the Science Based Targets initiative (SBTi) approved Sigma's short-term goals of reducing greenhouse gas effect (GHG) emissions, including an absolute decrease of 20% in Scopes 1 and 2 by 2027. ALFA contributes to a more sustainable future through decarbonization goals approved by the SBTi at Sigma and Alpek.

Sigma also received excellent ratings from the CDP (Climate Disclosure Project), including an "A-" in Supply Chain Involvement, and a "B" in Climate Change, which results are higher than the industry average. Additionally, Sustainalytics raised its rating to "Medium" for progress in integrating ESG criteria in daily decision-making to improve risk management in material topics.

ALPEK

Alpek was focused on maintaining its competitiveness and financial strength, against the backdrop of challenging industry conditions that included:

- Lower reference margins for polyester, polypropylene, and EPS
- Increased imports from Asia to North America, which mainly impacted the PET and EPS businesses
- A higher differential against Asia in costs of raw materials such as paraxylene in North America, which impacted domestic polyester producers.

In light of these headwinds, Alpek reported Volume, Revenues, and Comparable EBITDA that were 8%, 26%, and 47% lower, respectively, than the record numbers obtained in 2022.

As part of the efforts to continuously improve its cost structure, Alpek closed the Cooper River site in South Carolina, and a fiber production plant in Monterrey, Mexico. Together with its business partners, Alpek also decided to pause construction at the Corpus Christi plant in Texas, so it can evaluate optimization alternatives in light of the recent increase in project costs. In accordance with International Financial Reporting Standards (IFRS), Alpek recognized non-cash impairments associated with these three assets, for a total amount of US$ 633 million in 2023.

It is important to highlight Alpek's ability to generate Cash Flow despite the decrease in Revenues and Comparable EBITDA. The optimization of non-essential investments and recovery of Net Working Capital allowed the Company to maintain a robust financial position with year-end Leverage (Net Debt to EBITDA) and Interest Coverage ratios of 3.4 times each.

Another relevant initiative was the successful refinancing of the remaining balance of the bond due in August 2023, through bank loans that included a Sustainability-Linked Loan for US$ 200 million. This is Alpek's first transaction integrating sustainability, thus reaffirming its commitment and progress towards fulfilling its ESG strategy.

The loan includes a price mechanism that encourages progress on two of the Company's main objectives:

- Reducing Scopes 1, 2 and 3 carbon emissions
- Reducing the total recordable incident rate for employees and contractors

The first metric awards Alpek's efforts to reach its GHG emissions-reduction goals, while the second remunerates advances made in fulfilling work safety objectives.

Alpek also signed The Women's Empowerment Principles (WEP) of the United Nations Global Compact and UN Women, underlining its commitment to gender equality. The objective is to continue building a more empowered organization in which all employees can grow, contribute and innovate.

US $200 million

obtained by Alpek through its first sustainability-linked loan

2024 OUTLOOK

In 2024, we celebrate ALFA's 50th anniversary. The evolution, growth, and results over these five decades are present in the current transformation process. Throughout its history, ALFA has been behind leading businesses that today carry on their path as independent enterprises. We also back the abilities that Sigma and Alpek have developed to continue building their own history, and enriching the legacy of being part of ALFA.

Sigma's solid performance helps underpin ALFA's financial flexibility, which is fundamental for completing the Group's transformation. The outlook is favorable to continue achieving good results in the food business, supported by growth initiatives and operating efficiency.

Efforts will continue at Alpek to maximize cash in light of the expected low-cycle industry conditions. Despite its lower EBITDA, our petrochemicals business has a solid balance sheet, and a robust competitive position to operate as an independent entity.

In turn, ALFA will continue actively seeking to accelerate debt reduction at the Corporate level to complement advances at Sigma, and ensure a strong financial position upon a potential Alpek spin-off.

We are very proud of the more than 53,500 employees who are part of the team and execute the initiatives to fulfill the Company's vision. In addition, a special recognition to all those who have been part of our history. It is a privilege to have had so many talented individuals who, throughout their careers, have positively contributed both within and outside of ALFA.

We would like to extend our thanks to our customers, providers, financial institutions, and especially our shareholders for your support and trust.

Armando Garza Sada
Charmain of the Board

Álvaro Fernández Garza
President

Sigma

Drives more than **100 brands** and operates in four main regions: Mexico, Europe, U.S., and Latin America.

Bringing communities everywhere, favorite foods to love

Multinational presence, local favorites

100+ brands

17 countries

680K+ points of sale

1.8M tons of food per year

A HISTORY OF GROWTH AND PROFITABILITY

	NET SALES (US $ B)	COUNTRIES	FACILITIES	EMPLOYEES
National leadership 2000	$0.8	4	8	12,500+
Glocality 2023	$8.5	17	64	46,000+

NET SALES BREAKDOWN

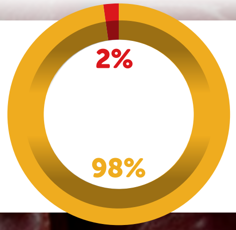
BY GEOGRAPHY

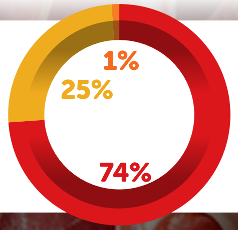
EUROPE · MEXICO · U.S. · LATAM

BY CATEGORY

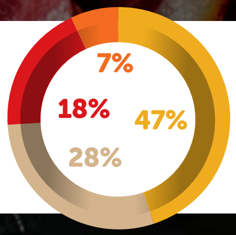
COOKED MEATS · DAIRY · DRY MEATS · OTHER

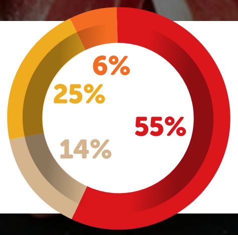
2000





2023





"We position the consumer at the center of everything we do, which translates into innovative and value-driven proposals that drive the Company's growth. We promote execution with excellence that drives operational efficiencies and has allowed us to capitalize on favorable industry conditions."

Rodrigo Fernández
CEO of Sigma

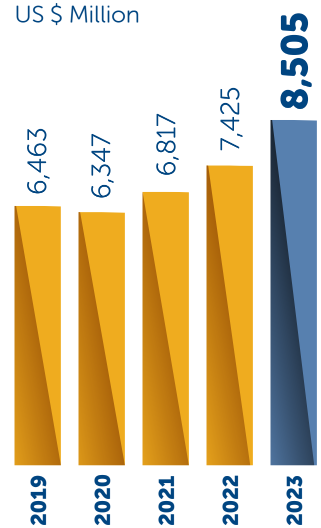
SIGMA 2023 PROGRESS

1,950+

new products launched in the last 36 months.

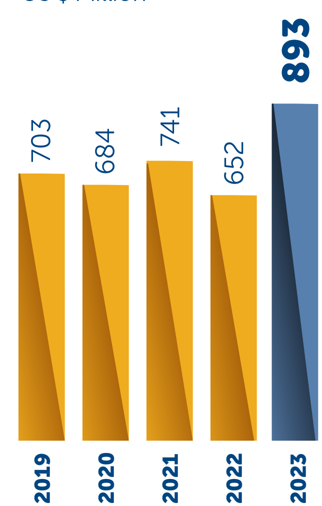
Revenues

US $ Million



EBITDA

US $ Million



10.5%

EBITDA margin by capitalizing on strong demand in the Americas.

In 2023, Sigma reported record annual results while steadily advancing its long-term strategy. It continued to execute initiatives for the three pillars of its strategy: 1) Grow the core business; 2) Develop new revenue sources; and 3) Strengthen the organization through enablers.

1. STRENGTHENING THE CORE

The first ensures that the Company's primary source of revenues is fortified and strengthened by projects aimed at understanding and predicting consumer tastes and preferences, bolstering brand equity and innovation, as well as excellent execution to achieve consistent operating efficiencies.

Sigma focuses on consumers in every action. With over 180,000 annual research interactions, market research methodologies and innovation platforms in all regions, it generates insights to identify and prioritize opportunities related to consumption occasions. Through these efforts, it engages with customers and consumers by offering products with their preferred flavors and brands.

The capabilities developed by Sigma allowed it to capitalize on opportunities and achieve record results with Volume of 1.8 million tons; Revenues of US $8,505 million; EBITDA of US $893 million, 2%, 15% and 37% higher compared to the previous year, respectively. The Net Debt to EBITDA leverage ratio was 2.3 times and the Interest Coverage ratio was 5.9 times at the end of 2023.

In Mexico, in a context of favorable raw material cost and exchange rate trends, the positive performance was driven by solid volume growth in all channels and all categories derived from the increasing consumer preference for its products, as well as by the outstanding expansion of the Foodservice channel.

The U.S. also achieved outstanding results through initiatives aimed at expanding capacity in the region, including the acquisition and successful integration of a deli meat plant in Iowa, and the operations of Los Altos Foods, a producer of Hispanic-branded cheeses, which led to better-than-expected performance in that category. Growth in the country was supported by increased volume, favorable trends in raw materials, and leveraging consumer preferences for Hispanic brands.

In Europe, the food sector continued to face temporary challenges related to raw material costs. Sigma implemented pricing measures, as well as structural changes to achieve operational efficiencies. The significant restructuring of administrative functions and the divestment of all its operations in Italy marked an important step in the comprehensive plan to improve profitability, with a focus on the region's most attractive markets. It is important to highlight a favorable turnaround in Volume, Revenues, and EBITDA during the second half of the year.

Latam also recorded positive results driven by Costa Rica and the Dominican Republic.

2. GROWTH BUSINESS UNIT

In the second pillar of the strategy, Sigma has achieved significant advancements in its Growth Business Unit, which focuses on developing diverse categories and business models for products and services. It creates innovative, replicable, and scalable solutions with autonomy and flexibility, while also enhancing the Company's capabilities through collaboration with the entrepreneurial ecosystem. This includes new technologies to develop next-generation foods and collaboration with strategic partners on alternative proteins and clean label products to drive long-term growth.

Utilizing expertise in ingredient selection, formulation, and state-of-the-art technology, Sigma creates value-driven experiences for consumers, spearheading innovation to lead the transition towards future foods. Examples include utilizing biomass fermentation to cultivate microorganisms that enhance protein content and producing cultured meat from cells cultivated outside the animal's body—developments expected to materialize in the medium term.

The portfolio of its Growth Business Unit is organized into different stages of the innovation process, from idea inception to the expansion of proven businesses. Noteworthy achievements in 2023 include:

Better Balance®:

- Global brand of plant-based products.
- Reached 4,100+ points of sale in Mexico, U.S., and Spain.
- Received the "Sabor del Año" award for its veggie burger in Spain.
- Began a collaboration with Chunk Foods, a leader in plant-based protein products, to develop the first premium-quality vegetarian meat cuts in Mexico.
- Offers 12 different varieties of products in Spain, all with Nutriscore "A" level, a front-of-food labeling system that allows consumers to assess their nutritional profile easily and quickly.

better balance

30,000+

Snack'In For You® points of sale in Mexico, U.S., and Europe

Snack'In For You®:

- Global brand of nutritious and delicious snacks with high-protein content.
- Official launch of the brand in Spain, Mexico, U.S., and France.
- Reached 30,000+ points of sale in Mexico, U.S., and Europe.

CONVY®:

- Online supermarket service specializing in everyday proteins, such as meat, poultry, fish and seafood, as well as cooked meats, dairy products, groceries, snacks, and prepared foods.
- It currently handles 340+ orders per week.
- Presence in 3 cities in Mexico.

Tastech by Sigma®:

- 15 start-ups from 8 countries conducted pilots in the 4th edition.
- Participation of 1,400+ start-ups since launching.

Grill House by Sigma®:

- Premium service mobile app focused on grill-loving consumers.
- Achieved a compound monthly growth of 8.34% since August 2020.
- Presence in 7 cities in Mexico.

GROWTH BUSINESS UNIT INITIATIVES

** Minimum Viable Product*

3. STRENGTHENING THROUGH ENABLERS

A relevant part of the strategy is constituted by the third pillar, development of enablers, focused on the set of behaviors that influence the way in which they think, work, and interact. During 2023, the Executive Summit was held, with the participation of 130 executives who analyzed the Company's strategic vision, with a human and customer-centric approach.

"We maintain the commitment to integrate sustainability criteria into daily decision-making. Today, it's no longer possible to consider our strategy without evaluating the impact of our initiatives on the environment, the community, and our employees. We are confident in driving and taking actions that allow us to have a better future."

Rodrigo Fernández
CEO of Sigma

SUSTAINABILITY MESSAGE

SUSTAINABILITY

Among the key sustainability advancements during 2023 was the approval of near-term greenhouse gas (GHG) emissions reduction targets by the Science Based Targets initiative (SBTi). This ensures alignment of the Company's actions with the Paris Agreement to combat climate change. Sigma established as a target for 2027 an absolute reduction of 20% of Scope 1 and 2 emissions, and 9.8% for Scope 3, both based with a 2019 baseline.

The company achieved a 17.5% reduction in Scope 1 and 2 emissions, and 66% of electricity came from cleaner sources. It advanced to 17.5% efficiency in water consumption per ton produced, nearing its 20% target.

It also received the award for best practice in circular economy from the city council of Burgos, Spain, for the Campofrío Frescos biogas project. This initiative uses waste such as sludge and manure to produce energy through its processing and conversion into biogas, achieving the production of 12,000 MWh, equivalent to the consumption of more than 35 houses, and a reduction of 2,400 tons of CO_2 annually.

For the first time, Sigma publicly participated in the S&P CSA evaluation and obtained an overall rating of 41 points, which represented an increase of 6 points over the previous year and is above the industry average.

In terms of food donations, the Company has made a 91% progress in meeting its goal for 2025, reaching an accumulated 22,862 tons.

For more information, please refer to the Sustainability section of this report.

RATING AGENCY	2023	2022	2021	2020
S&P CSA	42	35	25	-
CDP				
Climate change	B	B	B	C
Water	B	B	B	C
Supply Chain Engagement	Results Pending	A-	B-	D
Global Compact	Direct Member	Direct Member	Direct Member	-
Sustainalytics	Results Pending	Medium	High	High

Sigma remains focused on its priority lines of work and the fulfillment of commitments and goals for 2025.

ENVIRONMENTAL LINES OF WORK

- Transition to net zero emissions
- Reduce the environmental impact of its supply chain
- Become water stewards
- Promote circular economy

2024 OUTLOOK

Sigma achieved significant advances in strategy, as well as record Volume, Revenues, and EBITDA during 2023. With an eye towards 2024, the Company foresees a positive outlook and sets the goal of maintaining strong results in the Americas while gradually improving operations in Europe. Additionally, it will continue to drive the development of new growth avenues, all to further accelerate the organization's potential to enhance its competitiveness and solidify its long-term growth.

Alpek

Leader in the production of PTA, PET, rPET, and EPS in the Americas, and PP in Mexico.

One of the largest petchems in the Americas

Strong portfolio of resilient products across two main segments

POLYESTER

55% EBITDA


PTA, PET resin, y& rPET


PET Sheet

PET **#1** Americas **#2** Worldwide **#1** PTA & rPET in the Americas

PLASTICS & CHEMICALS (P&C)

44% EBITDA


Expandable Styrenics (EPS & ARCEL®)


Polypropylene (PP)


Speciality Chemicals & Fertilizers

Only producer of PP in Mexico

#1 in the Americas

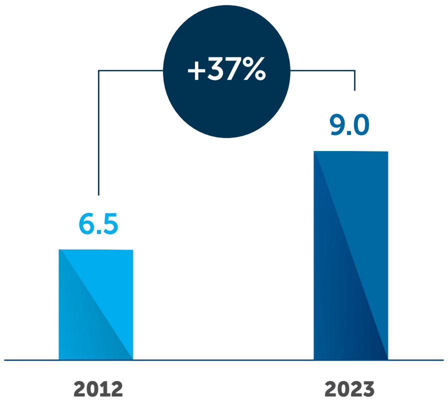
Growth through acquisitions

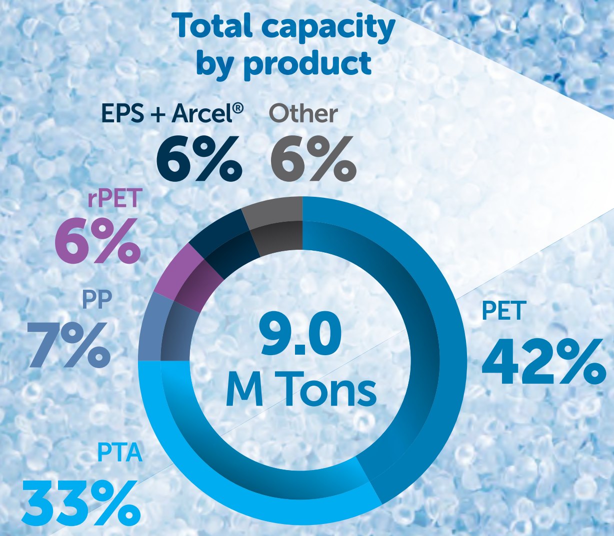
Operations

2012
20 sites
3 countries

2023
35 sites
9 countries

Total capacity
(Mtons)





2012
ALPEK
IPO (BMV)

2015-2016
BASF The Chemical Company
Expandable Styrenics acquisition (North & South America)

2018
PQS
Polyester acquisition (Brazil)

2019
LOTTE CHEMICAL
PET acquisition (U.K.)
Perpetual
rPET acquisition (U.S.)

2020
NOVA Chemicals®
Expandable Styrenics acquisition (U.S.)

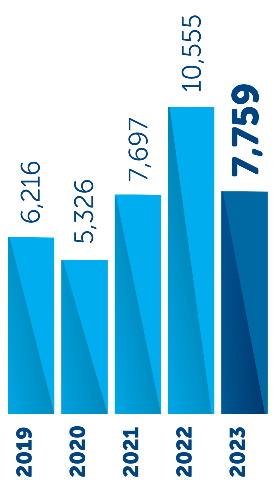
2021
carbonLITE
rPET acquisition (U.S.)

2022
OCTAL
PET resin & sheet acquisition (ME/USA)

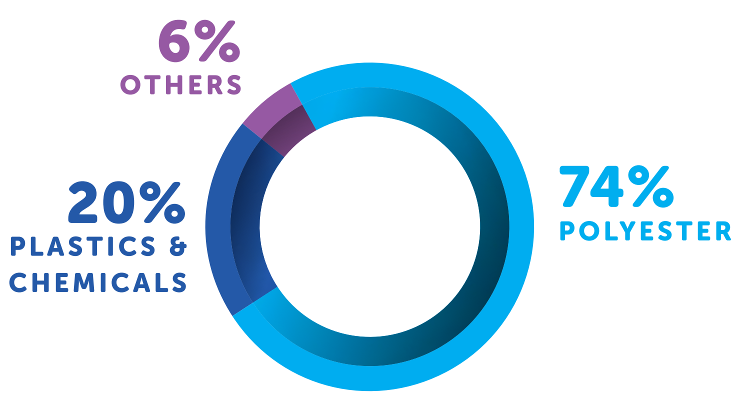
"Throughout 2023, we faced challenging macroeconomic and petrochemical industry conditions, which impacted our product portfolio and operations. In response to this reality, we adopted a proactive approach to strengthen our competitiveness and maintain a solid financial position. We implemented decisive measures that improved our operational efficiency, reduced working capital, and non-priority investments, all with the purpose of maximizing cash flow generation. We remained focused on leveraging our experience to navigate effectively through the inherent volatility of the industry and fulfill our commitments and objectives for growth and improvement."

Jorge Young
CEO of Alpek

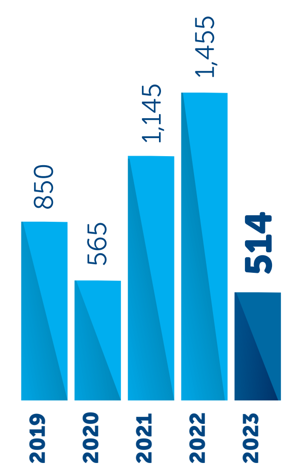
Revenues
(US $ Million)



Revenue breakdown



EBITDA
(US $ Million)



US $596
million recovered from Net Working Capital

2023 brought a shift in macroeconomic and industry conditions that impacted Alpek's operations, keeping the team focused on competitiveness and financial strength.

Alpek recorded Revenues of US $7,759 million, EBITDA of US $514 million and Comparable EBITDA of US $734 million. Compared to last year's extraordinary figures, they were 26%, 65% and 47% below 2022, respectively, due to the lower-than-expected recovery of China's economy, resulting in overcapacity in Asia and higher imports into the Americas. This, in turn, led to lower global reference margins.

The Company made Investments and Acquisitions (Capex) totaling US $277 million and paid US $215 million in Dividends to its shareholders. Its Net Debt/EBITDA leverage ratio was 3.4 times and its Interest Coverage ratio was 3.4 times, maintaining its investment grade rating. Alpek is committed to maintaining its leverage close to 2.5x levels.

Alpek has implemented various initiatives to counteract industry conditions and continue driving the three elements of its business strategy: 1) Strategic and focused growth. 2) Capture ESG-related opportunities. 3) Strengthen key businesses.

To strengthen the core business, this year Alpek focused on cash flow generation through Net Working Capital recovery, particularly through inventory management, as well as reducing Capex and optimizing capacity.

In the latter two, along with its partners, it paused construction of the integrated PTA-PET plant in Corpus Christi, Texas, primarily due to inflationary pressures on construction and labor costs. Additionally, it closed the Cooper River PET resin plant and the textile and industrial filament production plant in Monterrey, Mexico, ensuring optimal supply to its customers.

Strategic and focused growth was strengthened through product and business line innovation, e.g. Biovento®, organic fertilizer, among others.

“We have already defined the projects that will allow us not only to meet our 2030 emission reduction goals, but also to improve our operations. Sustainability is an integral part of our Company’s strategy”

Jorge Young
CEO of Alpek

SUSTAINABILITY

Alpek established and initiated the execution of key projects necessary to meet the emissions targets approved by the Science Based Targets initiative (SBTi). By transitioning to carbon-free energy sources, improving energy use, and generating emissions-free steam, among other initiatives, it progresses towards its objectives and continues efforts focused on achieving carbon neutrality by 2050.

For the first time, Alpek pledged to the UN Women’s Empowerment Principles.

ESG Ratings

Rating agency		2023	2022	2021
S&P CSA		59	54	51
CDP	Climate Change	B	B	C
	Water	B-	C	C
MSCI		BB	BB	BB
Sustainalytics		26	26	29

2024 OUTLOOK

For 2024, Alpek will continue to be characterized by its competitive cost structure in the regions where it operates, focused on operating efficiency, while maintaining its solid financial position.

Emission Reduction Targets 2030

27.5% Scopes 1 y 2
Base year 2019

13.5% Scope 3
Base year 2019

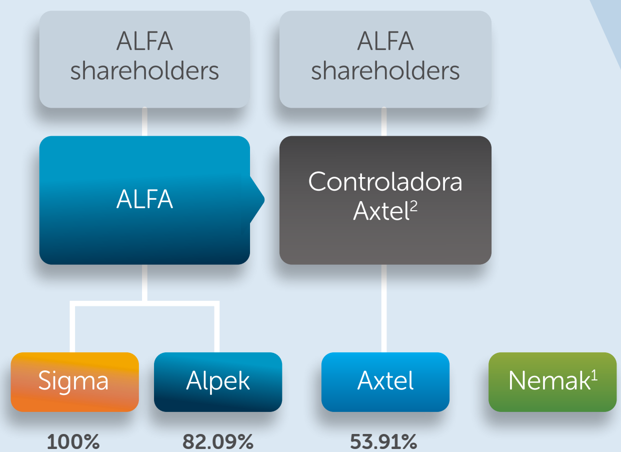
Axtel

Information and Communication Technologies (ICT)

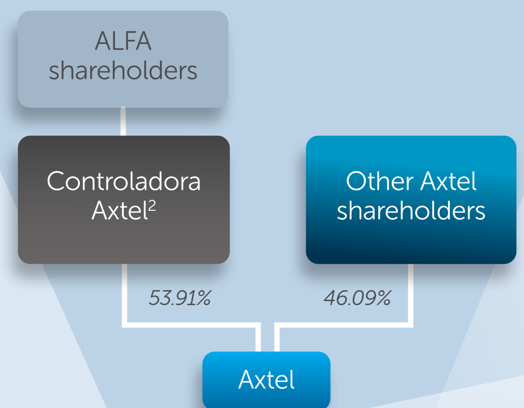
Axtel becomes ALFA's second independent business

On July 12, 2022, ALFA's shareholders approved the spin-off of ALFA's equity interest in Axtel into a new listed entity called "Controladora Axtel". The shares of "Controladora Axtel" were distributed to ALFA's shareholders and began trading on the Mexican Stock Exchange on May 29, 2023. The spin-off marks a new stage for Axtel, with attractive prospects for executing its strategic agenda as an independent entity.

ALFA's corporate structure
(Post-spin-off)



Axtel's corporate structure
(Post-spin-off)



[1] ALFA's entire share ownership in Nemak was distributed to ALFA shareholders on December 2020.
[2] New publicly listed entity in the BMV.

Sustainability

During 2023, ALFA and its Business Units strengthened their performance, further integrating Sustainability into their strategy through operating efficiency and innovation.

2023 ACHIEVEMENTS AND MILESTONES

Through its business policies and processes, ALFA integrates guidelines that promote ethical and responsible management in its Business Units so they can, depending on the industry in which they participate, outline their objectives, define their strategies, and execute the necessary initiatives to advance towards an increasingly independent and sustainable operation.

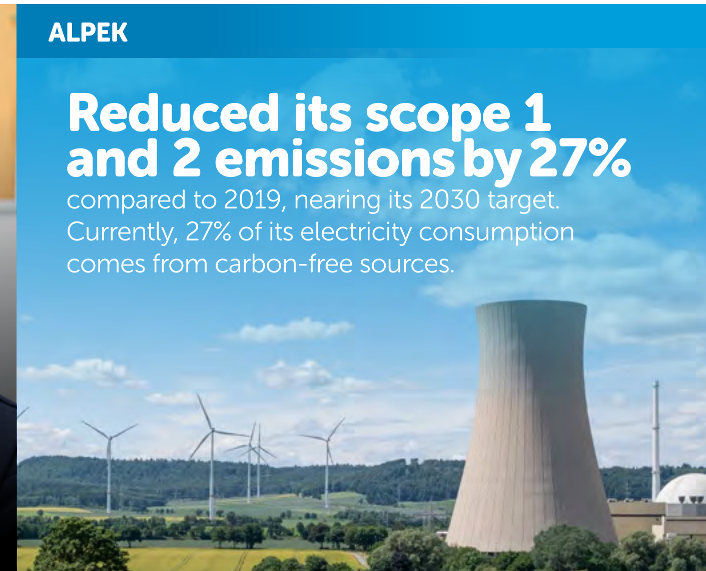
ALFA

Started work to integrate IFRS guidelines S1 and S2 into its reports.

ALPEK

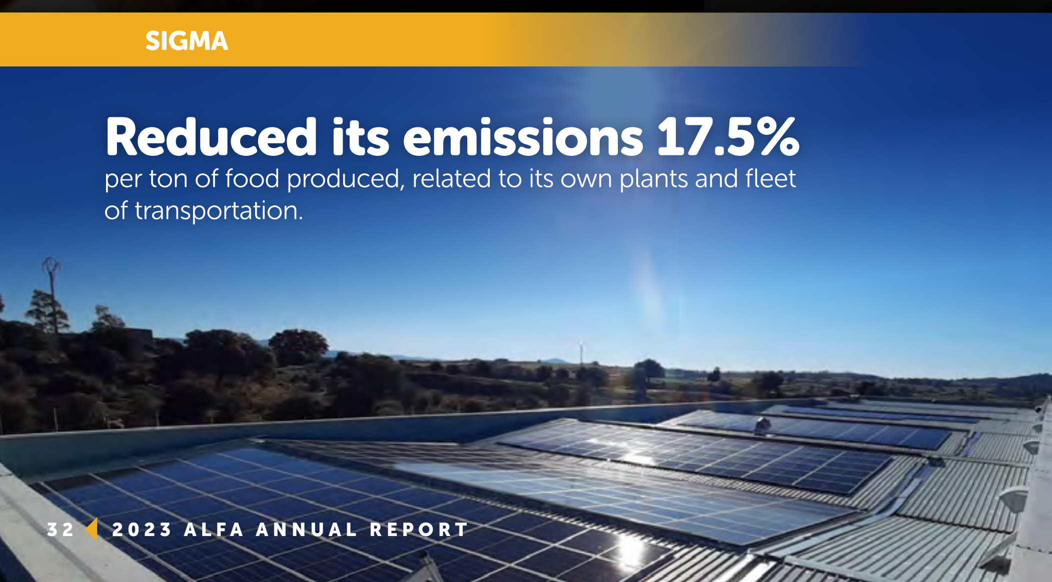
Signed the **United Nations Women's Empowerment Principles and UN Women** to drive gender equality and create greater value in the organization.

ALPEK



Reduced its scope 1 and 2 emissions by 27% compared to 2019, nearing its 2030 target. Currently, 27% of its electricity consumption comes from carbon-free sources.

SIGMA



Reduced its emissions 17.5% per ton of food produced, related to its own plants and fleet of transportation.

ALFA FUNDACIÓN

Has helped 2,219 students through its comprehensive system; **160+ students** have already graduated from university.

Products for a better quality of life

The products that ALFA's Business Units provide are an integral part of people's daily lives. From the most essential needs such as food, to the packaging that guarantees the hygienic safety of the products they consume, or the raw material required to manufacture insulating materials in construction, and even medical utensils, these products generate benefits to society in general.

ESG AWARDS

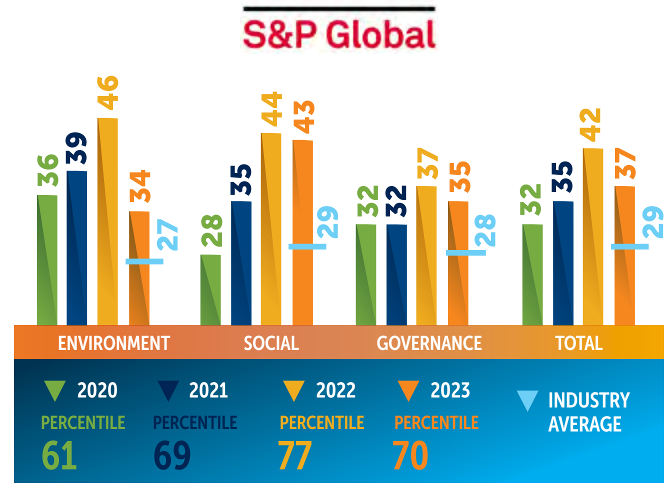
- Alpek received the "Leading Companies in Sustainable Innovation" award from HSBC and EY for its progress in Governance.
- Sigma's Campofrío Frescos was recognized for its biogas program as the best circular economy initiative by the city council of Burgos, Spain. With this initiative, it generates 12,000 MWh per year, which reduces 2,400 tons of CO_2 emissions over the same period.

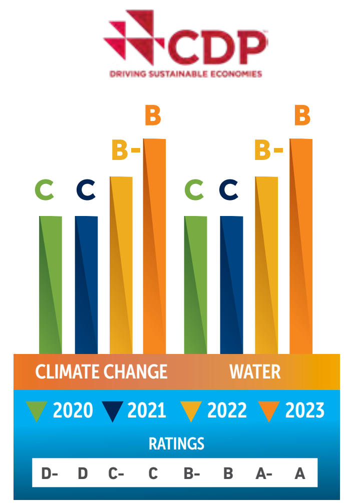
CAMPOFRÍO FRESCOS AWARD

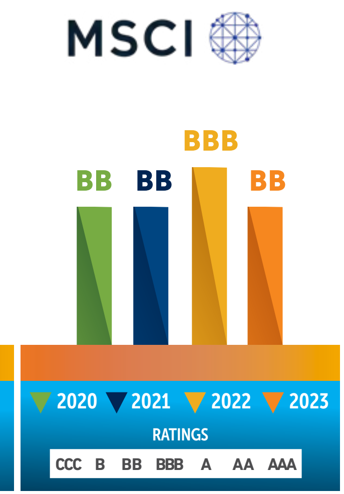
PERFORMANCE IN ESG INDICES AND EVALUATIONS

ESG ratings and certifications serve as benchmarks to align ALFA and its Business Units' actions with sustainability principles and global responsible business practices. This also allows ALFA to:

- **Share the evolution** of the Company's material topics.
- **Integrate feedback** into its internal processes for continuous improvement.
- **Benchmark the Company's** performance against its peers.
- **Identify best practices** for sustainable management.
- **Explore financial and non-financial** growth opportunities.







ESG RATING AGENCIES	ALFA	SIGMA	ALPEK
S&P/BMV	✓	-	✓
S&P CSA	37	42	59
CDP Climate Change	B	B	B
CDP Water	B	B	B-
MSCI	BB	-	BB
FTSE4Good	✓	-	✓

GOVERNANCE

Since it was founded, ALFA has based its performance and operations on strict ethical standards and best corporate governance practices. Its comprehensive system is based on ALFA's work philosophy. The different governing bodies from the Board of Directors and the Management Teams of ALFA and its Business Units, as well as the reporting and transparency mechanisms, monitor any deviation and ensure compliance with the Company's objectives.

Philosophy and strategy

ALFA's work philosophy, based on ethical conduct, operating efficiency, and process excellence, fosters its team members' well-being and growth, promotes responsible decision making, and enables the Company to meet its main stakeholders' needs.

ABOUT ALFA

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, portfolio optimization, and selective investment in new opportunities.

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

Clients: 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 Orientation: 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 exceeding our customers' needs.

ESG Strategy

SUSTAINABILITY MODEL

ALFA established a model with four fundamental pillars that serve as the foundation for the guidelines, initiatives, and progress monitoring of its sustainability strategy.

SUSTAINABILITY PHILOSOPHY

INTERNAL WELL-BEING
To provide health, safety, and integral development opportunities for team members.

ENVIRONMENT
To control and reduce emissions to 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 the risk assumed.

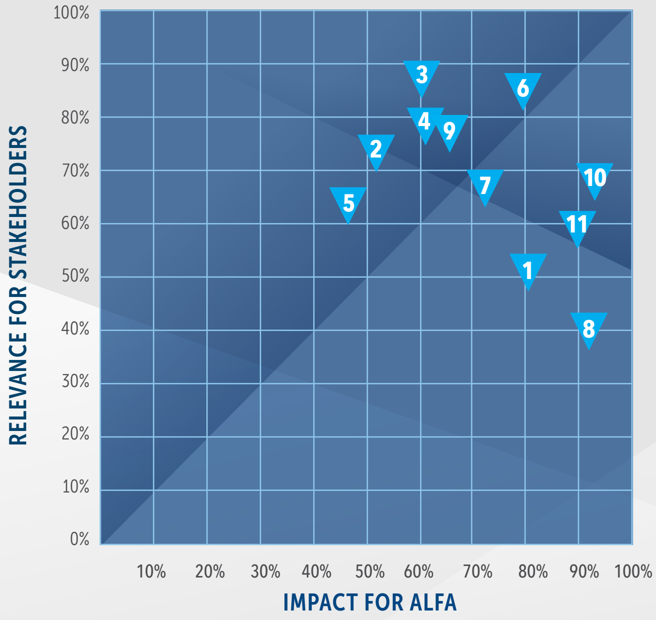
ALFA's Materiality

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

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

ALFA has 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 Business Units, in turn, develop operating strategies to identify their risks and mitigate their operations' environmental, social, and governance impacts.

MATERIALITY MATRIX



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

CORPORATE

Immediate attention		High priority	
1	ESG Strategy & risk management	3	Transparency, reliability & investor relations
2	Corporate governance with a sustainable approach	4	Human rights, Diversity, Equity & Inclusion (DEI)
		5	Social impact

BUSINESS UNITS

Immediate attention		High priority	
6	Climate change strategy: energy efficiency & emissions	9	Water management
7	Employee well-being, safety & development	10	Value Chain involvement
8	Circularity approach	11	Innovation

ALFA AND ITS BUSINESS UNITS' MATERIALITY

ALFA and its Business Units' materiality have interconnections that are shown in the following chart. During 2023, Alpek updated its materiality analysis following a dual materiality approach.

	ALFA	ALPEK	SIGMA
ENVIRONMENT			
	• Climate change strategy: energy efficiency and emissions	• Climate change strategy	• Climate action • Clean and efficient energy
	• Circularity approach	• Circularity and product responsibility • Environmental management	• Circular economy and sustainable packaging • Zero food waste
	• Water management	• Water management	• Water management
SOCIAL			
	• Value chain involvement	• Value Chain management	• Sustainable sourcing and value chain management
	• Employee well-being, safety, and development	• Occupational safety	• Health, safety, well-being and work-life balance • Employee training and development • Organizational culture and work environment
	• Human rights, Diversity, Equity, and Inclusion (DEI)	• Human Rights • Diversity, Equity and Inclusion (DEI)	• Diversity, equal access to opportunities, and inclusion
	• Social impact	• Social impact	• Healthy and nutritious products • Food safety and quality • Food donation
GOVERNANCE			
	• ESG strategy and risk management	• Risk management and ESG impacts • Cybersecurity	• Economic performance
	• Corporate governance with a sustainable approach • Transparency, reliability, and investor relations	• Corporate governance with a sustainable approach • Transparency and compliance	• Ethics and Integrity
	• Innovation	• Innovation and sustainable development	• Innovation, research, development, and scientific collaboration

Business Units' goals and progress summary

GRI 3-3

The Business Units set targets to manage identified environmental, social, and governance risks and opportunities. In 2023, they presented significant progress that reflects their commitment to sustainability and boosts their competitive position.

ALPEK

	GOAL SUMMARY	2023 PROGRESS
ENVIRONMENT	• Reduce 27.5% of Scope 1 and 2 emissions, and 13.5% of Scope 3 emissions by 2030 (2019 baseline).	• 27% reduction of Scope 1 and 2 emissions vs 2022.
	• Carbon neutrality by 2050.	• Developed strategic plan to achieve carbon neutrality by 2050, this preliminary analysis evaluates existing options to migrate to less polluting or carbon-free technologies.
	• 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.	• Obtained the ISCC Plus and SCS certifications for recycled content and biobased material.
	• Evaluate opportunities to reduce water consumption intensity.	• Water consumption reduction projects in plants in locations with high water-stress. One of its Argentina sites is recirculating water with a potential reduction of 94% of its annual consumption.
	• Reduce potential pollution sources from processes and products.	-
SOCIAL	• Seek to be in the industry's top decile in Total Recordable Incident Rate (TRIR) for team members' and contractors' safety.	• 27% TRIR reduction vs 2022.
	• Invest in activities for the education, health, access to services, and quality of life of neighboring communities.	• US $110,000 invested in health campaigns, educational support and environmental preservation programs.
	• Workforce diversification with more equitable Human Capital strategies	• Pledged to the UN Women's Empowerment Principles (WEP) and Movimiento Congruencia. Women representation in its headcount increased to 18%.
	• Achieve a more sustainable value chain (suppliers and customers).	• Developed its Supplier Code of Conduct; to be implemented in 2024.
GOVERNANCE	• Continue to improve the Board of Directors' composition and effectiveness.	• 64% of Board members are independent and 21% are women.
	• Strengthen corporate governance to achieve ESG objectives.	• Integration of Montserrat Ramiro to the Board of Directors, who provides great expertise in renewable energies.
	• Secure information with state-of-the-art cybersecurity systems.	• Implemented Digital Forensic Analysis Systems and Incident Response (DFIR).
	• Innovation that drives the improvement of processes, products, and the search for alternatives to care for the environment.	-

Business Units' goals and progress summary

GRI 3-3

The Business Units set targets to manage identified environmental, social, and governance risks and opportunities. In 2023, they presented significant progress that reflects their commitment to sustainability and boosts their competitive position.

SIGMA

	2025 GOAL SUMMARY	2023 PROGRESS
ENVIRONMENT	Reduce carbon footprint in the operation by 20%.	17.5% reduction in its Scope 1 and 2 emissions per ton of food produced, 2015 baseline.
	Reduce 20% of Scope 1 and 2 emissions, and 9.8% of Scope 3 emissions by 2027 (2019 baseline).	Obtained approval of its short-term emissions reduction targets by SBTi (Science Based Targets initiative).
	Achieve 20% greater efficiency in responsible water management.	17.5% reduction in water consumption per ton of food produced, 2018 baseline.
	Ensure that 67% of operations' energy consumption comes from cleaner energy sources.	66% of its consumption came from clean sources.
	Create packaging solutions that move the Company towards a circular economy.	Avoided the consumption of 1,638 tons of virgin plastic in its packaging.
	Responsibly source at least 80% of meat, dairy, and packaging purchases.	23% of purchases came from responsible sources.
SOCIAL	Donate at least 25,000 tons of food through hunger relief organizations.	Accumulated 23,710 tons of food donated since 2015.
	Become a more inclusive company.	-
	At least 10% of staff should participate in volunteer activities.	Surpassed its goal with 10.8% of employees involved in volunteering.
	Strengthen long-term relationships with stakeholders through open communication about its sustainability efforts.	-
	Reduce accident rate by 22%.	Reduced it accident rate by 44%.
	Increase the average number of training hours per talent segment by 11%.	Increased its average training hours by 63%.
INNOVATION	Double sales of the Health and Wellness product portfolio (2019 baseline).	Increased Health and Wellness sales 1.6x.

CONTRIBUTION TO THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

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 both 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.	• Social impact	• Employs 53,500+ people in 24 countries • ALFA Fundación, through its extracurricular centers program, has 10+ years positively impacting the lives of students in vulnerability zones in Monterrey, Mexico
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	• Zero accidents goals during the year • Industrial health and safety systems • Attention to emotional and psychological health of employees • Engagement surveys • Diverse programs of medical services
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 an instrument of 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	• Development and evaluation of strategies for water extraction and consumption efficiency
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	
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: Implementation of food waste reduction programs, use of biodegradable packaging and lower consumption of virgin plastics • Alpek: PET recycling and pursuit of EPS 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 SBTi-approved emissions reduction targets

Value creation through governance and responsible management

We present the different governance and management schemes used by ALFA and its Business Units for Sustainability. Each of them is designed to address the specific needs of the sectors in which they operate. In turn, these systems are aligned with ALFA's corporate policies and coordinated for management in cases where required.

ESG POLICIES:
- SIGMA
- ALPEK

SUSTAINABILITY GOVERNANCE

LEVEL	ITEMS	RESPONSIBLE*
STRATEGIC	Highest governing body	Corporate/Business Unit
	Policies and guidelines	Corporate/Business Unit
	Resource allocation	Corporate/Business Unit
	Materiality	Corporate/Business Unit
	Business ethics and transparency	Corporate/Business Unit
SYNERGIES	Joint initiatives	Corporate/Business Unit
	Strengthening sustainability capacity	Corporate/Business Unit
OPERATIONAL	Collection and monitoring of key operational information	Corporate/Business Unit
	Sector-specific environmental and social initiatives	ALFA
	Value Chain Initiatives	ALFA
	Innovation	ALFA
	Cybersecurity	Corporate/Business Unit

**ALFA Corporate and/or Business Units*

SUSTAINABILITY ROLES

ACTORS	GOVERNANCE	RISK AND OPPORTUNITY MANAGEMENT	ESTABLISHMENT OF PRIORITIES AND GOALS	STRATEGY DESIGN	DEFINITION OF INITIATIVES AND ACTIONS	EXECUTION OF ACTIONS	ACCOUNTABILITY
ALFA's Board of Directors	A	C/I	C/I	C/I	C/I	C/I	C/I
Business Units' Boards of Directors	A	C/I	C/I	C/I	C/I	C/I	C/I
ALFA CEO	A	A/R	A/R	A	A/I	A/I	A/R
Business Units' CEOs	A	A/R	A/R	A	A/I	A/I	A/R
Subsidiary/Regional CEOs	A/R	A/R	A/R	A/R	A/I	A/I	A/R
Business Unit Sustainability Directors	R	R	R	R	R	R	R
Chief Financial Officers	C/A	A/R	C/A	C/A	C	I	A
Business Unit Functional Managers	C/I	R	R	R/A	I/A	R	R
Sigma Sustainability Community	C/I	R	R	R	R	R	R
Alpek Operations Committee	C/I	R	R	R	R	R	R
ALFA & BU Internal Audit	C/S	C/S	I/V	I/V	C/V	I/V	I/V

Roles

ROLE		DESCRIPTION
R	*Responsible*	*Oversees the task directly.*
A	*Approver*	*Responsible for ensuring the task is performed and is accountable for its execution.*
C	*Consultant*	*Possesses some type of information or capability necessary for the task to be performed optimally.*
I	*Informed*	*Should be informed about the progress and results of the task's execution.*
S	*Support*	*Shares information with the different governing bodies.*
V	*Verifier*	*Ensures that all established processes are carried out in accordance with Company policies and guidelines.*

RESPONSIBILITIES FROM THE BUSINESS UNITS

Sigma

Sigma's Research, Innovation, and Sustainability Department (CRISO) is responsible for promoting and driving initiatives that contribute to the fulfillment of the Company's sustainability objectives.

This area reports to Sigma's top management and is functionally responsible for the Central Sustainability team, which supports with the integration of the sustainability strategy and guidelines, trains and advises internally, and monitors and communicates the Company's ESG performance to stakeholders.

CRISO management is also the leading area of the Company's sustainability community and has more than 260 people responsible for managing the 2025 Goals.

Alpek

Alpek has a comprehensive strategy and structure for its corporate body that defines roles, responsibilities, and processes for sustainability management within the organization.

BOARD OF DIRECTORS

BOARD MEETINGS
All ESG topics

Frequency: Quarterly

EXECUTIVE

ESG EXECUTIVE COMMITTEE
All ESG topics

Frequency: Quarterly

MANAGEMENT

CIRCULARITY COMMITTEE
- Climate change
- Circularity
- Innovation

Frequency: Quarterly

OPERATIONS COMMITTEE
- Climate change
- Water
- Environmental management
- Occupation safety

Frequency: Quarterly

IT COMMITTEE
- Cybersecurity

Frequency: Bimonthly

Ethics and anti-corruption

ALFA's strategy is based on its team's ethical behavior. The President leads the creation, review, and implementation of all policies for the strengthening and strict compliance with corporate governance standards. Highly relevant or priority topics are presented to members of the Board of Directors through its various committees.

CODE OF ETHICS

ALFA's Code of Ethics is based on the Company's philosophy and is made up of 12 principles on which the behavior of all members of the Company and its relationship with its different key audiences must be based.

This document is widely disseminated within and outside the organization. It also has mechanisms to monitor its compliance, as well as to notify and report any deviation, infraction, conflict of interest or act of corruption, in full compliance with the national and international regulations of the countries where ALFA and its Business Units operate.

ALFA's Code of Ethics includes the following principles:

1) Develop and perform all business activities with integrity.
2) Respect human dignity and the rights of all team members through honest and fair treatment.
3) Protect the health and safety of team members and the surrounding communities in relation to the company´s operations.
4) Avoid any kind of discrimination, harassment, threat, or abuse towards team members. 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 its team members.
8) Protect and properly utilize tangible and intangible company assets.
9) Never use Company assets for personal gain.
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, as well as the use of its resources or images, in political activities.

The company also adheres to the International Labor Organization (ILO) guidelines with respect to Human Rights, and therefore rejects any form of discrimination, the employment and exploitation of minors, forced labor, abuse or coercion, as well as threats and obstruction of the right to collective bargaining.

ANTI-CORRUPTION

ALFA is committed to operating in an honest manner, as well as promoting and demonstrating zero tolerance to acts of corruption and bribery in all their forms. The Company strictly complies with applicable anti-corruption legislation in the countries where it operates, including the U.S. Foreign Corrupt Practices Act (FCPA).

Anti-corruption policy

For the proper execution of this commitment, ALFA has an Anti-corruption Policy available to the public. It is distributed and promoted in its corporate offices, Business Units, and among its stakeholders.

The Policy's main guidelines state that ALFA must always and promptly comply with all applicable anti-corruption legislation or regulation in the countries where it operates, always honoring the value of honesty. It is forbidden for team members, contractors, or company representatives to carry out, order, authorize, promise, conspire, or induce corrupt practices, either directly or through third parties.

Transparency Helpline

ALFA has an anonymous reporting mechanism, accessible through a website, e-mail, and a 1-800 telephone line in all countries where it operates. The Transparency Helpline is available 24 hours a day, 365 days a year, to ensure the timely detection, registration, investigation, and resolution of any case of non-compliance with the policies established to safeguard the Company's ethical behavior.

- 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.

ALFA's Internal Audit area classifies and analyzes complaints. Depending on the nature of these, additional personnel may be required to assist in the investigation. Any non-compliance or conduct that violates the Code of Ethics and/or Policies related to Human Rights, corruption, and bribery, among others, will result in the application of disciplinary measures, which may include the termination of labor and commercial contracts.

Of the 1,005 cases received, 100% were attended to, 82% were resolved during the same period, and 18% remain under investigation. In cases where the misconduct warranted it, 168 people were dismissed from ALFA; no business relationships were terminated during 2023.

The cases received were distributed as follows:

TYPES OF COMPLAINTS	
19%	Inappropriate treatment of team members
9%	Complaints and customer service
8%	Asset preservation
2%	Policy compliance
2%	Corruption and/or bribery
1%	Personal relationships
1%	Conflict of interest
1%	Discrimination
58%	Others

CONFLICT OF INTEREST

ALFA has a Conflict of Interest Policy for members of its Board of Directors and other team members. This policy establishes that the responsibilities and duties of the members of the Board are governed by the Mexican Securities Market Law (*Ley del Mercado de Valores de México, LMV*), applicable to securities issuers, considering the Code of Professional Ethics of the Mexican Stock Exchange Community, the Code of Best Corporate Practices, and the Mexican Stock Exchange's internal regulations.

Pursuant to the LMV, the members of the Board have a duty of diligence, and therefore must always act in good faith and the Company's best interest. They must maintain confidentiality with respect to information and/or matters of public nature related to the Company, as well as refrain from participating and being present in the deliberation and voting on matters that represent a conflict of interest. By policy, those members of the Board who may have a conflict of interest in the decision on any matter must inform the Chairman of the Board and other members, as well as refrain from participating in the discussion and voting at meetings.

In the case of team members, ALFA's policy states that they must avoid any situation in which their interests differ from those of the Company. All team members who may have interests or relationships with current or potential suppliers or customers must declared it via a Human Capital form and inform their immediate supervisor.

POLICIES:
- SIGMA
- ALPEK

POLICIES

GRI 2-23, 2-24

ALFA has a regulatory framework comprised of more than 50 corporate policies that establish the guidelines for responsible performance, aimed at generating value for all its stakeholders. These are the foundation and guide for the criteria, policies and positioning developed by the Business Units, considering the characteristics of the sectors in which they operate and the audiences they serve.

For the effective execution of these policies, ALFA develops supporting documents, such as procedure manuals and forms, to ensure proper understanding and operational focus.

Among the fundamental aspects addressed are:

- Human Capital
- Technology
- Audit
- Supply
- Comptroller and Finance
- Communication
- Security
- Legal

RISK MANAGEMENT

The risk management process that includes ESG is carried out at the Business Unit level so that the proposed initiatives and strategies are optimized based on the nature of their operations and industries. This information is integrated into ALFA's risk management process by reporting to the Board of Directors' Audit Committee, which is responsible for monitoring progress and performance in ALFA's main risks management activity. The nature, likelihood, and impact of each risk determine the strategy and specific work plan, as well as the timeframes and people responsible for its treatment.

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

- Creating an environment that enables the Company to meet the performance expectations of its stakeholders.
- Safeguard the Company's human, economic, physical, and reputational resources.
- Comply with legal and regulatory requirements.
- Identification of background, current situation, and goals for the Sustainability issues of each Business.
- Obtain advice in best practices of corporate governance, internal controls, progress verification and objectives, and validation of the reasonableness of reported information.
- Integration of ESG risks into the Internal Audit program.

In 2023, the Audit Committee implemented a work plan to manage ESG topics before the Board:

- Joint efforts with functional areas for the identification and prioritization of each Business Unit's risks.
- Development and deployment of the main risk registry system in each Business Unit.

During the year, ESG topics were presented to the Board's Internal Audit Committee twice.

Four steps are considered in the integration of risk reports:

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

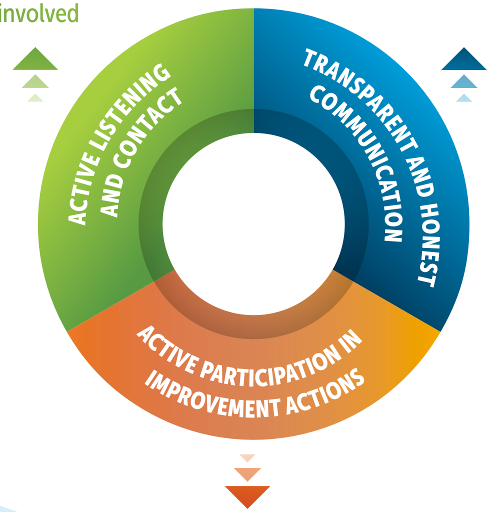
Dialogue with key audiences

ALFA and its Business Units maintain continuous communication with stakeholders that are or may be impacted by their business activities. This involvement also allows ALFA to accelerate progress in its social and environmental initiatives under an approach focused on collaboration and transparency.

This facilitates the development of solid relationships based on a variety of mutually beneficial issues among stakeholders and helps identify areas for improvement that can be capitalized on to generate greater economic and social value.

ALFA receives regular and systematic feedback to identify areas for improvement, solve problems, and make informed decisions that benefit all parties involved

Shares relevant information in a clear and accessible manner. Communicates both successes and areas of opportunity to build trust



Demonstrates the Company's commitment to the community and the environment, strengthening stakeholder relations and contributing to their general well-being.

STAKEHOLDER	CANALES DE COMUNICACIÓN	RESPONSABLE
Team members	Meetings	Human Capital
	Internal forums	
	E-mails	
	Intranet	
	Transparency Helpline	
	Surveys and studies on organizational climate and commitment	
	Clima organizacional y compromiso	
Investors	One-on-one meetings	ALFA Investors Relations
	Quarterly reports	
	Annual reports	
	Conferences and forums	
	Transparency helpline	
Authorities	Audits	Institutional Relations
	Training programs	
	Transparency helpline	
Suppliers	Audits	Services Area
	Training programs	
	Transparency helpline	
Community and Civil Society organizations	Program suppot	ALFA Fundación Human Capital Internal Audit Institutional Relations
	Volunteer work	
	Transparency helpline	

PARTICIPATION IN CHAMBERS AND ORGANIZATIONS

ALFA and its Business Units participate in various chambers and associations that allow them to establish links, share knowledge and understand regulations to obtain best practices and optimize their operations.

Governing bodies

ADHERENCE TO THE CMPC

ALFA is adhered to the Code of Principles and Best Practices of Corporate Governance, which has been in force in Mexico since its creation in 2000, at the initiative of the Mexican securities authorities. The purpose of this Code is to establish a framework of reference for corporate governance matters to increase investor confidence in Mexican companies.

Companies listed on the Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV) must disclose their degree of adherence to the CMPC once a year, by responding to a survey that is available to the investing public on the BMV's website and on the company's website.

A. The Board of Directors is composed of 12 proprietary members, with no alternates, of which eight are independent members, two are related proprietary members, and another is an independent proprietary member. One has no specific classification since he is the CEO of a publicly traded company on whose Board of Directors ALFA's CEO sits.

B. Three Committees assist the Board of Directors in carrying out these duties: Audit, Corporate Practices, and Planning and Finance. 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 per 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 in 2023 was 97.6%, and that of the Committees was 100%.

E. 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.

F. 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.

G. 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.

H. 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.

I. 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

The diversity in the career paths of the members of ALFA's Board of Directors ensures balanced and thoughtful decision-making, considering a wide range of perspectives and experiences. This contributes to the stability and continuity of the Company over the years.

Juan Carlos Calderón Rojas

Current Position: Global VP of Employee Experience and Engagement at Sigma.
Academic Background: Bachelor's degree in Business Administration from Tecnológico de Monterrey, MBA from Georgetown University, and Senior Management Program from IPADE.
Board Tenure: March 2023 (1 year).
Type of Member: Related Proprietary.
Other Board Memberships: Nemak, Grupo Franca, Movimiento Congruencia and COPARMEX.
Social Impact Boards: Universidad de Monterrey (UDEM) and Casino Monterrey.
Experience: Human Capital, Sustainability, Financial Planning, and Commercial.
ESG Experience: 10 years.
Risk Experience: 1 year.
Previous Positions: Sustainability VP at Sigma, Sustainability VP at ALFA, Derivative Financial Operations and Financial Planning at ALFA, Export Sales at Hylsa Steel Division.

Enrique Castillo Sánchez Mejorada

Current Position: Chief Executive Officer of Tejocotes 134, S.C.
Academic Background: Bachelor's Degree in Business Administration from Universidad Anáhuac.
Board Tenure: March 2010 (13 years).
Type of Member: Independent.
Committee Responsibilities: Chairman of the Corporate Practices Committee and Member of the Audit Committee.
Other Board Memberships: Banco Nacional de México (Banamex), Southern Copper Corporation, Grupo Hérdez, Médica Sur and Grupo Invekra.
Experience: Finance.
ESG Experience: 5 years.
Risk Experience: 20 years.
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 Engineering from Tecnológico de Monterrey and MBA from Harvard Business School.
Board Tenure: March 2010 (13 years).
Type of Member: Independent.
Committee Responsibilities: Chairman of the Planning and Finance Committee.
Other Board Memberships: Cemex and VISA Inc.
Experience: Finance, Commercial and Investment Banking, Insurance and Sureties.
ESG Experience: 40 years.
Risk Experience: 33 years.
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, FEMSA, and Fresnillo, PLC.

Álvaro Fernández Garza

Current Position: President of ALFA.
Academic Background: Bachelor's Degree in Economics from the University of Notre Dame, Master's Degree in Business Administration from Tecnológico de Monterrey and MBA from Georgetown University.
Board Tenure: April 2005 (18 years).
Type of Member: Related Proprietary.
Committee Responsibilities: Member of the Planning and Finance Committee.
Other Board Memberships: Co-chair of the Boards of Nemak, Axtel and Controladora Axtel. Member of the Boards of Alpek, Cydsa and Vitro.
Social Impact Boards: Chairman of the Board of Universidad de Monterrey (UDEM).
Experience: Industrial Sector, Food and Beverages, Petrochemicals and Telecommunications.
ESG Experience: 13 years.
Risk Experience: 16 years.
Previous Positions: Chief Executive Officer of Sigma and President of the Nuevo León Chamber of the Transformation Industry (CAINTRA).

Board of Directors

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

Armando Garza Sada

Current Position: Chairman of the Board of ALFA.
Academic Background: Engineer from MIT, MBA from Stanford University.
Board Tenure: April 1990 (23 years).
Type of Member: Related Proprietary.
Committee Responsibilities: Member of the Planning and Finance Committee.
Other Board Memberships: Chairman of the Board of Alpek and Co-chair of the Boards of Nemak and Controladora Axtel. Member of the Boards of Axtel, BBVA México, Cemex, Lamosa and Liverpool.
Experience: Industrial Sector, Food and Beverages, Petrochemicals, Telecommunications, Automotive and Strategic Planning.
ESG Experience: 13 years.
Risk Experience: 20 years.
Previous Positions: Board Member of FEMSA, KOF, Grupo Proeza, Gigante, Tecnológico de Monterrey, MVS and the Mexican Stock Exchange, and Chairman of the Nuevo León Chamber of the Transformation Industry (CAINTRA).

Claudio X. González Laporte

Current Position: Chairman of the Board of Kimberly-Clark México.
Academic Background: Chemical Engineering from Stanford University.
Board Tenure: December 1987 (36 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.
ESG Experience: 50 years.
Risk Experience: 50 years.
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 (13 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, Investments and Telecommunications.
ESG Experience: 40 years.
Risk Experience: 40 years.

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 (5 years).
Type of Member: Independent.
Committee Responsibilities: Member of the Planning and Finance Committee.
Other Board Memberships: HSBC Holdings, Grupo Chedraui, Unicef México, 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.

Board of Directors

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

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 (4 years).
Type of Member: Independent.
Committee Responsibilities: Member of the Corporate Practices Committee.
Other Board Memberships: BBVA México, El Puerto de Liverpool and GEPP.
Social Impact Boards: 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.
ESG Experience: 12 years.
Risk Experience: 18 years.
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 (3 years).
Committee Responsibilities: Member of the Planning and Finance Committee.
Other Board Memberships: Vitro and Nemak.
Social Impact Boards: Mexican Business Council and Organización Vida Silvestre.
Experience: Management, Finance, Strategic Planning, and Mergers and Acquisitions.
ESG Experience: 15 years.
Risk Experience: 15 years.
Previous Positions: President of the Nuevo León Chamber of the Transformation Industry (CAINTRA). Board Member of Organización Vida Silvestre.

Federico Toussaint Elosúa

Current Position: Chairman of the Board and Chief Executive Officer 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 (15 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 and Scotiabank.
Social Impact Boards: Universidad de Monterrey (UDEM), National 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 (15 years).
Type of Member: Independent.
Committee Responsibilities: Member of the Planning and Finance Committee.
Other Board Memberships: Techint, Banco Santander, Club de Industriales, Eximpro, Innovare R&D, Operbus and CCE. Co-chair of the U.S.-Mexico CEO Dialogue.
Social Impact Boards: Universidad Panamericana-IPADE and the International Council of the Manhattan School of Music.
Experience: Management, Finance, Strategic Planning, and Mergers and Acquisitions.
ESG Experience: 15 years.
Risk Experience: 20 years.
Previous Positions: President of the National Chamber of 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.

Carlos Jiménez Barrera

Secretary of the Board

Management Team

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

ALFA's management team plays a fundamental role in the organization's success and direction. It is comprised of highly qualified individuals with extensive experience in their respective areas, who work collaboratively to establish strategic guidelines and make key decisions that guide the Company's direction.

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

Álvaro Fernández Garza
President
32 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
25 years at ALFA. Graduated from the University of Virginia. Master's degree at Wharton.

Jorge Young Cerecedo
Chief Executive Officer of Alpek
33 years at ALFA. Graduated from Tecnológico de Monterrey. Master's degree at Wharton.

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

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

**2023 retirement.*

OUR PEOPLE

Human Capital's focus is to develop the competencies and skills necessary to address ALFA's context and work environment, strengthening the culture, redefining key processes, and simplifying structures.

Demographics

The greatest economic and social value is achieved through an organizational culture built on empathy and awareness that allows team members to express their uniqueness and reach their professional and personal best.

GRI 2-7

BUSINESS UNIT

	WOMEN	%	MEN	%
ALFA Corporate	101	28%	259	72%
ALFA Fundación	76	59%	53	41%
Sigma	18,943	41%	27,372	59%
Alpek	1,090	18%	4,840	82%
Alliax	203	26%	584	74%
Total	20,413	38%	33,108	62%
	53,521			

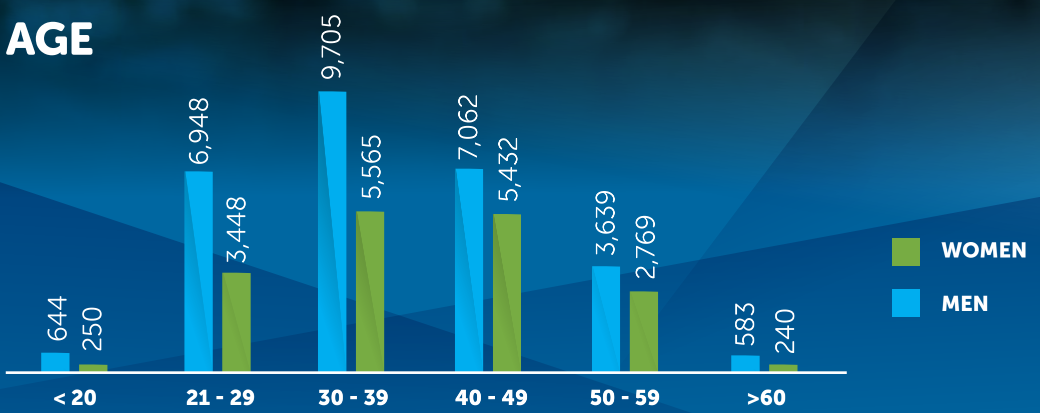
ORGANIZATIONAL LEVEL

	WOMEN	%	MEN	%	TOTAL
Executives	290	25%	868	75%	1,158
Administrative (staff)	5,520	34%	10,553	66%	16,073
Operative	14,603	40%	21,687	60%	36,290

REGION

	PERMANENT CONTRACT TEAM MEMBERS			
	WOMEN	%	MEN	%
North America	15,613	41%	22,644	59%
South America	1,065	30%	2,505	70%
Central America	954	27%	2,629	73%
Europe	2,727	37%	4,619	63%
Asia	54	7%	711	93%

AGE



** Excludes 7,000+ team members without age classification.*

Human Capital Governance

POLICIES

GRI 2-23, 2-24

Having respect for Human Rights and personal dignity is the foundation for the treatment of team members. ALFA and its Business Units promote an environment of openness and trust that fosters its team members' potential and performance.

ALFA's policies also adhere to the International Labor Organization's (ILO) guidelines, which allows it to learn about new rules and trends to continuously improve work and support mechanisms that prevent psychosocial risk factors, behaviors that lead to violence or discrimination, and child labor, among many others.

Through its Human Capital policies and guidelines, ALFA establishes criteria for culture, talent development and retention, and inclusion and zero tolerance for discrimination, which protect the team's rights.

1. **Code of ethics (public)**
2. **Behavioral standards**
3. **Anti-corruption (public)**
4. **Conflict of interest**
5. **Psychosocial risk factors**
6. **Paternity & maternity policy**

At ALFA we appreciate the dedication and effort of the more than 53,500 people who are part of the team. Their talent is fundamental to the Company's success and value creation.

US $19.3
million invested in Human Capital

2023 Progress

Both in ALFA and its Business Units, best practices are continuously sought for the creation of safe environments. This is fundamental to unleash each team member's potential. Their focus is on identifying people's capabilities, aligning individual and organizational objectives, and providing tools for team members to not only achieve their aspirations, but also contribute significantly to business success.

After two years of intermittency between working at home and returning to the office, 2023 was an opportunity to apply much of what the Company learned about the advantages of hybrid work with flexible schedules, while strengthening the culture, sense of belonging, and teamwork in face-to-face interactions.

It was also necessary to evaluate and rethink the ways in which the ALFA Corporate team generates value in the context of corporate simplification and the evolution towards more independent Business Units. This had to be reconciled with the strategies and approaches that are defining each of them.

ALFA is results-oriented, client-focused, and builds experienced and talented teams, as well as carrying out succession plans for Senior level executives. In recent years, it has been dedicated to empowering them by promoting well-being, balance, safety, diversity, and innovation to reduce risk aversion, as well as streamlining processes. All these elements strengthen Human Capital's strategy of attraction, development, and value creation. In this context, the evolution of the culture and tools to anticipate and face rapid changes and uncertainty are even more relevant.

These Human Capital programs had an overall investment of US $19.3 million, which included the basic development and service activities for team members, as well as all those required to accelerate the evolution of the teams' culture and skills both in ALFA and its Business Units.

INVESTMENT (US MILLION)	2023	2022	2021	2020
Health and Safety	6.8	18.4	30.4	31.4
Training and Development	7.5	6.2	5.1	4.7
Wellness and Recreation	5.1	2.4	4.0	2.8
Total	19.3	27.0	39.5	38.9

Culture

The continuous development of team members is focused on maximizing their professional and personal potential, which is then reflected in the Company's performance.

After the study applied at the end of 2022 regarding motivating factors, it was evident that the first element of the team member value creation (EVP) strategy needed to incorporate all initiatives that could strengthen cohesion, motivation, and a sense of belonging among ALFA Corporate's teams. In 2023, informal networking activities were resumed and created to foster closer ties and trust among teams.

Talent attraction

The more competitive work environment, due to globalization and remote work, makes it increasingly relevant to have knowledge of and connection to the needs, preferences, and mentalities of different generations.

Staying close to universities and job boards and fairs provides information that can be used to redesign the organization's mechanisms to attract talent.

The Company's communication is also a channel to make this connection. In 2023, improvements were made to the "Our People" section in our website, and more than 46,000 visits to the Company's job board were received.

Additionally, the ALFA Live section was added to ALFA's corporate website, which seeks to connect with people of different backgrounds, showing testimonials and experiences of what it is like to work at ALFA and its Business Units from the perspective of its team members. This also includes the "Insideout" and "Stories" sections, to share information about the Company's programs and interesting stories.

With this, current and potential talent perceives the existing diversity and growth environment in which it can be integrated.

Talent development and retention

Talent development is based on continuous learning of both technical elements and transformational skills that include people's flexibility, adaptability, collaboration, emotional intelligence and, of course, their well-being. All these elements are relevant to strengthening the bond and commitment between the Company and its team members.

TEAM MEMBERS' DRIVE, CONNECTION, AND ENGAGEMENT

ALFA has solid governance and formal Human Capital management systems with elements like competitive compensation, performance evaluations, development models, and the promotion of the well-being of individuals and families through additional benefits.

The foundation for success to reach its full potential lies in the alignment of its team members' skills and interests with the requirements of their positions. This element enriches the team member's experience and generates the greatest value for both.

Organizational climate

Another key success factor is communication; listening and attending to the team's needs to implement relevant programs and initiatives. ALFA and its Business Units have established a system of periodic organizational climate and engagement surveys, as well as other types of specific inquiries that provide information on team member satisfaction. According to Gallup, the international average result is 75% engagement.

The latest ratings obtained at ALFA's work centers and subsidiaries were as follows:

ENGAGEMENT SURVEY	YEAR	COMMITMENT	SAMPLE
ALFA	2023[A]	81%	9,254
	2022[B]	82%	22,672
	2021[C]	80%	15,499

[A] Participation of Sigma U.S., Sigma Latam and Sigma Foodservice.
[B] Participation of Sigma Mexico
[C] Participation of ALFA Corporate, Alpek, Sigma Europe, Sigma U.S. and Sigma Latam

81%
engagement rate in the last survey

WELL-BEING AND WORK-LIFE HARMONY

Well-being is one of the Human Capital areas that has driven ALFA's growth since the beginning of its operations. The information obtained from these surveys highlights elements such as the proximity to leaders, communication, recognition, development programs, and networking activities as part of the approach to generate a more collaborative and efficient environment for team members.

Hybrid and flexible work schemes combine personal needs with job responsibilities. In addition, they foster an environment of trust which boosts team members' commitment to meeting their objectives.

The Company also provides additional services that support the integral health of its team. There are medical care programs, psychological support, and personal development, among others that complement their professional growth.

During 2023, Alpek invested more than US $470,000 in 171 wellness initiatives for team members that included family days, soccer tournaments, among others, in which more than 1,600 people participated.

Well-being activities

1. Mental and emotional
- Job satisfaction surveys
- Stress measurement – 035 Mexico Standard
- Psychological and emotional support service

2. Physical and lifestyle
- Various activities (meditation, yoga, classes taught by team members)

3. Connections
- Dialogues with leaders
- Holiday celebrations - Children's Day, Mother's Day, Christmas parties

4. Financial
- Personal finance education
- *Visiónate* Program (retirement planning)

5. Health and disease prevention
- Personal protective equipment in installations
- Communication for prevention

HEALTH AND SAFETY

A fundamental priority is to protect the physical integrity of the more than 53,500 team members in the 24 countries where ALFA and its Business Units operate.

All operations have established comprehensive Industrial Safety systems that include very strict guidelines, procedures, and rules that are implemented and rigorously supervised in all work centers. These systems also have Health and Hygiene Committees, made up of the team members themselves, focused on preventing accidents and health risks.

In 2023, Alpek implemented 394 safety and health initiatives that included first aid training, use of fire extinguishers, best practices in production procedures, as well as health conferences and psychological first aid workshops.

During the year, the Company invested US $6.8 million in this area, keeping the accident rate down to 1.2 and without physical losses.

INDICATOR	2023	2022	2021
Lost time injury rate (LTIR)	1.2	1.2	1.5
Accident rate	210.2	205.5	233.7
Number of disabling accidents	765	770	940
Days lost due to accidents	27,010	27,125	28,923
Non-disabling days lost	66	36	706
Physical losses	0	2	0

INTEGRAL TRAINING AND DEVELOPMENT

Fostering personnel development and training is fundamental to ALFA's success. Initiatives that strengthen the skills and knowledge of its team are approached from three essential elements:

- Academic knowledge, through professional or technical studies.
- Mastery of subjects or specialties achieved through experience in positions and assigned responsibility areas.
- Each person's individual skills and capabilities.

A key issue today is digital transformation, including everything from cybersecurity awareness to the proper use of artificial intelligence. ALFA focused on comprehensive cybersecurity training for its entire team and started designing a program to improve understanding, spark interest, identify opportunities, and provide artificial intelligence skills and tools.

In Alpek, this included 530 training programs, in which 1,330 team members participated during 2023.

Sigma invested more than US $5.6 million, reaching an average of 29.6 hours of training per team member, surpassing its 2025 goal of 30.3 hours.

During the year, the average hours of training per person amounted to 29 hours, confirming our commitment to the growth and development of our team members.

GRI 404-1

AVERAGE TRAINING HOURS	2023	2022	2021
ALFA	29	33	28
SIGMA	30	30	26
ALPEK	15	24	25

ALFA & Subs foster an inclusive culture

Diversity, Equity, and Inclusion

The greatest economic and social value is achieved through an organizational culture of empathy and awareness that enables employees to express their uniqueness and achieve their best professional and personal selves.

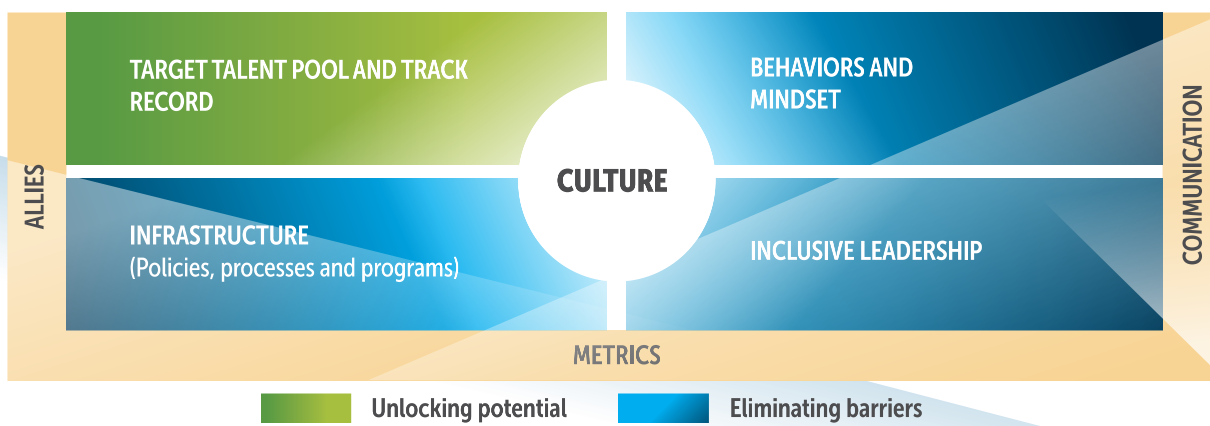
Once the strategic framework for Diversity, Equity, and Inclusion was established, progress in 2023 focused on defining the specific work plan for implementing activities, including governance and management.

STRATEGIC FRAMEWORK

Ensures the identification of changes needed in culture and operational processes to eliminate barriers and promote initiatives that drive Diversity, Equity, and Inclusion (DEI), enhancing the organization's talent.

ALFA decided that its talent diversification and inclusive culture objective would start with gender equity.

Its general work overview is organized by the objective, strategic indicators, and different dimensions of the DEI framework, as well as what must be achieved in each of them. It also includes the specific initiatives and operational indicators as shown in the following framework.



OBJECTIVE	GENERATING MORE VALUE THROUGH DIVERSE TALENT AND A CULTURE OF INCLUSION			
STRATEGIC INDICATORS				
DIMENSION	1. INCLUSIVE LEADERSHIP	2. BEHAVIORS & MINDSET	3. TARGET TALENT GROUP	4. INFRASTRUCTURE
STRATEGY	Generate commitment, align understanding towards a DEI culture.	Identify, promote, and raise awareness of the mindset and behaviors that contribute to a DEI culture.	Identify and classify the target group to understand and meet their needs.	Create and strengthen organizational structures and processes that support and promote the DEI culture.
OPERATING INDICATORS				
Communication – Design and deploy messages to improve knowledge and understanding of DEI culture.				
Alliances - With key players (Int/Ext) that serve as guides and/or promote DEI culture.				

The work plan is structured with implementation phases that help organize initiatives by identifying their priorities and precedence so that all DEI activities, and even some other culture and development activities, are more efficient and effective, generating the greatest possible positive impact.

> *"We recognize the contribution of women to our organization and society, acknowledging that equality is everyone's responsibility. Alpek will further diversify its workforce through strategic hiring, retention, and organizational development. Our success lies in the innovation that comes from having different strengths, perspectives, and experiences"*
>
> *Jorge Young, Chief Executive Officer Alpek*

2023 MAIN ACTIONS

During the year, activities were carried out to identify the Company's DEI challenges and opportunities.

ALFA

Activities

1. Definition of strategic work plan
- Assessment of talent processes
- Definition of immediate actions in Human Capital

2. Definition of indicators
- Definition of strategic and operational KPIs

3. Definition of governance

SIGMA

Sigma established its DEI strategic framework with three pillars:
- Inclusive work environment
- Internal talent
- Shared value

It also developed activities to strengthen the fundamentals that support this framework. Some examples are:

- Increasing diversity during selection processes.
- Internal and external awareness campaigns for its stakeholders on DEI, as well as team member training.
- Ensure a workplace that promotes and encourages respect, as defined in the Global Policy for the Prevention of Harassment and Discrimination.

ALPEK

During 2023, it focused on carrying out activities to advance its commitment to diversity and equality. Some of these were:

- Pledged to the Women's Empowerment Principles (WEPs) of the United Nations Global Compact and UN Women, reinforcing its commitment to gender equality. By joining the 8,000+ global signatories, it prepares Alpek to become a more egalitarian and empowered company where all team members can grow, contribute, and innovate.
- Joined forces with Movimiento Congruencia A.C., an initiative focused on promoting, raising awareness, and facilitating the inclusion of people with disabilities in the workplace. This partnership reflects Alpek's efforts to foster an inclusive workplace where everyone is valued and respected, which strengthens the organization to create a more diverse and united team.

Value creation

To guarantee the generation of reciprocal value between the organization and its team members, ALFA has established processes and systems that allow it to align individual and general objectives and to implement the best Human Capital practices.

Some of these include:

1. **Definition of performance goals and expected behaviors, and for each organizational area:**
   - Business objectives - aligned to its strategy.
   - Observable behaviors - aligned to its culture.
2. **Periodic evaluation of individual performance.**
3. **Feedback linked to performance.**
4. **Variable compensation for some teams subject to:**
   - Financial business indicators.
   - Individual performance evaluation.

This relationship built on development and growth generates the best experience for team members and the greatest value for both, people and organization.

COMMUNITY

ALFA is focused on being a good corporate citizen that not only generates economic benefits, but also creates social value for the communities in which it operates.

Community Involvement

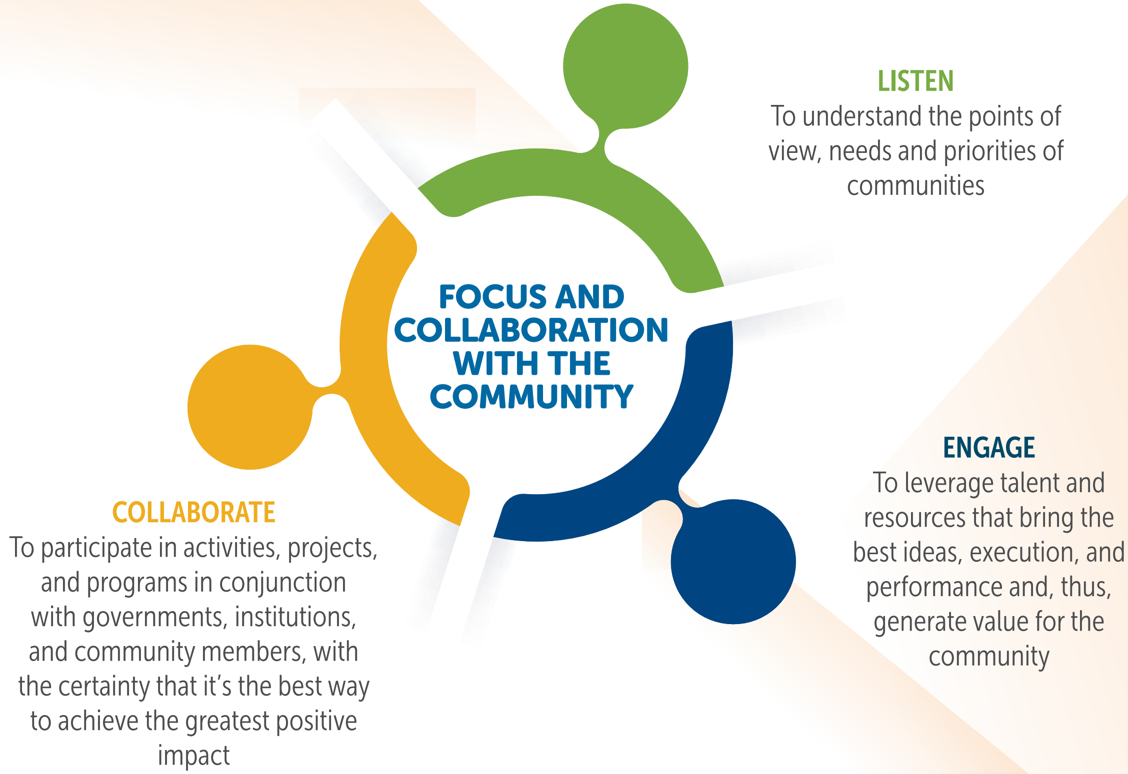
ALFA recognizes that the success of its business strategy is linked to the well-being and prosperity of the communities in which it operates. Through joint work with its Value Chain, support for education, volunteer actions, and social assistance, ALFA and its Business Units collaborate with authorities and their community members to generate positive and long-term impacts.

GRI 2-28

Partnerships and Collaborations

In 2023, ALFA and its Business Units worked with more than 290 chambers and associations in programs and activities that drive development and social welfare to generate value and development for the communities where they operate.

They also collaborated with global institutions that promote corporate sustainability, such as the United Nations Global Compact, of which ALFA has been a signatory since 2006. Sigma and Alpek as well since 2021 and 2020, respectively. Being part of the Global Compact offers the opportunity to learn about and exchange best practices with other signatories to continue the UN Sustainable Development Goals' (SDGs) momentum. This report is part of ALFA's Communication on Progress (CoP) 2023.



Value Chain

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

Engagement with the Value Chain is a critical aspect of the growth and sustainability strategies of ALFA and its Business Units. The actions implemented jointly with customers and suppliers lead to strengthened collaboration, innovation, risk management and regulatory compliance, as well as fulfillment of the commitment with all stakeholders to continuous improvement.

Each Business Unit establishes its operating principles and processes to relate to its value chain in accordance with industry requirements and expectations.

SIGMA RESPONSIBLE SOURCING CODE

ALPEK SUPPLIER CODE OF CONDUCT

SIGMA

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

Achievement
- 23% of purchases came from responsible suppliers.

Actions
- Evaluated ~300 suppliers vs 145 in 2022.
- 2 plants and 34 producers in Mexico and Costa Rica are already in the process of obtaining their Welfair® animal welfare certification.

ALPEK

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

Achievement
- Development of its Supplier Code of Conduct; Alpek Polyester made it effective.

Actions
- Styropek obtained the ISCC Plus certification for its biobased products, this certification ensures raw materials, and the elaboration of this product are aligned with circular economy principles, minimizing social and environmental impact.
- The Polyester business received an award from an important client for their valuable contributions to solutions that increase the recycled content in the client's final products., supporting them in the achievement of the sustainability goals.

Volunteering

ALFA and its Business Units contribute to the individual development of their team members by involving them in volunteering actions. While enhancing their skills, they also promote the community's progress, improve their quality of life, and contribute to the integral well-being of society.

During 2023, the Business Units strengthened their relationships with communities through the following initiatives:

SIGMA

Goal

- Have at least 10% of staff participate in volunteering activities.

Achievements

- Surpassed its goal by achieving 10.8% team member participation in initiatives benefiting communities.

Actions

- More than 1,000 employees in Europe participated in volunteering initiatives. Among them, France supported institutions fighting against cancer, as well as food donation efforts; Spain collaborated with associations assisting people with disabilities; and Portugal participated in the conservation of protected lands.

ALPEK

Goal

- Alpek is interested in all its local communities and is committed to investing time and resources in activities that contribute to their safety, education, access to services, and quality of life.

Achievements

- More than 2,700 team members and external volunteers participated in volunteering activities.
- More than 113 volunteering initiatives were deployed in 2023.

Actions

- Reforestation efforts in collaboration with Reforestemos México, A.C., with the support of team member volunteers and the donation of 700 trees to cover 1 hectare of the Cumbres de Monterrey National Park in Mexico.
- Reforestation through the Green Forest initiative in Altamira, Mexico, investing more than 60 hours in alliance with Poso Mexico. Forestry maintenance for this area was provided by removing more than 1.5 tons of organic waste from the forest.
- Clean-up of the Santa Catarina River in Monterrey, Mexico, sponsoring the event "Join the volunteer cleanup of the Santa Catarina River!"
- Through Vive Verde initiatives, volunteer team members raised awareness of environmental stewardship among more than 800 elementary school children in communities near their operations.

	2023	2022	2021
Social welfare institutions supported	334	101	169
Volunteer team members	7,766	5,899	4,090

Donations

Another key component in promoting social development is the support of Civil Society Organizations through donations, not only of human resources or time, but also in kind and cash. In this way, the greatest possible benefit is sought for the members of various communities.

US $895
thousand invested in support of social benefit institutions

SIGMA

Goal

- Donation of 25,000 tons of food by 2025.

Achievements

- Reached 23,710 tons of food donated from 2015 to 2023.
- 95% progress in Sigma's 2025 goal on food donations.

ALPEK

Goal

- Alpek is interested in all its local communities and is committed to investing time and resources in activities that contribute to their safety, education, access to services, and quality of life.

Achievements

- Invested more than US $110,000 in donations and resources for community well-being.

Actions

- 113 initiatives and activities for the betterment of schools, environmental education through the Vive Verde program, and participation in the ANSPAC program. The latter its team members give personal development courses to members of the communities, mainly women.

ALFA Fundación “Believing in education”

GRI 203-1, 203-2

The project implemented by ALFA Fundación seeks to demonstrate that a high-quality education is an effective way to promote social mobility. This program, meticulously designed by specialists, supports students of limited resources and great talent from the metropolitan area of Monterrey, Mexico, in their educational process to ensure they obtain their university degree.

WHAT HAVE BEEN ALFA FUNDACIÓN’S CONTRIBUTIONS THROUGH ITS PROGRAM?

ALFA and its Business Units seek to contribute significantly and positively to society through education. After more than a decade in operation, ALFA Fundación already has 162 university graduates. Most of them are already working in national and international institutions that have allowed them to reach a better economic level than their families of origin.

The system has served more than 5,500 students, of which 43% are women and 57% men. Nearly 50% of them are the first in their families to receive a university education.

What does the program consist of?

The structure of the program is divided into three key stages:

1. **Junior High Level:** Consists of after-school sessions to reinforce knowledge in Math, Science, Spanish, and English.

2. **High School Level:** A comprehensive, full-time program created entirely by Fundación and endorsed by the Mexican Ministry of Public Education.

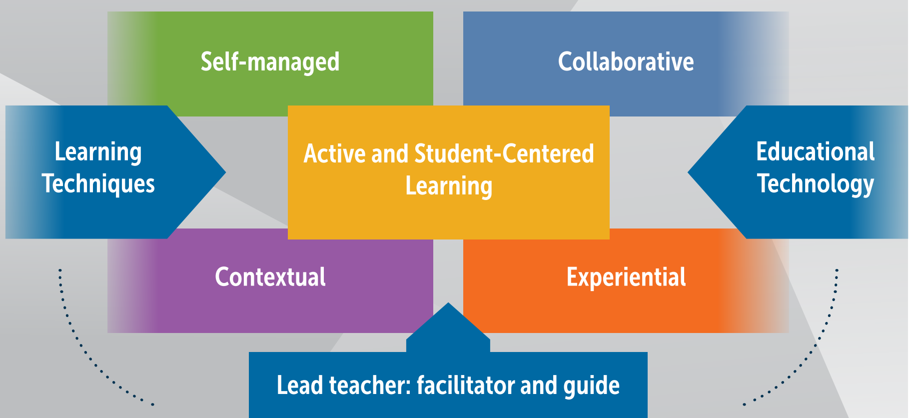
3. **University Level:** Providing direct scholarships or assistance in obtaining them, allowing students to study the professional career of their choice in renowned universities both in Mexico and abroad.

ALFA Fundación covers all costs and provides the necessary materials for students at the middle and high school levels.

As of 2023, 162 students have graduated from the ALFA Fundación system since its launch. During the year, 114 of them obtained their university degree. In addition, the sixth generation of high school graduates graduated with 122 students, 100% of whom received scholarships to continue their professional careers in Mexico and the United States.

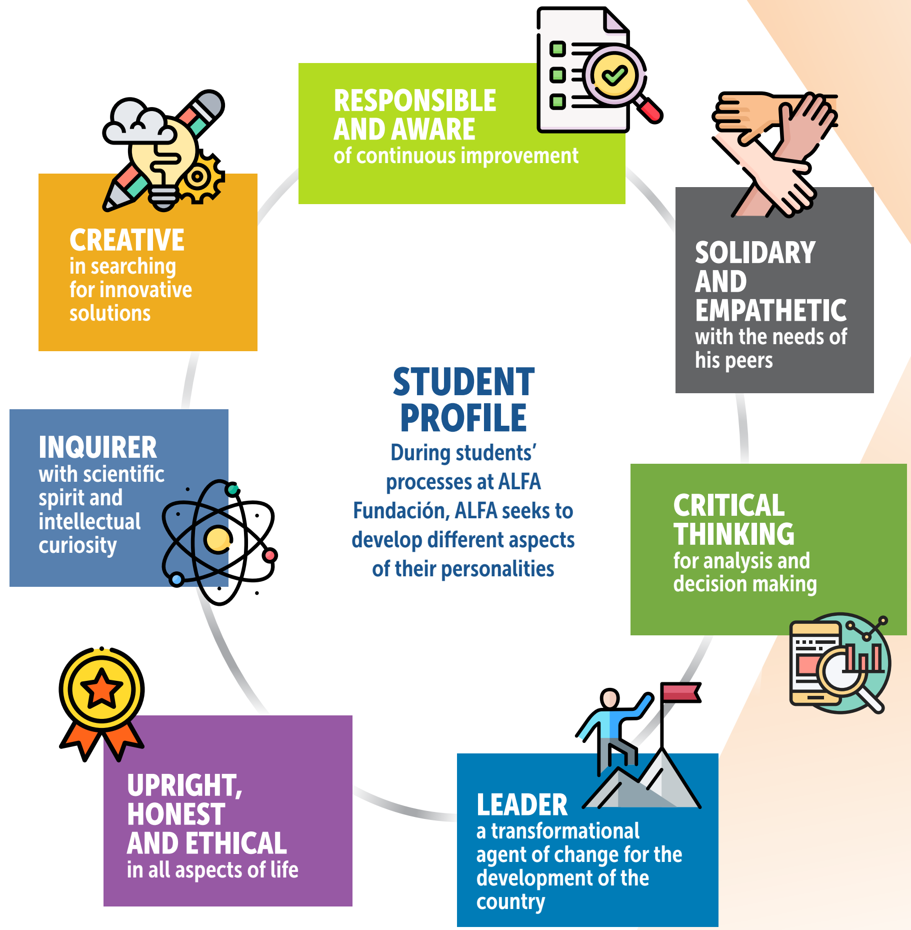
Educational model

The educational model is focused on the integral development of the student, emphasizing active learning methods. It allows students to be the main actors in their educational process, fostering their ability to evolve through teaching that encompasses cognitive, emotional, and social aspects. Through challenging activities, students learn to analyze situations, as well as formulate, design, and apply effective solutions. This facilitates the exchange of results, collaborative learning, and the constant construction of knowledge.



Student profile

The selection criteria for students to participate in the ALFA Fundación program is not only focused on a specific profile of outstanding academic performance and intellectual abilities, but also considers personal attributes essential for the full development of the participants.



Social impact

Since its inception, ALFA Fundación has served more than 5,500 students throughout the system.

	2023	2022	2021	2020
Students served	2,219	1,967	1,906	1,325
PAF graduates	122	138	132	147
Teachers	74	63	75	75
CEAS students	936	821	911	911
University students	680	671	581	449
Graduated students	114	48	-	-

Total graduated university students

	TECNOLÓGICO DE MONTERREY	UDEM	UANL	U.S.	OTHERS
1st Generation	41	12	44	4	1
2nd Generation	46	4	7	3	-

2022-2023 cycle: Impact on students

259 students
Monterrey after-school center

306 students
San Nicolás after-school center

371 students
Escobedo after-school center

441 students
ALFA Fundación High School

680 students
in university

162 students
university graduates

SANDRA OZUNA CHACÓN

Chemistry Teacher at ALFA Fundación High School

"Being a teacher at ALFA Fundación is a wonderful experience, since it allows me to contribute my knowledge in developing the talent of our students. I am very proud to see how our students excel in various academic areas; but not only do they seek academic success, but they also strive to make a difference in the community around us. This social commitment reflects the values of the ALFA student and demonstrates the importance of cultivating responsible citizens. This inspires and motivates me every day to do my best and seek to provide them with the best education possible."

LUIS CORTEZ GONZÁLEZ

Physics Teacher at ALFA Fundación High School

"Being part of ALFA Fundación has been something I didn't even know I needed; I have discovered that there is a part of me that finds an answer in social transformation. Working with PAF students is a constant challenge. We talk about transforming lives, but rarely do we mention how our lives are also transformed. In my teaching practice, I try to show my students that the stance you take in problem solving is more important than memorizing a few facts. At the end of the day, the future we are preparing them for is uncertain."

LUIS RONALDO CASTILLO CERDA

6th Semester ALFA Fundación High School

"I am grateful to ALFA Fundación for the quality education they have given me during these past six years and for the family I have been able to form. I am also grateful for the opportunities it has given me, as well as the support to seek the best options for my future".

SAIRA LIZETH MANZANARES LÓPEZ

6th Semester ALFA Fundación High School

"I thank ALFA Fundación for the opportunities it has given me for personal and academic growth. Thanks to the values promoted by ALFA Fundación, I discovered my passion for social projects and have been able to become an agent of change in my community. I am also grateful to have always been supported by my teachers and had access to psychological care when I need it. I think all of this has helped me achieve academic success and develop clear goals for my future."

EDUARDO TORRES MERCADO

ALFA Fundación After-school Center

"The teachers create a comfortable environment for me in all the classes, which makes me want to participate and pay attention. Thank you for allowing me to be part of the ALFA family and giving me this wonderful opportunity. Being here, at ALFA, has shown me that it's worth it."

TESTIMONIES

GABRIELA BANDA VALLEJO

Mother of students from ALFA Fundación High-school

"They are very happy in the institution. They have grown a lot, always taking away something new. Every time they come home, they tell me they learned something new and they go out confidently, looking for things they have learned here and using them to grow even more. They feel capable of seeking whatever they want without needing me to accompany them, because they go on confidently. I would like to say to ALFA Fundación, thank you very much for everything. I could not have given them all they have here. From studying, security, socializing, friendships, very good teachers... They have everything here."

ALFA FUNDACIÓN

CEAS AFTER-SCHOOL CENTERS

2013 MONTERREY, 2014 SAN NICOLÁS, 2014 ESCOBEDO

39 Teachers

50% of graduates continue in PAF

4 curricular subjects

98% enter high school

89 public high schools

26,640 classroom hours

10 years in operation

ALFA Fundación High School (PAF)

2015 START OF OPERATIONS

39 Teachers

2018 first graduating class

841 PAF graduates

98% enter university

UNIVERSITY

2022 1st GENERATION GRADUATION

680 students in university

114 university graduates

162 total university graduates

ENVIRONMENT

GRI 302-1 TO 4, 303-1 TO 5, 305-1 TO 7
TCFD: Governance and strategy

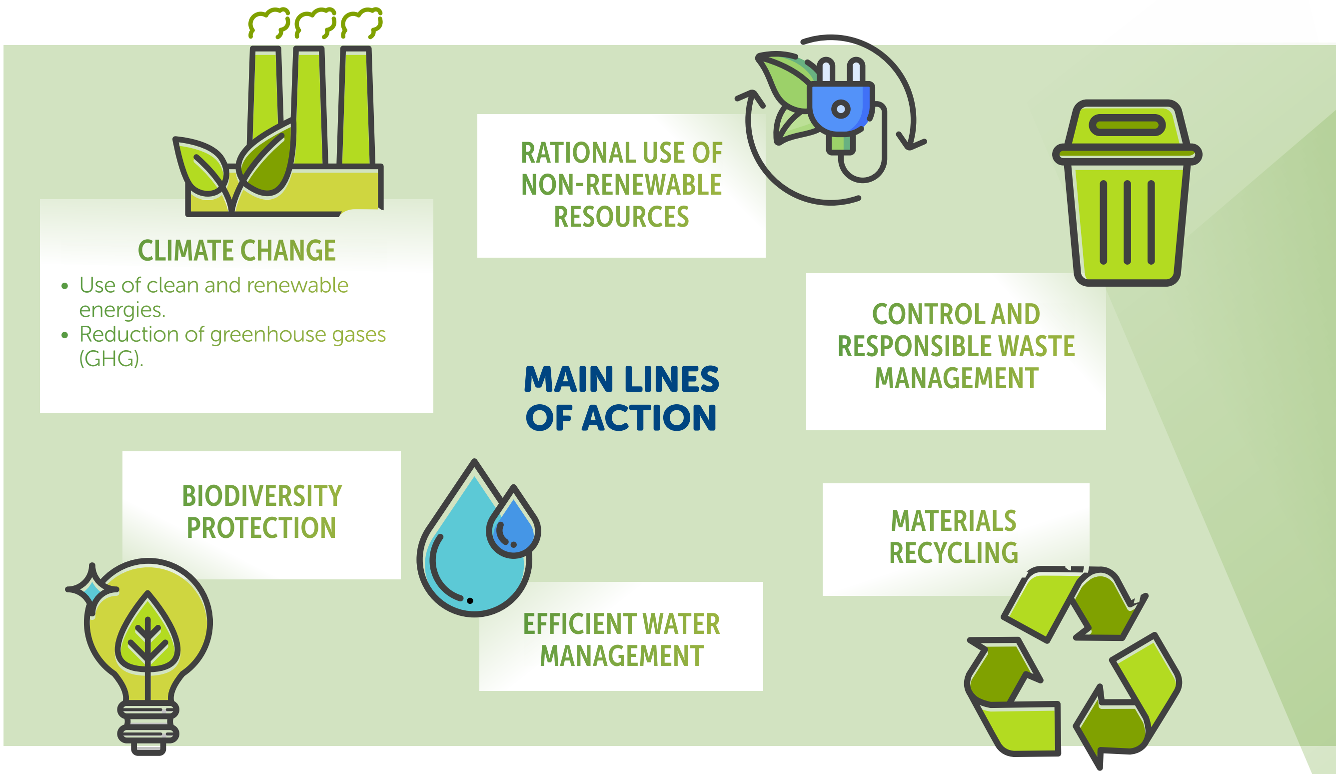
ALFA and its Business Units remain steadfast in their commitment to responsible environmental management. They are aware that decisions made in the present have a profound impact on the future. Under this premise, they work constantly to minimize their ecological footprint and maximize their contributions to a more sustainable and resilient planet.

Environmental governance

The guidelines and lines of action developed by ALFA for environmental issues are the foundations for the Business Units' activities. Their policies and initiatives consider the specifics of the sector to which they belong.

MAIN ALFA 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 their 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.



Business Unit Environmental Strategies

SIGMA

Sigma has three transformational themes that drive long-term sustainable growth. These are deployed in each organizational unit to align efforts globally.

1. Evolving direct energy sources and consumption to decarbonize operations.
2. Execute the global water management strategy to minimize risks in their facilities.
3. Promote a circular economy to minimize products' environmental impact.

ALPEK ENVIRONMENTAL POLICY

ALPEK

Alpek's environmental policy is articulated around four fundamental axes that facilitate the identification and minimization of the impacts derived from its activities. Its focus is on the sustainable use of resources and meeting the expectations of its stakeholders.

KEY AXES:

- CLIMATE CHANGE STRATEGY
- PROMOTION OF A CIRCULAR ECONOMY AND PRODUCT RESPONSIBILITY
- EFFICIENT WATER USE AND MANAGEMENT
- ENVIRONMENTAL MANAGEMENT

Each of the key axes are managed following the TCFD structure, which considers the elements of governance, strategy, risk management, and the establishment of objectives and metrics for each of them.

Environmental Management

The Business Units have the greatest influence on ALFA's environmental impact, since they design, adjust, and manage the operating models they execute daily. This is where environmental issues are managed, and the necessary modifications and investments are made. Best practices are always sought after to contribute to the fulfillment of the joint sustainability goals.

SIGMA

Sigma's environmental efforts have a systemic focus and are distributed throughout its value chain. They begin with their joint efforts with suppliers, continuing with the production, packaging, logistics and distribution processes, until reaching the points of sale, where customers are involved in eco-efficiency programs and initiatives.

ECOEFFICIENCY INITIATIVES

GRI 2-23, 2-24

SUPPLY CHAIN
- CDP supply chain program

PRODUCTION
- Climate Action Program
- Global Water Program
- Zero Waste to Landfills Program

PACKAGING
- Sustainable Packaging Program

LOGISTICS AND DISTRIBUTION
- Disruptive technologies in our distribution fleet
- Route optimization
- Refrigerants Conversion Program

POINT-OF-SALE
- Efficient refrigerators at the point-of-sale
- Inventory optimization

SBTi

approved Sigma's short term GHG emissions reduction targets

Sigma's Environmental Community

With more than 120 team members who actively participate in environmental initiatives, Sigma's Environmental Community applies best practices throughout its operations, raising awareness among team members about the care and proper management of natural resources. Every year, a Environmental Community meeting is held to promote the development and implementation of sustainable solutions for water, fuels, and electricity, among others.

Additionally, Sigma's production and distribution processes meet and exceed applicable environmental regulations. The Company implements environmental certifications to ensure that the design of its processes includes best practices and are executed impeccably.

ENVIRONMENTAL CERTIFICATIONS

INTEGRATED ENVIRONMENTAL AUTHORIZATION (AAI)	ISO 14001	ISO 50001	RETRAY PROCESS CERTIFICATION
European Directive 2010/75/EC on emissions and contamination controls.	Global environmental management standard.	Global energy management standard.	Certification that verifies compliance with traceability requirements and the percentage of recycled material content in PET packaging.
7 plants in Europe.	Environmental Management Plan at the Bureba plant in Spain.	Aoste, Maclas, and Saint Symphorien plants, in France.	Ólvega Pizza Plant, in Spain.

ALPEK

Alpek's strategy seeks to integrate environmental issues into business decisions. The Company has adopted an approach that begins with a comprehensive analysis of risks, industry trends and the needs of its key stakeholders. In addition, it incorporates the TCFD framework in both risk and opportunity management and reporting on these aspects.

ESG RISK IDENTIFICATION AND ANALYSIS	STRATEGY AND EXECUTION	OBJECTIVES AND METRICS	COMMITMENT AND SUPERVISION
• Identifying ESG risks and opportunities (R&O). • Implementing dynamic materiality analysis. • Incorporating ESG R&O into the corporate risk management strategy.	• Identifying the level of change required to establish the best standards. • Building and enhancing internal responsiveness capabilities. • Implementing appropriate initiatives to address risks and opportunities. • Identifying collaborations that support improvement efforts.	• Define key performance indicators (KPIs) and set targets to measure each initiative's success. • Measuring results impact. • Establishing appropriate initiatives to achieve goals.	• Assigning the right people for decision-making. • Defining mechanisms to ensure the achievement of objectives. • Communicate and report progress at the organizational level. • Evaluating and improving.

Investments

Investments made by ALFA and the Business Units for process and equipment improvement, efficiency, and environmental well-being during 2023 were as follows:

CONCEPT	2023	2022	2021
Emissions reduction	10.9	15.4	9.1
Energy consumption reduction	1.1	3.4	-
Renewable energy implementation	1.0	6.9	-
Water management	0.6	3.7	-
Recycling	3.1	25.8	-
Waste reduction and disposal	8.5	8.7	10.5
Remediation and prevention costs	24.6	2.4	2.8
Environmental management	7.3	4.9	0.5
Sustainable product development	0.1	0.2	-
Other	2.6	0.2	1.9
Total	59.6	71.7	24.8

Climate Change

66%

of Sigma's 2023 energetic consumption came from cleaner energy

ALFA recognizes climate change as one of the greatest challenges faced globally. The Business Units' efforts related to environmental well-being include energy efficiency and the reduction of greenhouse gas emissions. The intention is transitioning to carbon-free energy sources and collaborating with various stakeholders to achieve targets. The Company adheres to international environmental performance frameworks to measure its progress.

ENERGY EFFICIENCY

Goals have been established with the objective of reducing the use of fossil fuels, as well as increasing the use of alternative and clean energy sources to contribute to mitigate the effects of climate change. The different projects executed by ALFA and its Business Units resulted in a reduction of 39.6% and 8% in direct and indirect energy consumption, respectively, compared to 2022. Total energy consumption was reduced by 23.06 GJx10^6, equivalent to the consumption of ~460,000 cars in use for one year.

ENERGY CONSUMPTION (GJ X 10^6)	2023	2022	2021
Direct consumption	16.61	18.13	20.38
Indirect consumption	18.48	40.03	22.00
Total consumption	35.09	58.15	42.38
Energy intensity	0.002	0.003	0.003

CONSUMPTION BY FUEL TYPE (GJ X 10^6)	2023	2022	2021
Natural Gas	14.23	15.77	17.95
LP Gas	0.13	0.14	0.11
Gasoline	0.14	0.19	0.17
Diesel	1.52	1.53	1.81
Fuel oil	0.49	0.41	0.23
Ethanol	0.03	0.01	-
Biomass	0.09	0.08	-
Biogas	-	-	-
Other	-	-	0.11
Total	16.61	18.13	20.38

NOTE: Adjusted for Axtel spin-off; close of operations at Alpek and OCTAL integration; Sigma Italy divestment

SIGMA

Sigma has a Climate Action Program that operates under the following lines of action:

- Increase efficiency in energy consumption
- Maximize the use of electricity from cleaner and renewable sources
- Expand the use of cleaner fuels
- Employ new technologies in their distribution fleet
- Transition to low-impact refrigerants

Target

- Ensure that 67% of the plants' electrical energy consumption comes from cleaner and renewable sources by 2025.

Achievement

- 66% of consumption came from cleaner energy.
- 7% increase in fuel efficiency.
- 3% increase in electric energy efficiency.
- 19 electric vehicles acquired for its transportation fleet.

Actions

- Expanded the scope of its Environmental Community, a global engineering team that seeks to implement best practices in the operation, with presence in Mexico and Latam. By 2023, the Community was established at plants in Spain and two U.S. plants.
- More than 100 energy efficiency initiatives were implemented.

ALPEK

Alpek shares responsibility for helping to limit the temperature rise by 2030 by achieving its emissions reduction targets. It has established a strategy that includes:

- Transitioning to carbon-free energy sources
- Pursuit of more CO_2 reduction projects in its Business Units
- Evaluation of CO_2 offset technologies

Alpek is aware that by carrying out these tasks it will obtain lower operating costs, reduce its exposure to carbon taxes, achieve differentiation in its products and be able to position itself at the forefront in the drive for decarbonization.

Target

- Reduce its Scope 1 and 2 emissions by 27.5%, as well as Scope 3 emissions by 13.5% by 2030 (2019 baseline).

Achievement

- 27% use of carbon-free electric energy in the consumption of its operations.

Actions

To reduce Scope 2 emissions:

- Transferring of electricity to solar and hydro power in Argentina.
- Nuclear-origin electricity in 2 Mexico sites.
- Acquisition of International Renewable Energy Certificates (IRECs) in Latin America.

Designed a roadmap to prioritize and implement actions to achieve its carbon neutrality goal by 2050.

EMISSIONS REDUCTION

A critical aspect for climate change mitigation in ALFA and its Business Units is the reduction of emissions. To this end, in addition to the use of renewable energy, various process efficiency initiatives are implemented to contribute to a cleaner future.

EMISSIONS (T CO_2 EQ X 10^6)	2023	2022	2021
Direct emissions (Scope 1)	1.23	1.34	1.45
Indirect emissions (Scope 2)	1.42	1.60	1.49
Total	2.65	2.94	2.94
Carbon intensity	0.0002	0.0002	0.0002

NOTE: Adjusted for Axtel spin-off; close of operations at Alpek and OCTAL integration; Sigma Italy divestment

SIGMA

The Company has established an emissions reduction target for 2025 that includes its plants and transportation fleet. As a sign of its commitment to environmental management, in 2023 it carried out the verification of actual emissions scopes 1 and 2 for 2019, and established new targets for scopes 1, 2 and 3, endorsed by SBTi. This also reflects its alignment with the Paris Agreement to contribute to reducing global warming.

Goals

- 20% reduction in CO_2 emissions related to its plants and transportation fleet, per ton of feed produced, by 2025 (2015 baseline).
- 20% reduction in absolute Scope 1 and 2 CO_2 emissions by 2027 (2019 baseline).
- 9.8% reduction of its total Scope 3 emissions by 2027 (2019 baseline).

Achievement

- Obtained approval of its short-term emissions reduction targets by SBTi.
- 17.5% reduction in emissions per ton of food by 2023, based on 2015.

Actions

Designed a Scope 1 and 2 emissions reduction target roadmap, including:

- Certified the verification of its 2019 emissions inventory.
- Use of biofuel and biomass, use of renewable energy in plants, change of refrigeration appliances with greater energy efficiency and energy recovery systems, among others.
- The plant in Burgos, Spain, installed a gas pipeline and upgraded a burner to run on biogas. The project represents a reduction of 2,155 tons of CO_2 per year -equivalent to the yearly consumption of 272 homes-, due to the consumption of 12,000 MWh per year of biomethane.

SIGMA'S EMISSIONS POLICY

With respect to Scope 3 emissions, the Company established initiatives such as:

- Improved information gathering and created a roadmap to decarbonize its Scope 3.
- Focus on the most significant supplier category.
- Define joint projects with suppliers.
- Migrate towards sourcing with less environmental impact.
- Increase investment in decarbonization actions.

ALPEK

Target

- Reduce its Scope 1 and 2 emissions by 27.5%, as well as its Scope 3 emissions by 13.5%, by 2030 (2019 baseline).

Achievement

- Reduced 27% of its absolute scope 1 and 2 emissions with respect to 2019 (SBTi baseline).

Actions

- Reported in Energy Efficiency.

Water management

Aware of their responsibility to contribute to the care of water, during 2023 ALFA's Business Units strengthened their efforts to minimize their water footprint and improve the quality of their discharges.

GRI 303-3, 303-4, 303-5

SOURCES AND EXTRACTION VOLUMES (ML)	2023	2022	2021
Municipal water supply	5,776	5,972	2,828
Rivers, lakes, and seas	126,898	141,664	145,500
Wells, wetlands, and springs	5,470	7,366	2,100
Rainwater	-	-	-
Other	4,668	5,109	19,007
EXTRACTION (ML)	142,811	160,111	169,435
DISCHARGES (ML)	118,535	99,083	103,431
CONSUMPTION (ML)	24,276	61,028	66,004

NOTE: Adjusted for Axtel spin-off; close of operations at Alpek and OCTAL integration; Sigma Italy divestment

SIGMA

Sigma has worked on the design and implementation of a Global Water Management Program. It presents a holistic approach that starts with team member awareness regarding the importance of taking care of water as a resource, to the definition and implementation of reduction and reuse projects in the workplace.

SIGMA'S WATER MANAGEMENT POLICY

Global Water Management Program

GRI 303-3

STEPS		TOOL
1	Risk and plant-specific opportunities assessment	Aqueduct (WRI)
2	Short-term plan for priority operations	Internal benchmarking
3	Long-term plan to grow with water reuse and efficiencies	Investment in new technologies and processes
4	Governance and follow-up	Regular Executive Committee meetings

17.5%

water consumption reduction, per ton of food produced, at Sigma (2018 baseline)

Risk and opportunity analysis at the plant level

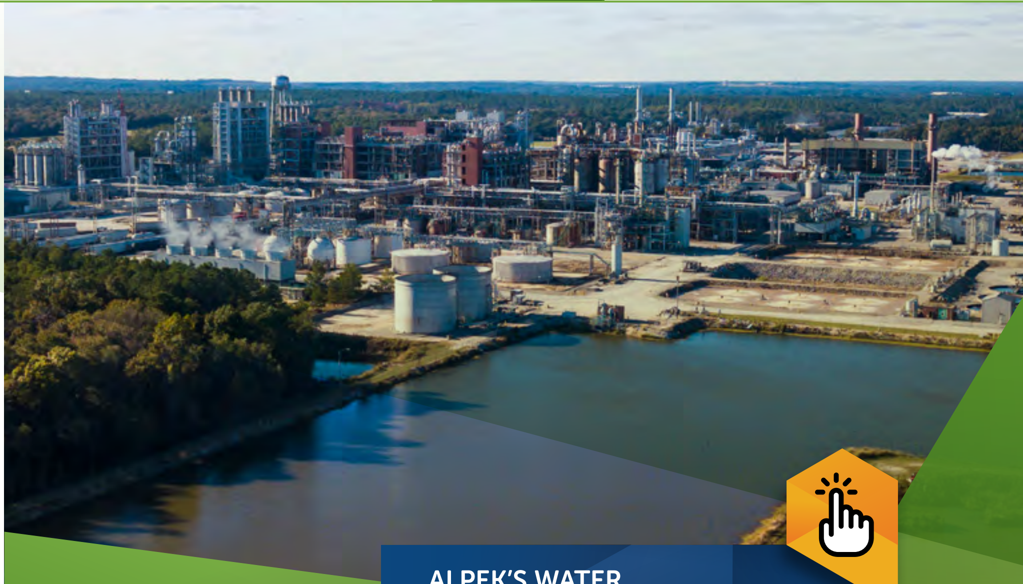
To improve water management, each site defines its water risks using the World Resources Institute (WRI) digital tool. As a result, sites in water stress zones and expected future behavior are identified, as well as other risks such as floods and droughts.

The Company has learned that those facilities with greater risk and in vulnerable areas have mitigation programs and activities that can be considered best practices and are shared with the rest of the plants.

Through these actions, Sigma is contributing to SDG 6, mainly in its 6.3 and 6.4 goals, which focus on improving water quality and efficient water resource use, respectively.

Target:
- 20% reduction in water consumption per ton of food produced (2018 baseline).

Achievement:
- 17.5% water consumption reduction, per ton of food produced, at Sigma (2018 baseline).



ALPEK'S WATER MANAGEMENT POLICY

ALPEK

Alpek's strategy focuses on assessing and responding to key water-related risks, as well as pursuing water efficiency projects in its Business Units, focusing on water-stressed areas.

Goal
- Closely monitor water consumption intensities, particularly in water stressed areas, to pursue reduction opportunities.

Achievement
- Water consumption optimization project in Styropek Argentina with potential reduction of 90%.
- In Mexico, the Polyester business installed a recirculation system which aims to recover 25,000m^3 per year.

Actions
- Implementation of a discharged water reutilization system in the EPS business in Chile.
- Development and deployment of the Water Management Policy.

RECYCLING AND CIRCULAR ECONOMY

GRI 301-2, 306-2

Circular management creates an opportunity to redefine the way the economy works and build a more sustainable and prosperous future for future generations. ALFA and its Business Units maintain this approach from various perspectives, according to the industry in which they operate.

TYPES OF WASTE (TONS)	2023
Hazardous	119,534
Non-hazardous	327,779
Total	447,313

SIGMA

Packaging has the primary function of protecting food, preserving its properties, ensuring shelf life, and offering the best consumer experience. Its life cycle is a relevant factor in minimizing environmental impact.

The Sustainable Packaging Program incorporates circular economy considerations from its design to the selection of recycled and biodegradable materials. In turn, it seeks to ensure that they can be recoverable and that the amount of plastic used in the manufacture of packaging is continuously reduced.

The objectives of the program are:

- Decrease the consumption of non-recycled materials.
- Increase the proportion of recycled content in its packaging, without compromising the quality, safety, and hygiene of its products.
- Achieve a reduction in energy consumption, minimize waste, and promote the use of biodegradable packaging.

This program relies on the participation of a global team that works together with the Research and Development, Innovation, Quality, Technology and Marketing teams, as well as with suppliers, academia, and the entrepreneurial ecosystem.

Sigma's Sustainable Packaging Program has the following action lines:

1. Reduce the use of plastic
2. Eliminate components or layers
3. Increase the proportion of recycled plastic
4. Use biodegradable materials
5. Use materials that are recoverable and recyclable

Example of actions in the development of sustainable packaging

100% recyclable plastic packaging

Reduction of rigid packaging thickness

Packaging solutions that use less plastic as a result of reductions in thickness, layers, or components.

SUSTAINABLE PACKAGING

- Use less materials
- Use more recycled materials
- Use biodegradable material
- Use recoverable and recyclable materials

Simpler packaging with the right materials make recycling easier.

Increase in the percentage of recycled plastic, avoiding the disposal of materials in landfills.

Packaging with biodegradable components in a period of less than five years.

Biodegradable packaging

Innovative packaging solutions

Goal

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

Achievement

- Avoided the consumption of 1,638 tons of virgin plastic in its packaging, totaling 10,047 tons since 2019.

ALPEK

Alpek works to ensure that its products are fully integrated into the circular economy. This is such a relevant point for its business that it is included in one of its strategy's pillars.

The raw materials produced by Alpek offer multiple uses and benefits to communities and society in general. However, some of the final products containing these materials require an adequate separation and disposal process to achieve their circularity and eventual reuse.

Increasing post-industrial (EPS and PP) and post-consumer (PET) waste recycling capabilities, as well as evaluations on technology for the circularity and biodegradability of chemical products, are also part of the strategy.

The Company has focused on integrating a higher proportion of recycled materials in its products in collaboration with some customers, in addition to looking for new materials and recycling processes to take advantage of market opportunities, differentiate its products and reduce their environmental impact.

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 partnerships to develop recycling solutions for polypropylene and increase its share of copolymers used in long-term applications.
- **EPS:** Increase recycled content in selected products to at least 30% by 2030, as well as its long-term use and sustainable applications, while working on biodegradable alternatives.

Achievements

- Expandable styrenics obtained 2 certifications: recycled content from the Scientific Certification System (SCS) and the International Sustainability and Carbon Certification (ISCC) Plus.
- The Polyester business received a post-consumer recycled (PCR) content certification, recognized by the Association of Plastic Recylers (APR), for its recycled-content products at the Richmond and Reading sites.

Actions

- The Polyester business invested US $3 million in 3 bottle separators and other automated equipment at the Richmond plant, U.S.

INNOVATION

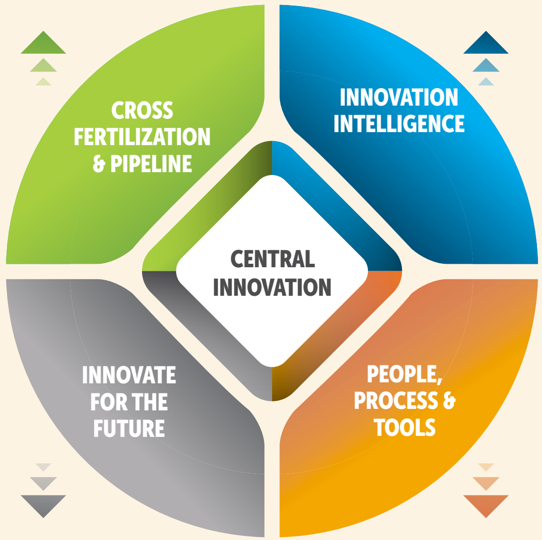
ALFA recognizes that innovation is essential to address global challenges, meet the evolving expectations of stakeholders, strengthen its market position, and contribute to a more sustainable future.

The Business Units have intensified their efforts to develop capabilities and open innovation platforms that connect with different internal stakeholders, as well as the entrepreneurial ecosystem, to generate programs and projects that contribute to the fulfillment of their innovation goals.

Sigma

- Consumer & Market trends
- Innovation Pipeline
- Events & forums

- Innovation metrics
- Innovation Dashboard
- Monthly & Quarterly reports



- Emerging trends
- Future Food Platforms
- Packaging Innovation

- Innovation Process
- Tools & Methodologies
- Culture & Mindset

Goal

- Duplicate the Health and Wellness product portfolio's sales (2019 baseline).

Achievement

- The Health and Wellness product portfolio's sales grew 1.6 times.

INNOVATION TO MEET CONSUMER PREFERENCES

Broccoli Snack'In Puffs
Broccoli-based baked snack.

Yoplait 4 Pack Max Protein
High-protein yogurt, with no added sugar.

Aoste Stickado High Protein
Low-fat and high-protein snack.

FUD turkey chorizo
Turkey-based chorizo.

Alpek

Goal

- Innovation that drives the improvement of processes, products, and the search for alternatives to care for the environment.

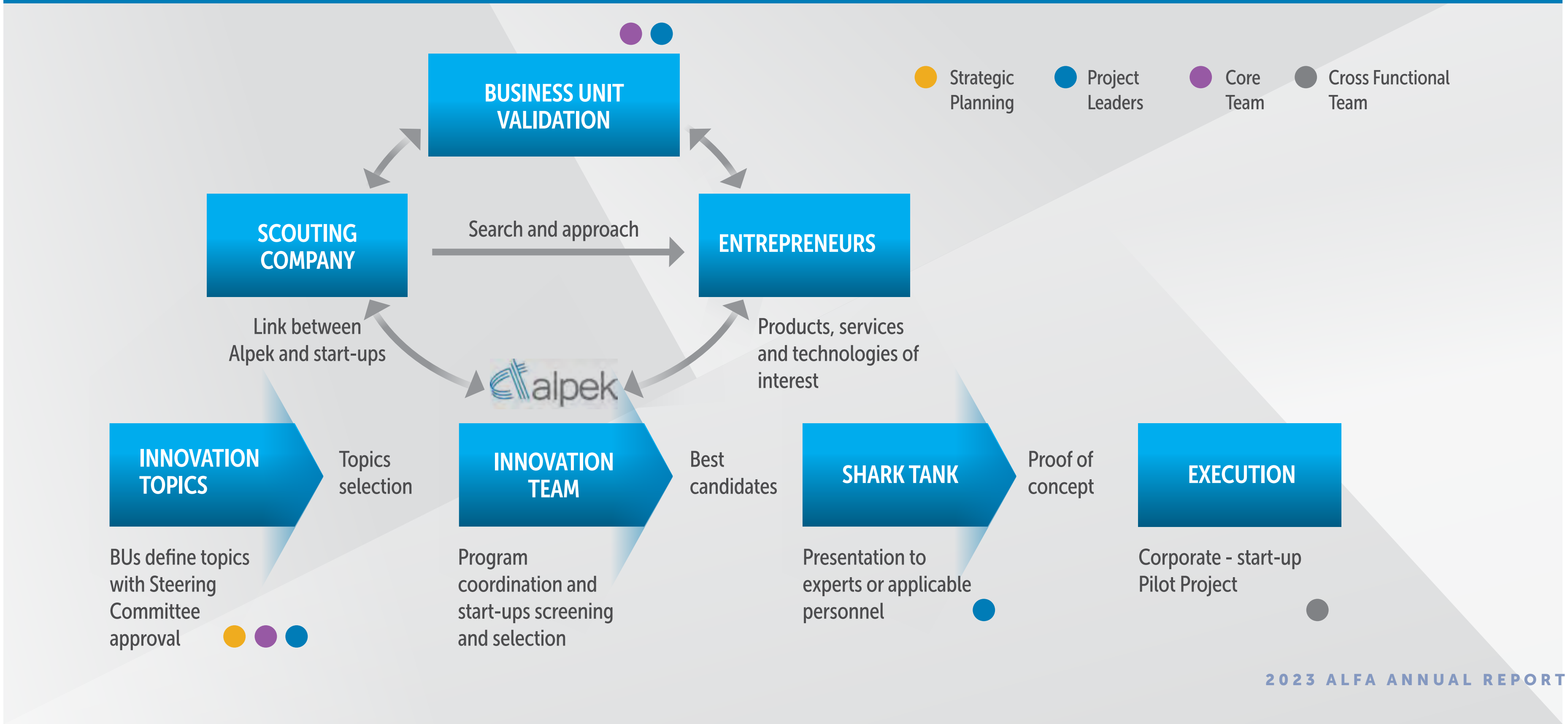
Achievement

- Participation of 21 projects and 3 countries in the 2023 Innovation Awards.

Actions

- Research & Development (R&D) teams contributed to 20% of innovation projects, focused on the development of new products and market expansion, while 80% focused on operating efficiencies.
- The Open Innovation Program strengthened while aiming to create value through the integration of new verticals, such as supply chain and digitalization, in addition to its ESG focus.

Open Innovation Program



Consolidated Financial Statements

104 Management's Discussion & Analysis

118 Independent Auditors' Report

CONSOLIDATED FINANCIAL STATEMENTS:

124 Consolidated Statements of Financial Position

125 Consolidated Statements of Income

126 Consolidated Statements of Comprehensive Income

127 Consolidated Statements of Changes in Stockholders' Equity

128 Consolidated Statements of Cash Flows

129 Notes to the Consolidated Financial Statements

Management's Discussion and Analysis

2023

This Management's Discussion and Analysis (MD&A) section should be read in conjunction with the Letter to Shareholders (pages 9-14), and the Audited Consolidated Financial Statements (pages 104-209). Unless otherwise indicated, numbers are stated in millions of pesos. Percentage variations are presented in nominal terms. In addition, some numbers are stated in United States dollars (US$) and millions of euros (€).

The financial information in this MD&A is in relation to the results of the last three years (2023, 2022, and 2021), and complies with International Financial Reporting Standards (IFRS). Likewise, the information in this analysis complies with the General Provisions applicable to Securities Issuers and other Stock Market Participants, issued by the National Banking and Securities Commission (CNBV), as of December 31, 2023.

This report may contain forward-looking statements, which are inherently uncertain. This implies judgments by Management with respect to certain future market conditions. Consequently, results may vary from those provided in this document.

San Pedro Garza García, Nuevo León, Mexico, January 31, 2024 .

ECONOMIC ENVIRONMENT

The economic outlook in Mexico and the rest of the world is for continued inflationary pressures and high interest rates, as well as ongoing geopolitical tensions in Europe and the Middle East. Both in Mexico and the largest global economies, inflationary levels have remained above the expectations of Central Banks. In Mexico, inflation in December 2023 was 4.7%, still above the target established by Mexico's Central Bank.

To offset the effects of inflation, central banks have upheld a restrictive monetary policy, increasing interest rates. The 28-day Interbank Equilibrium Interest Rate ("TIIE") in Mexico has reached historic highs, closing 2023 at 11.5%.

The movements of some of the main variables in Mexico, the U.S., and Europe, which are key to understanding ALFA's results, are as follows:

Mexico	2023	2022	Comments
Gross Domestic Product [a]	**3.2%**	3.1%	• GDP increased mainly due to higher consumption.
Inflation rate [a]	**4.7%**	7.8%	• Inflation fell compared to fiscal year 2022. Nevertheless, it is still above the target of Mexico's Central Bank.
Interest rates 28-day TIIE, nominal average [b]	**11.5%**	6.3%	• Mexico's Central Bank kept interest rates high as part of its monetary policy, with similar impacts in other countries where ALFA has operations.

U.S.	2023	2022	Comments
Gross Domestic Product	**2.5%**	1.9%	• GDP in the U.S. increased more than expected, driven by strong consumption. • Inflation fell vs. 2022. • The peso-dollar exchange rate appreciated due to exports, remittances, high interest rates, and direct foreign investment.
Inflation rate [d]	**3.4%**	6.5%	
Interest rates SOFR 3M, nominal average [d]	**5.2%**	2.2%	
USD/MXN exchange rate Annual average [c]	**17.74**	20.13	

EUROPE	2023	2022	Comments
Gross Domestic Product	**0.5%**	3.3%	• GDP remained flat throughout most of 2023, rising slightly at the end of the year. • Inflation decreased from its highs in the prior year, as a result of measures implemented by the European Central Bank. • The euro weakened due to a flat European economy.
Inflation rate	**6.5%**	9.2%	
Interest rates	**3.4%**	0.3%	
EUR/MXN exchange rate Annual average [c]	**19.18**	21.21	

Sources:
[a] National Institute of Statistics, Geography, and Information Technology (INEGI). January 31, 2024.
[b] Mexican Central Bank (Banxico).
[c] Banxico. Exchange rate used when paying obligations denominated in foreign currency, payable in Mexico.
[d] Own calculations using INEGI data, bilateral with the United States, considering consumer prices.

ALFA remains solid and disciplined during its transformation process

ALFA continues with its transformation strategy:

- Nemak and Axtel are operating as independent businesses.
- Consolidating director positions and transferring core skills to the subsidiaries, as the transformation process advances.
- Focus on reducing debt at the corporate level to remain financially solid after the potential Alfa's spin-off of it's shareholding in Alpek.

Sigma's results during 2023 have helped ALFA's financial flexibility in the last phase of the transformation process.

Alpek maintains its solid independent financial position, backed by efforts to maximize free cash flow.

Note on changes to ALFA's shareholder structure

On July 12, 2022, ALFA held an Extraordinary Shareholders Meeting in which the proposed spin-off of the entire shareholder stake in Axtel, S.A.B. de C.V. was approved. A new variable-capital entity was formed and listed on the BMV as "Controladora Axtel," to which ALFA transferred its entire stake in the company's capital, as well as other assets.

The accounting process was subject to certain conditions, including registration of Controladora Axtel as an issuer listed on the BMV, which had not taken place as of December 31, 2022. That process was subsequently completed on May 29, 2023, with registration of Controladora Axtel as an issuer listed on the BMV. ALFA's shareholders received one share of Controladora Axtel for each share they had in ALFA. This procedure allowed the shareholders of Alfa to maintain the same shareholding they had in Alfa immediately before and after the delivery of Controladora Axtel shares. Following this event, and as of that date ALFA no longer consolidates the results of Axtel, S.A.B. de C.V.

For the purposes of analyzing and understanding the content of this report, as well as ALFA's financial statements, in compliance with IFRS, the results and free cash flow of Axtel, S.A.B. de C.V. are presented as discontinued operations for fiscal years 2021, 2022, and 2023. For Balance Sheet purposes, Axtel is shown as a discontinued operation in fiscal year 2022.

RESULTS

REVENUES

The following table contains information on ALFA's revenues for the years 2023, 2022, and 2021, with a breakdown of volume and price components (the indexes are calculating using the basis 2018=100. This information includes reclassification of Axtel's revenues from 2023 to 2021 in discontinued operations:

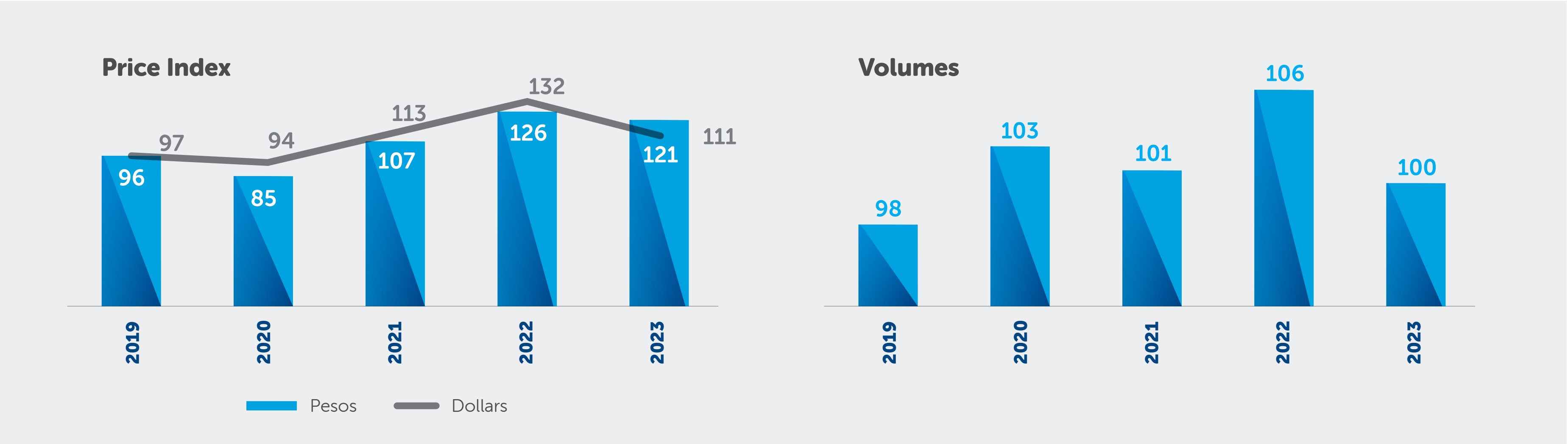
Item	2023	2022	2021	Change 2023-2022 (%)	Change 2022-2021 (%)
Consolidated revenues	**291,208**	363,864	296,802	(20%)	23%
Volume index	**100.4**	105.6	101.1	(5%)	4%
Peso price index	**120.5**	126.4	106.8	(5%)	18%
Dollar price index	**111.3**	132.1	112.7	(16%)	17%

Additionally, consolidated revenues are broken down for each of ALFA's subsidiaries:

Item	2023[(a)]	2022[(a)]	2021[(a)]	Change 2023-2022	Change 2022-2021
Alpek	**138,159**	212,435	156,224	**(35%)**	36%
Sigma	**150,839**	149,311	138,314	**1%**	8%
Others	**2,210**	2,118	2,264	**4%**	(6%)
Total Consolidated	**291,208**	**363,864**	**296,802**	**(20%)**	**23%**

[(a)] *Axtel's revenues were reclassified to discontinued operations.*

Revenue Index
(2018=100)



Revenues were as follows:

2023-2022:
In 2023, ALFA's consolidated revenues were $291,208, (US$16,388), a 20% drop in pesos, and a 9% drop in dollars when compared to the results of the previous year. Details on business performance were as follows:

Alpek's revenues in 2023 were US$7,759, a decline of 27% in dollar terms in relation to 2022. The main factors are lower average prices due to the drop in prices of petrochemical raw materials, as well as lower volume.

Sigma attained its best results ever in Mexico, the U.S., and LATAM, leading to 2023 revenues of US$8,505, a 15% increase over revenues in the previous year. The higher revenues were driven by volume growth in light of solid demand in the Americas, appreciation of the peso against the US dollar, and effective pricing measures. Standout performance in the Foodservice segment in Mexico, and the boost from acquiring Los Altos Foods contributed to the higher revenues.

2022-2021:
With the stronger numbers, ALFA's consolidated revenues were $363,864 (US$18,085), a 23% increase in pesos, and a 24% increase in dollars when compared to the results of the prior year. This reflects double-digit growth at Alpek, and excellent performance at Sigma. Details on business performance are as follows:

Alpek's revenues in 2022 were US$10,555, a 37% increase in dollar terms in relation to 2021, which was a record number. This increase was driven by several factors, including the acquisition of OCTAL, a company in the polyester segment. It was also impacted by higher prices of petrochemical raw materials, as well as solid demand.

Sigma's revenues in 2022 were US$7,425, 9% higher than in 2021. The higher sales are mainly due to the increased prices of its products, associated with spikes in its main raw materials, in light of inflationary pressures throughout all regions where the Company operates. Performance of the Foodservice Segment in LATAM and U.S. was again a standout.

OPERATING INCOME

The Operating income of ALFA and its key businesses in 2023, 2022 and 2021 is explained as follows:

2023-2022:

				Change by Group		
Operating income	**2023**	**2022**	**Var.**	**Alpek**	**Sigma**	**Others**
Revenues	**291,208**	363,864	(72,656)	(74,276)	1,528	92
Operating income	**3,113**	32,505	(29,392)	(30,976)	1,187	397
Consolidated operating margin (%)	**1.1%**	8.9%				
Alpek (%)	**(4.7%)**	11.6%				
Sigma (%)	**6.5%**	5.8%				

ALFA's Operating income in 2023 was $3,113 (US$149), a result of the drop at Alpek and the increase at Sigma. Details on the performance of ALFA's businesses are as follows:

In 2023, in addition to the lower reference margins for polyester, polypropylene, and polystyrene, impairment of $11,079 was posted (this did not impact cash flow) in the business' joint venture investment Corpus Christi Polymers, due to the temporary pause in construction of the integrated PTA-PET production facility in Corpus Christi, Texas, as well as closure of the Cooper River plant, and closure of the textile and industrial fibers production plant in Monterrey. An operating loss of US$386 was reported.

In 2023, Sigma's Operating income was US$521, a 28% increase over the prior year. This includes impairment of US$123 from the investment that Sigma had made in Italy. The Operating income was mainly due to solid demand in the Americas, favorable trends in certain raw materials, the implementation of strategies to gain operating efficiencies, and appreciation of the peso against the US dollar.

2022-2021:

				Change by Group		
Operating income	**2022**	**2021**	**Var.**	**Alpek**	**Sigma**	**Others**
Revenues	363,864	296,802	67,062	56,211	10,997	(146)
Operating income	32,505	25,490	7,015	7,045	(432)	402
Consolidated operating margin (%)	8.9%	8.6%				
Alpek (%)	11.6%	11.2%				
Sigma (%)	5.8%	6.6%				

ALFA's Operating Income in 2022 was $32,505 (US$1,608), a 28% increase in pesos, and a 28% increase in dollars with respect to 2021. The increase was seen at Alpek, countering a slight pullback at Sigma. Details on the performance of ALFA's businesses are as follows:

Alpek's Operating Income in 2022 was US$1,212, an increase of 40% compared to the previous year. Among the principal factors behind that increase were larger reference margins driven by favorable conditions in the global petrochemicals industry. Furthermore, the acquisition in the polyester segment provided a boost.

In 2022, Sigma's Operating Income was US$429, a decrease of 4% against 2021. Despite growth in revenues, and strong performance in the Foodservice channel, inflationary pressures—mainly in Europe—especially in raw materials, caused a drop year-over-year.

COMPOSITION OF REVENUES AND OPERATING INCOME

During fiscal year 2023, ALFA's percentage of revenues and Operating income yielded a mixed result, due to the fact that Alpek had a pronounced drop in relation to the record high numbers at Sigma, compared to fiscal year 2022. The same occurred in Operating income. The reasons for performance in each business are explained in the Results section of this document.

The following table shows the mentioned impacts:

	% Integration					
	Revenues			**Operating income**		
	2023	**2022**	**2021**	**2023**	**2022**	**2021**
Alpek	**47%**	58%	53%	**(207%)**	75%	69%
Sigma	**52%**	41%	47%	**316%**	27%	36%
Others	**1%**	1%	1%	**(9%)**	(2%)	(4%)
Total*	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

**Numbers may vary due to rounding.*

FINANCIAL RESULT

The financial result was impacted by several factors. There was a nominal annual appreciation of 13.1% of the Mexican peso against the US dollar which, in combination with ALFA's debt positions and the exchange rate fluctuations of the other currencies in which it operates, resulted in a higher negative impact on the financial result. The breakdown by line, and the main determining factors are detailed below:

Determining Factors of the Financial Result	2023	2022	2021
General inflation (Dec. – Dec.)	**4.7**	7.8	7.4
Year-end nominal exchange rate variance (%)	**13.1**	4.9	(2.8)
Year-end exchange rate, nominal	**16.89**	19.36	20.58
Inflation-adjusted appreciation (depreciation) peso / dollar with respect to prior year:			
Year end	**14.2**	6.1	(2.5)
Yearly average	**13.0**	0.7	6.5
Average interest rate:			
Nominal LIBOR	**5.4**	2.4	0.2
Nominal term SOFR	**5.2**	2.2	N/A
Implied nominal rate, ALFA debt	**8.1**	6.0	5.6
Inflation-adjusted LIBOR	**(11.8)**	(5.8)	(10.6)
Inflation-adjusted term SOFR	**(12.0)**	(6.0)	N/A
Inflation-adjusted implied rate, ALFA debt	**(9.6)**	(7.3)	1.7
Average monthly debt of ALFA in US$	**6,124**	6,272	6,224

Stated in US$, net financial expenses for 2023 to 2021 were $393, $323, and $317, respectively.

Change in net financial expenses in US$	23/22	22/21	21/20
Due to (higher) lower interest rate	(69)	3	(3)
Due to (higher) lower debt, net of cash	(1)	(9)	(24)
Net change	**(70)**	**(6)**	**(27)**

Net financial expenses in results include financial expenses related to bank loans and bonds placed abroad, fees and prepayment expenses in refinancing operations, and operating interest in 2023, 2022, and 2021.

Stated in pesos, the financial result was comprised as follows:

				Change	
FINANCIAL RESULT	2023	2022	2021	23/22	22/21
Financial expenses	**(8,824)**	(7,635)	(7,128)	(1,189)	(507)
Financial products	**1,839**	1,399	872	440	527
Financial expenses, net	**(6,985)**	**(6,236)**	**(6,256)**	**(749)**	**20**
Result due to FX fluctuation, net	**(3,221)**	(1,308)	(1,969)	(1,913)	661
Financial Result, net	**(10,206)**	**(7,544)**	**(8,225)**	**(2,662)**	**681**

The fair value of ALFA's derivative financial instruments as at December 31, 2023 and 2022, was as follows::

	Fair value (millions of dollars)	
Type of derivative, security, or contract	**Dec. 2023**	**Dec. 2022**
Exchange rate	**46**	29
Energy	**66**	88
Total	**112**	**117**

INCOME TAX

A comparative analysis is provided below of the main factors that determined the income tax in each year, according to the income tax profit basis, which is defined as Operating income minus the financial result and other net expenses.

				Change	
INCOME TAX	**2023**	**2022**	**2021**	**23/22**	**22/21**
(Loss) Income before income tax	**(7,229)**	24,985	17,289	(32,214)	7,696
Stake in losses of associated companies recognized using the equity method	**136**	(24)	(24)	160	-
	(7,093)	**24,961**	**17,265**	**(32,054)**	**7,696**
Statutory rate	**30%**	30%	30%		
Income tax with statutory rate	**2,128**	(7,488)	(5,179)	9,616	(2,310)
Financial tax rate vs. accounting rate	**(4,147)**	(3,860)	1,075	(287)	(4,935)
Other permanent differences, net	**(4,124)**	2,928	(4,572)	(7,052)	7,500
Total provision for income tax (charged) accredited to results	**(6,143)**	**(8,420)**	**(8,676)**	**2,277**	**255**
Effective income tax rate	**(87%)**	34%	50%		
Incurred	**(8,006)**	(7,936)	(7,270)	(70)	(666)
Deferred	**1,863**	(484)	(1,406)	2,347	922
Total provision for income tax charged to results	**(6,143)**	**(8,420)**	**(8,676)**	**2,277**	**256**

NET CONSOLIDATED (LOSS) PROFIT 2023

In 2023, ALFA recorded a net consolidated loss, as detailed in the following table. This result was due to the operating loss, financial result, stake in the results of associated companies recognized using the equity method, and taxes, explained previously.

				Change	
Income Statement	**2023**	**2022**	**2021**	**23/22**	**22/21**
Operating income	**3,113**	32,505	25,490	(29,392)	7,015
Financial result	**(10,206)**	(7,544)	(8,225)	(2,662)	681
Stake in results of associated companies recognized using the equity method	**(136)**	24	24	(160)	-
Taxes [1]	**(6,143)**	(8,420)	(8,676)	2,277	256
Net consolidated (loss) profit from continuing operations	**(13,372)**	16,565	8,613	(29,937)	7,952
Discontinued operations	**176**	(118)	(1,184)	1,066	(10,208)
Consolidated net (loss) profit	**(13,196)**	**16,447**	**7,429**	**(28,871)**	**(2,256)**
Net consolidated (loss) profit attributable to controlling interest:					
In continuing operations	**(12,369)**	11,787	4,731	(24,156)	7,056
In discontinued operations	**119**	(64)	(625)	183	561
	(12,250)	**11,723**	**4,106**	**(23,973)**	**7,617**
Net consolidated (loss) profit attributable to non-controlling interest:					
In continuing operations	**(1,003)**	4,778	3,882	(5,781)	896
In discontinued operations	**57**	(54)	(559)	111	505
	(946)	**4,724**	**3,323**	**(5,670)**	**1,401**

[1] *Income tax (incurred and deferred)*

CONSOLIDATED NET COMPREHENSIVE (LOSS) PROFIT 2023

The all-in result is presented in the Statement of Changes to Shareholders' Equity. The objective is to show the total impact of events and transactions that impacted capital gained, such as the effect of employee benefit obligations, hedging impacts or currency conversion effects, regardless of whether or not they were recognized on the Income Statement, or directly in the equity accounts. Transactions between the Company and its shareholders, mainly dividends paid, are excluded. The all-in results for 2023, 2022, and 2021 were as follows:

Consolidated profit	2023	2022	2021
Consolidated net (loss) profit	**(13,196)**	**16,447**	**7,429**
Other lines from the comprehensive result of continuing operations:			
Impact due to exchange rate conversion from foreign entities	**(4,090)**	(3,111)	(1,741)
Impact from derivative financial instruments designated as cash flow hedges, net of taxes	**1,376**	(1,011)	243
Restatement of employee benefits, net of taxes	**(319)**	(258)	427
Total from other lines from the comprehensive result of continuing operations:	**(3,033)**	**(4,380)**	**(1,071)**
Other lines from the comprehensive result of discontinued operations	**88**	20	181
Total from other lines from the comprehensive results for the year	**(2,945)**	**(4,360)**	**(890)**
Comprehensive result for the year	**(16,141)**	12,087	6,539
Attributable to:			
Controlling interest	**(13,704)**	**8,222**	**3,009**
Non-controlling interest	**(2,437)**	**3,865**	**3,530**

An earlier section in this analysis explains the net profit (loss) obtained in fiscal years 2023, 2022, and 2021.

The effect from foreign entities is due to the use of different exchange rates between the financial position accounts, and the profit and loss accounts.

Derivative financial instruments impact hedges on commodities, exchange rates, interest rates, etc., which, according to International Financial Reporting Standards, are presented in shareholders' equity.

Restatement of employee benefit obligations, net of taxes, represents the variation in actuarial estimates.

DIVIDENDS DECLARED AND CHANGES IN SHAREHOLDERS' EQUITY

During the Annual Ordinary Shareholders Meeting and the Annual Extraordinary Shareholders Meeting held on March 9, 2023, a cash dividend payment of US$0.02 per outstanding share was approved, which is equal to US$96 million (Ps.1,746). This amount was paid on March 21, 2023.

The maximum amount of Ps.5.8 billion (approximately US$320 million) was approved to acquire the Company's own shares.

During the Extraordinary Shareholders Meeting held on March 9, 2023, the proposal to cancel 90,380,000 shares of Alfa, S.A.B. de C.V. that held in Treasury was approved, under the program to acquire own shares. This resulted in a benefit to shareholders equal to 1.8% of the total shares at the end of 2022.

On March 7, 2022, Alfa, S.A.B. de C.V., the holding company, held its Ordinary General Shareholders Meeting, during which it approved the payment of a cash dividend of US$0.04 per outstanding share, equal to US$196, or Ps.4,063, approximately.

Subsequently, on July 12, 2022, Alfa, S.A.B. de C.V., the holding company, held an Extraordinary Shareholders Meeting in which the proposed spin-off of its entire shareholder stake in Axtel, S.A.B. de C.V. was approved. (BMV: AXTELCPO).

That process was completed on May 29, 2023, with registration of Controladora Axtel as an issuer listed on the BMV. The shareholders of Alfa, S.A.B. de C.V. received one share of Controladora Axtel for each share they had held in Alfa, S.A.B de C.V., which did not impact the stake they held at the time in Alfa, S.A.B. de C.V. With this event and as of that date, Alfa, S.A.B. de C.V. no longer consolidated the results of Axtel, S.A.B. de C.V.

Alfa, S.A.B. de C.V., the holding company, held its Ordinary General Shareholders Meeting on March 11, 2021, during which it approved a cash dividend of US$0.02 per outstanding share, equal to US$98, or Ps.2,087, approximately.

During the Extraordinary Shareholders Meeting held on March 11, 2021, the proposal to cancel 145,900,000 of ALFA's treasury shares was approved, under the program to acquire its own shares. This resulted in a benefit to shareholders equal to 2.9% of the total shares prior to their cancellation.

In 2023, the shareholders' equity includes the accounting impacts from the spin-off of Axtel. In the other businesses, the principle changes are explained by the exchange rate conversion effect from foreign entities, the results of the year, and dividends.

INVESTMENT IN DAYS WORKING CAPITAL (DWC)

In 2023, the Company's revenue to DWC ratio by group and at the consolidated level was as follows:

DWC [1]	2023	2022	2021
Alpek	**47**	41	38
Sigma	**5**	3	(4)
Consolidated	**22**	**23**	**15**

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

INVESTMENTS

Property, Plant and Equipment

Total investments by group were as follows:

	2023	2022	2021	% Change 23/22	Last 5 years Investment	%
Alpek	**2,528**	2,985	4,431	(15%)	15,575	44%
Sigma	**3,868**	4,996	4,562	(23%)	19,395	54%
Others	**(45)**	-	36		704	2%
Total	**6,351**	**7,981**	**9,029**	**(20%)**	**35,674**	**100%**

Acquisitions and sale of businesses

In 2023, ALFA and its subsidiaries finalized the following transactions, as per its strategy for growth and optimization of the business portfolio:

On May 3, 2023, Sigma reached an agreement to acquire a majority stake of 85% in Los Altos Foods, a company that produces Hispanic cheeses in the United States. This transaction complements Sigma's strategy to strengthen its position in a rapidly growing market. The total amount paid was US$ 1,336. There is no agreement for a contingent payment amount.

On August 1, 2023, Sigma finalized the sale of its subsidiary to Fiorucci Holding S.r.L. As of that date, Sigma no longer consolidates the net assets and results of that former subsidiary.

CASH FLOW

Based on the line "Cash flows generated by the operation," the main transactions in 2023, 2022, and 2021 are presented below.

	2023	2022	2021
Cash flows generated by the operation	**25,572**	27,658	26,378
Property, plant and equipment, and other items	**(6,351)**	(7,981)	(9,029)
Investment in acquisition of businesses, associated companies, and joint ventures, net of cash	**(3,745)**	(11,029)	(150)
Increase in bank financing	**347**	7,306	520
Dividends paid by Alfa, S.A.B. de C.V.	**(1,822)**	(4,089)	(2,481)
Dividends paid to minority shareholders	**(1,469)**	(3,708)	(2,551)
Share repurchase	**(10)**	(1,275)	(108)
Interest paid	**(7,101)**	(6,399)	(6,158)
Others	**(4,293)**	(2,863)	(2,660)
Cash flow from discontinued operations	**-**	(4,790)	(4,870)
Cash increase (decrease)	**1,128**	(7,170)	(1,109)
Cash flow adjustments due to exchange rate fluctuations	**(3,196)**	(1,996)	(56)
Cash and cash equivalents at the start of the year	**21,813**	30,979	32,144
Total cash at the end of the year	**19,745**	**21,813**	**30,979**

The main changes in ALFA's net debt, as well as the Company's other businesses, were as follows:

Changes in debt, net of cash US$	Consolidated	Alpek	Sigma	Others
Balance as at December 31, 2022	**4,751**	**1,860**	**1,782**	**1,109**
Long-term financing:				
Financing [1]	**2,024**	1,713	161	150
Payments	**(1,870)**	(1,716)	(41)	(114)
Short-term financing, net of payments	**(39)**	(37)	1	(3)
Total financing, net of payments	**115**	**(40)**	**121**	**33**
Currency conversion effect	**132**	23	97	13
Change in debt on Cash Flow Statement	**247**	**(17)**	**218**	**46**
Debt in acquired companies and others	**(42)**	(10)	(35)	3
Total change in debt	**205**	**(27)**	**183**	**49**
Decrease (increase) in cash and restricted cash	**(32)**	(102)	57	12
Change in interest payable	**(5)**	(2)	3	(5)
Increase (decrease) in debt net of cash	**168**	**(131)**	**243**	**56**
Balance as at December 31, 2023	**4,919**	**1,729**	**2,025**	**1,165**

[1] *Includes the effect of implementing IFRS 16, Leasing.*

Short- and long-term debt by group	Alpek		Sigma		Otras	
	2023	2022	2023	2022	2023	2022
Balance of debt (US$)	**2,192**	2,192	**2,434**	2,434	**1,210**	1,210
% All-In						
Short-term and long-term debt year 1	**4**	17	**37**	1	**6**	-
2	**7**	2	**41**	28	**2**	41
3	**24**	1	**3**	9	**40**	0
4	**10**	3	**19**	41	**12**	0
5 years or more	**55**	77	**-**	21	**40**	59
% Total	**100**	**100**	**100**	**100**	**100**	**100**
Average long-term debt (years)	**5.3**	6.4	**2.9**	3.3	**10.2**	10.3
Average total debt (years)	**5.2**	5.4	**2.3**	3.2	**10.2**	10.2

Short- and long-term consolidated debt	US$			% All-In	
	2023	2022	Change	2023	2022
% Integration					
Short-term and long-term debt 1 year	**1,133**	401	732	**19%**	7%
2	**1,254**	1,233	21	**21%**	21%
3	**1,102**	248	854	**18%**	4%
4	**873**	1,069	(196)	**14%**	18%
5 years or more	**1,680**	2,885	(1,205)	**28%**	50%
Total	**6,042**	**5,836**	**(206)**	**100%**	**100%**
Average long-term debt (years)	**5.6**	5.9			
Average total debt (years)	**5.0**	5.5			

FINANCIAL RATIOS

SOLVENCY

Debt net of cash / EBITDA (times, based on US$ last 12 months)		
Groups	**2023**	**2022**
Alpek	**3.36**	1.28
Sigma	**2.27**	2.74
Consolidated	**3.54**	**2.28**

LIQUIDITY

Current Assets / Current Liabilities (times, dollar basis)		
Groups	**2023**	**2022**
Alpek	**1.64**	1.47
Sigma	**0.88**	1.30
Consolidated	**1.19**	**1.36**

Interest Coverage (times, based on US$ last 12 months)*				Variation by	
	2023	2022	23 vs 22	Cash Flow	Net Financial Expenses
Alpek	**3.4**	11.4	(8.0)	(7.3)	(0.7)
Sigma	**5.9**	5.5	0.4	2.0	(1.6)
Consolidated	**3.5**	**6.4**	**(2.9)**	**(2.1)**	**(0.8)**

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

FINANCIAL STRUCTURE

ALFA's financial structure indicators in 2023 are shown below:

Financial indicators	2023	2022
Total liabilities / Equity	5.58	3.72
Long-term debt / Total debt (%)	81	93
Total debt in foreign currencies / Total debt (%)	96	96

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, 2023, 2022 and 2021, 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 material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of Alfa, S. A. B. de C. V. and Subsidiaries as of December 31, 2023, 2022 and 2021, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

BASIS FOR OPINION

We conducted our audits in accordance with International Standards on Auditing (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 matters are those matters that, in our professional judgment, were of most significance in our audit of the 2023 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.

IMPAIRMENT ASSESSMENT – CORPUS CHRISTI POLYMERS, LLC PROJECT SHARE INVESTMENT

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

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

Due to the significant judgments used by management in the valuation models to determine the recoverable value of the investment, we consider that this represents a key matter in our audit.

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 engaged a team of valuation experts to evaluate the premises and criteria used by Management, within which the following procedures are included, among others:

- We tested the design and implementation of the controls over the determination of the recoverable value and the assumptions used.
- We reviewed the contractual agreements and of the Board of Directors of the Company.
- We verified that the methodology and model used by Management so that the determination of the recoverable values were those used and recognized to value assets with similar characteristics.
- We challenged Management's financial projections and compared them with similar business performance indicators.
- We reviewed the most relevant valuation assumptions (discount rate and projected operative margin).
- We reviewed compliance with the presentation and disclosure requirements established by IAS 36.

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 2c., 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"). The process was subject to compliance with certain conditions precedent, among which was the registration of Controladora Axtel as an issuer listed on the Mexican Stock Exchange ("BMV", for its acronym in Spanish), which was completed on May 29, 2023. Alfa SAB shareholders received one share of Controladora Axtel for each of the shares they had in Alfa SAB, without this affecting the shareholding they had in Alfa SAB. With this act and to this date, Alfa SAB stopped consolidating Axtel SAB for accounting purposes.

The effects of this transaction in accordance with IFRS 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.

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, 2023, the balance in the Company's consolidated financial statements is comprised of intangible assets with indefinite useful lives of $10,502 and goodwill of $12,245.

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, 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, 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 analyzed 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 made an independent evaluation of the discount rates used, contracting them with the discount rates 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.

EMPHASIS PARAGRAPHS

As mentioned in Note 2h., 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, 2023, 2022 and 2021 are not comparable among each other.

As mentioned in Note 2c., 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, 2023 and 2021.

Our opinion is not modified by what was mentioned in the two previous paragraphs.

OTHER MATTERS

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

This matter has not changed our opinion.

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 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 ii) 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 Note 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 relation 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 the current 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.
Affiliated member firm of Deloitte Touche Tohmatsu Limited

C. P. C. Roberto Benavides González
Monterrey, Nuevo Leon, Mexico
January 31, 2024

Consolidated Statements of Financial Position

As of December 31, 2023, 2022 and 2021. In millions of Mexican pesos

	Note	2023	2022	2021
Assets				
Current assets:				
Cash and cash equivalents	6	**$ 19,745**	$ 21,813	$ 30,979
Restricted cash	7	**15**	199	13
Trade and other accounts receivable, net	8	**28,558**	33,711	36,207
Inventories, net	9	**39,807**	52,507	42,787
Derivative financial instruments	4	**433**	261	382
Other current assets	10	**2,668**	5,397	6,519
Assets classified as held for disposal	24	**-**	23,058	-
Total current assets		**91,226**	**136,946**	**116,887**
Non-current assets:				
Property, plant and equipment, net	11	**74,579**	82,577	84,731
Right-of-use asset, net	12	**5,911**	5,259	6,179
Goodwill and intangible assets, net	13	**27,287**	30,295	37,849
Deferred income taxes	19	**5,328**	5,854	8,332
Derivative financial instruments	4	**128**	520	972
Investments accounted for using the equity method and other non-current assets	14	**4,573**	13,996	14,157
Total non-current assets		**117,806**	**138,501**	**152,220**
Total assets		**$ 209,032**	**$ 275,447**	**$ 269,107**
Liabilities and Stockholders' Equity				
Current liabilities:				
Debt	17	**$ 12,656**	$ 8,785	$ 4,059
Lease liability	18	**1,188**	1,259	1,572
Trade and other accounts payable	16	**56,157**	61,393	61,210
Income taxes payable	19	**2,026**	3,611	3,015
Derivative financial instruments	4	**1,502**	1,957	559
Provisions	20	**1,016**	1,408	1,298
Other current liabilities	21	**2,196**	5,144	5,646
Liabilities classified as held for disposal	24	**-**	16,233	-
Total current liabilities		**76,741**	**99,790**	**77,359**
Non-current liabilities:				
Debt	17	**83,888**	99,537	116,234
Lease liability	18	**5,108**	4,295	4,817
Derivative financial instruments	4	**385**	309	6
Provisions	20	**746**	1,145	981
Deferred income taxes	19	**5,861**	8,105	9,018
Income taxes payable	19	**-**	-	1,501
Employee benefits	22	**3,835**	3,671	3,898
Other non-current liabilities	21	**704**	807	472
Total non-current liabilities		**100,527**	**117,869**	**136,927**
Total liabilities		**177,268**	**217,659**	**214,286**
Stockholders' equity:				
Controlling interest:				
Capital stock	23	**152**	170	170
Retained earnings		**23,358**	41,726	35,369
Other reserves		**(1,427)**	45	3,546
Total controlling interest		**22,083**	**41,941**	**39,085**
Non-controlling interest	15	**9,681**	15,847	15,736
Total stockholders' equity		**31,764**	**57,788**	**54,821**
Total liabilities and stockholders' equity		**$ 209,032**	**$ 275,447**	**$ 269,107**

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

Consolidated Statements of Income

For the years ended December 31, 2023, 2022 and 2021. In millions of Mexican pesos, except for earnings per share amounts.

	Note	2023	2022	2021
Revenues	31	**$ 291,208**	$ 363,864	$ 296,802
Cost of sales	26	**(235,550)**	(293,885)	(233,012)
Gross profit		**55,658**	**69,979**	**63,790**
Selling expenses	26	**(27,639)**	(26,325)	(24,692)
Administrative expenses	26	**(12,315)**	(11,319)	(11,511)
Other (expenses) income, net	27	**(12,591)**	170	(2,097)
Operating income		**3,113**	**32,505**	**25,490**
Financial income	28	**1,839**	1,399	872
Financial expenses	28	**(8,824)**	(7,635)	(7,128)
Exchange fluctuation loss, net	28	**(3,221)**	(1,308)	(1,969)
Financial result, net		**(10,206)**	**(7,544)**	**(8,225)**
Equity in income of associates recognized using the equity method		**(136)**	**24**	**24**
(Loss) income before taxes		**(7,229)**	24,985	17,289
Income taxes	19	**(6,143)**	(8,420)	(8,676)
Net consolidated (loss) income from continuing operations		**(13,372)**	**16,565**	**8,613**
Discontinued operations	24	**176**	(118)	(1,184)
Net consolidated (loss) income		**$ (13,196)**	**$ 16,447**	**$ 7,429**
Net consolidated (loss) income attributable to controlling interest				
From continuing operations		**$ (12,369)**	$ 11.787	$ 4,731
From discontinued operations		**119**	(64)	(625)
		(12,250)	11,723	4,106
Net consolidated (loss) income attributable to non-controlling interest				
From continuing operations		**$ (1,003)**	$ 4,778	$ 3,882
From discontinued operations		**57**	(54)	(559)
		(946)	4,724	3,323
		$ (13,196)	**$ 16,447**	**$ 7,429**
(Losses) earnings per basic and diluted shares from continuing operations, in Mexican pesos		**$ (2.57)**	$ 2.43	$ 0.97
Earnings (losses) per basic and diluted shares from discontinued operations, in Mexican pesos		**0.02**	(0.01)	(0.13)
(Losses) earnings per basic and diluted shares, in Mexican pesos		**$ (2.55)**	$ 2.42	$ 0.84
Weighted average outstanding shares (thousands of shares)		**4,818,823**	4,859,106	4,909,115

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023, 2022 and 2021
In millions of Mexican pesos

	Note	2023	2022	2021
Net consolidated (loss) income		**$ (13,196)**	**$ 16,447**	**$ 7,429**
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		**(319)**	(258)	427
Items that will be reclassified to the consolidated statement of income				
Effect of derivative financial instruments designated as cash flow hedges, net of taxes		**1,376**	(1,011)	243
Translation effect of foreign entities		**(4,090)**	(3,111)	(1,741)
Total other comprehensive loss of the year from continuing operations		**(3,033)**	**(4,380)**	**(1,071)**
Other comprehensive income from discontinued operations		**88**	20	181
Total other comprehensive loss of the year		**(2,945)**	**(4,360)**	**(890)**
Consolidated comprehensive (loss) income for the year		**$ (16,141)**	**$ 12,087**	**$ 6,539**
Attributable to:				
Controlling interest		**$ (13,704)**	$ 8,222	$ 3,009
Non-controlling interest		**(2,437)**	3,865	3,530
Consolidated comprehensive (loss) income for the year		**$ (16,141)**	**$ 12,087**	**$ 6,539**

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, 2023, 2022 and 2021
In millions of Mexican pesos

	Capital stock	Retained earnings	Other reserves	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of January 1, 2021	$ 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 (loss)	**-**	**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 (loss)	**-**	**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**
Transactions with stockholders:						
Dividends declared	-	(1,746)	-	(1,746)	(1,373)	(3,119)
Repurchase of own shares, net	-	(8)	-	(8)	(2)	(10)
Subsidiary spin-off effects	-	(4,785)	-	(4,785)	(2,257)	(7,042)
Decrease in share capital	(15)	-	-	(15)	-	(15)
Others	(3)	421	-	418	(95)	323
Total transactions with stockholders	**(18)**	**(6,118)**	**-**	**(6,136)**	**(3,727)**	**(9,863)**
Reclassification of comprehensive income due to spin-off	**-**	**-**	**(18)**	**(18)**	**(2)**	**(20)**
Consolidated net loss	-	(12,250)	-	(12,250)	(946)	(13,196)
Total other comprehensive loss for the year	-	-	(1,454)	(1,454)	(1,491)	(2,945)
Comprehensive loss	**-**	**(12,250)**	**(1,454)**	**(13,704)**	**(2,437)**	**(16,141)**
Balances as of December 31, 2023	**$ 152**	**$ 23,358**	**$ (1,427)**	**$ 22,083**	**$ 9,681**	**$ 31,764**

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2023, 2022 and 2021. In millions of Mexican pesos.

	2023	2022	2021
Cash flows from operating activities			
(Loss) income before income taxes	**$ (7,229)**	$ 24,985	$ 17,289
Depreciation and amortization	**8,942**	8,872	8,963
Impairment of long-lived assets, net	**12,728**	644	2,929
Allowance for doubtful accounts	**(664)**	(903)	(12)
Loss (gain) on sale of property, plant and equipment, net	**17**	(44)	(82)
Gain on business combinations	**-**	(425)	(29)
Effect of changes in the fair value of derivative financial instruments	**(16)**	(265)	(196)
Financial expenses, net	**7,001**	6,501	6,452
Exchange fluctuation, net	**3,221**	1,308	1,969
Equity in results of associates	**136**	(24)	(24)
Provisions and others	**3,152**	1,107	(17)
Movements in working capital:			
Decrease (increase) in trade and other accounts receivable	**2,485**	(43)	(9,392)
Decrease (increase) in inventories	**7,486**	(8,354)	(11,427)
(Decrease) increase in trade and other accounts payable	**(1,093)**	(603)	12,144
Cash flows from operating activities from discontinued operation	**-**	3,343	3,168
Income taxes paid	**(10,594)**	(8,441)	(5,357)
Net cash flows generated by operating activities	**25,572**	**27,658**	**26,378**
Cash flows from investing activities			
Interest collected	**1,697**	752	458
Cash flows in acquisition of property, plant and equipment	**(6,467)**	(7,570)	(9,512)
Cash flows in sale of property, plant and equipment	**282**	-	935
Cash flows in acquisition of intangible assets	**(166)**	(411)	(452)
Cash flows in business acquisitions, net of cash acquired	**(1,820)**	(10,198)	78
Cash flows in investments in associates and joint ventures	**(1,925)**	(831)	(228)
Cash flows in business sale	**(611)**	-	-
Restricted cash	**185**	(520)	26
Decrease in cash due to subsidiary spin-off	**(665)**	-	-
Cash flows from investing activities from discontinued operation	**-**	(2,750)	(1,268)
Other assets	**(38)**	(767)	(1,236)
Net cash flows used in investing activities	**(9,528)**	**(22,295)**	**(11,199)**
Cash flows from financing activities			
Proceed from borrowings or debt	**47,616**	16,858	14,284
Payments of borrowings or debt	**(47,269)**	(9,552)	(13,764)
Lease payments	**(2,073)**	(1,946)	(1,810)
Interest paid	**(7,101)**	(6,399)	(6,158)
Dividends paid	**(1,822)**	(4,089)	(2,481)
Dividends paid to non-controlling interest	**(1,469)**	(3,708)	(2,551)
Repurchase of shares, net	**(10)**	(1,275)	(108)
Cash flows from financing activities from discontinued operation	**-**	(2,040)	(3,602)
Other	**(2,788)**	(382)	(98)
Net cash flows used in financing activities	**(14,916)**	**(12,533)**	**(16,288)**
Net increase (decrease) increase in cash and cash equivalents	**1,128**	(7,170)	(1,109)
Effect of changes in exchange rates	**(3,196)**	(1,996)	(56)
Cash and cash equivalents at beginning of year	**21,813**	30,979	32,144
Cash and cash equivalents at end of year	**$ 19,745**	**$ 21,813**	**$ 30,979**

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, 2023, 2022 and 2021. 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 two principal business groups with the following activities: Alpek, engaged in the production of petrochemicals and synthetic fibers and Sigma, a refrigerated food producer.

On May 29, 2023, the Company concluded the spin-off process of its subsidiary Axtel, a telecommunications-oriented business (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 and PET (both raw materials for the manufacture of polyester) and is a leader in the Mexican market for refrigerated foods. As of December 31, 2023, Alfa operates industrial production and distribution centers mainly in Mexico, the United States of America (U.S.), Oman, Saudi Arabia, Canada, Germany, Belgium, 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 29 countries worldwide and employs over 54,060 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, México.

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

2023

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

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

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

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

b. Acquisition of Los Altos Foods

On May 3, 2023, Sigma reached an agreement to acquire a majority stake of 85% of Los Altos Foods, a company dedicated to the production of Hispanic cheeses and creams in the United States. This transaction complements Sigma's strategy to continue growing the business by strengthening its position in a market with rapid growth in domestic consumption.

The total consideration paid was $1,336. There is no contingent consideration agreement.

The acquisition of Los Altos Foods met the criteria for a business combination in accordance with the requirements of the IFRS; therefore, Sigma applied the acquisition method to measure the assets acquired and liabilities assumed in the transaction. The fair values of the assets acquired and liabilities assumed as a result of this acquisition are as follows:

Current assets (1)	$ 255
Non-current assets (2)	191
Intangible assets (3)	869
Current liabilities (4)	184
Non-current liabilities (5)	25
Net assets acquired	**1,106**
Non-controlling interest	(166)
Goodwill	396
Final consideration	**$ 1,336**

(1) Current assets consist of cash for $13, accounts receivable for $151, inventories for $89, and other assets for $2.
(2) Non-current assets consist of property plant and equipment.
(3) Intangible assets consist of non-compete agreements for $23, brands for $544, and client relationships for $280 and software for $22.
(4) Current liabilities consist of other accounts payable for $89, payroll provisions for $85, and other liabilities for $10.
(5) Non-current liabilities consist of long-term notes payable.

The results of the acquired operations have been included in the accompanying consolidated financial statements since the acquisition date, therefore, the consolidated financial statements as of and for the year ended December 31, 2023, are not comparable with previous years. The consolidated statement of cash flows for the year ended December 31, 2023, presents the disbursement for the acquisition of Los Altos Foods in a single line item within investment activities, net of the cash acquired.

Revenue and net income for the eight-month period ended December 31, 2023, contributed by Los Altos Foods, amounted to $1,261 and $76, respectively.

If the acquisition had occurred on January 1, 2023, pro forma consolidated revenues and profits for the year ended December 31, 2023, would have increased (decreased) by $623 and $(14), 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, 2023.

The costs related to the acquisition amounted to $13 and were recognized in the consolidated income statement under the heading of administrative expenses.

c. Spin-off of Alfa's shareholding in Axtel

On July 12, 2022, the Extraordinary General Shareholders' Meeting of Alfa SAB approved the process of spinning off its entire shareholding in Axtel S.A.B. de C.V. ("Axtel SAB"). Alfa SAB carried out the process as a spin-off company and a public limited company with variable capital was incorporated as a spun-off company ("Controladora Axtel"), which will have been listed on the Mexican Stock Exchange ("BMV").

The process was subject to certain conditions precedent, among which was the registration of Controladora Axtel as an issuer listed in the BMV, which, as of December 31, 2022, was not completed. In accordance with the requirements of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the Company presented Axtel's assets and liabilities as of December 31, 2022 as "held for disposal" in the consolidated statement of financial position. On the other hand, in the consolidated statement of income and in the consolidated statement of cash flows, this was presented as a discontinued operation.

The process was completed on May 29, 2023, with the registration of Controladora Axtel as an issuer listed in the BMV. The shareholders of Alfa SAB received one share of Controladora Axtel for each of the shares they had in Alfa SAB, without this affecting the shareholding they had in Alfa SAB. With this act and to this date, Alfa SAB stopped consolidating Axtel SAB for accounting purposes.

The details of the effects of the spin-off are included in Note 24.

d. Disposition of participation in Cesare Fiorucci S.P.A.

In line with the strategy of implementing a plan to improve profitability and growth in Europe, Sigma decided to dispose of its subsidiary in Italy. Based on the requirements of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, Sigma classified the assets and liabilities of this subsidiary as "held for sale" in the consolidated statement of financial position, over which an impairment expense of $2,077 (€111.1), primarily related to inventory, property, plant and equipment and intangibles, was recognized in the consolidated statement of income for the year ended December 31, 2023.

On August 1, 2023, Sigma completed the sale of its subsidiary to Fiorucci Holding S.r.L., whose ultimate owners are Navigator Capital and White Park Capital, and as of that date, Sigma ceased to consolidate the net assets and results of the subsidiary.

e. Closure of the filament production plant

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

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

f. Corpus Christi Polymers construction pause

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

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

g. 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).

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

	2022	2021
Assets		
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 assets	**$ 2,585**	**$ 2,976**
Liabilities		
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**

On June 2, 2023, given that the conditions to which the transaction was subject had not been completed, What's Cooking? (previously named Ter Beke) took the decision to terminate the proceedings related to the transaction, therefore, the assets and liabilities ceased to qualify as held for sale and were reclassified to their corresponding accounts to leave them as part of Sigma's operation.

2022

h. OCTAL Acquisition

On January 31, 2022, a subsidiary of Alpek signed an agreement to acquire the Octal business. 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.

i. 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). During the year ended December 31, 2023, construction of the plant was temporarily paused (see Note 2 f).

2021

j. 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.

k. 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.

l. 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.

m. 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)
Paid consideration	**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.

n. 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.

o. 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.

p. 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).

q. 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.

3. Summary of material accounting policies

The following are the material 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, 2023, 2022 and 2021, the primary subsidiary companies of Alfa were as follows:

		Shareholding (%) [2]			
	Country [1]	2023	2022	2021	Functional currency
Alpek (Petrochemicals and synthetic fibers)					
Alpek, S. A. B. de C. V. (Holding Co.)		**82**	82	82	Mexican peso
Alpek Polyester, S. A. de C. V. [7]		**100**	100	100	U.S. dollar
Alpek Polyester USA, LLC. [14]	USA	**100**	100	100	U.S. dollar
Alpek Polyester México, S. A. de C. V. [15]		**100**	100	100	U.S. dollar
Octal [4]	Oman	**100**	100	-	U.S. dollar
DAK Americas Exterior, S. L. (Holding Co.)	Spain	**100**	100	100	U.S. dollar
Alpek Polyester Argentina, S. A. [12]	Argentina	**100**	100	100	Argentine peso
Tereftalatos Mexicanos, S. A. de C. V.		**91**	91	91	U.S. dollar

		Shareholding (%) [2]			
	Country [1]	2023	2022	2021	Functional currency
Akra Polyester, S. A. de C. V.		**93**	93	93	U.S. dollar
Alpek Polyester Brasil [8]	Brazil	**100**	100	100	Real
Alpek Polyester Pernambuco [9]	Brazil	**100**	100	100	Real
Alpek Polyester UK LTD	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. (Holding Co.)		**100**	100	100	Mexican peso
Univex, S. A.		**100**	100	100	Mexican peso
Grupo Styropek, S. A. de C. V. (Holding Co.)		**100**	100	100	Mexican peso
Styropek México, 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 Alpek Polyester Canada (Selenis) [5] [13]	Canada	**100**	100	50	U.S. dollar
BVPV Styrenics LLC	USA	**100**	100	100	U.S. dollar
Sigma (Refrigerated food)					
Sigma Alimentos, S. A. de C. V. (Holding Co.)		**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.		**100**	100	100	Mexican peso
Procesadora Laminin, S. A. de C. V.		**100**	100	100	Mexican peso
Alfa Subsidiarias Alimentos, S. A. de C. V.		**100**	100	100	Mexican peso
CH Biotec, S.L	Spain	**51**	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
Campofrío Food Group, S. A.	Spain	**100**	100	100	Euro
Los Altos Foods Products, LLC [11]	USA	**85**	-	-	U.S. dollar
Sigmaec CIA, LTDA [5]	Ecuador	**100**	100	100	U.S. dollar
Sigma Foodservice Comercial, S. de R.L. de C.V.		**100**	100	100	Mexican peso

	Country [1]	Shareholding (%) [2] 2023	2022	2021	Functional currency
Axtel (Telecommunications)					
Axtel, S. A. B. de C. V. [10]		-	53	53	Mexican peso
Alestra Payment Processing, S.A de C.V. [6]		-	100	100	Mexican peso
Newpek (Natural gas and hydrocarbons)					
Newpek, S. A. de C. V.		**100**	100	100	Mexican peso
Oil and Gas Holding España, S. L. U. (Holding Co.)	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. (Holding Co.)	Spain	**100**	100	100	Euro
BPZ Exploración & Producción S. R. L.	Peru	**100**	100	100	U.S. dollar
Other companies					
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 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 SAOC (FZC), Crystal Pack FZC LLC, Crystal Packing Solutions LLC, Octal DMCC, Octal Inc, Octal Extrusion Corp, Octal Saudi Arabia Plant LLC and OCTAL Finance BV (liquidated in 2023) (see Note 2).
(5) The sale and purchase agreement of this entity included a clause for the payment of future benefits (earn-out) for the production of PETG, which was still in force as of December 31, 2021. Under said clause, the shares not acquired for legal purposes by Alpek are 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, 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.
(6) 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.
(7) On July 31, 2021, Grupo Petrotemex S.A. de C.V., changed its business name to Alpek Polyester S. A. de C. V.
(8) During 2022, Companhia Integrada Textil de Pernambuco, changed its business name to Alpek Polyester Brasil S. A.
(9) During 2022, Companhia Petroquimica de Pernambuco, changed its business name to Alpek Polyester Pernambuco S. A.
(10) At the Extraordinary General Shareholders' Meeting held on July 12, 2022, Alfa Shareholders approved the proposal to spin off their entire shareholding in Axtel, S.A.B. de C.V.; the accounting divestiture took effect as of May 29, 2023. Prior to the divestiture, Alfa maintained a 53% stake in Axtel, S.A.B. de C.V.; Axtel maintained 100% ownership of its subsidiaries.
(11) Company acquired in 2023 (See Note 2).
(12) During 2022, DAK Américas Argentina, S.A. changed its corporate name to Alpek Polyester Argentina, S.A.
(13) During 2022, Compagnie Selenis Canada changed its corporate name to Compagnie Alpek Polyester Canada.
(14) During 2023, DAK Américas L.L.C. changed its corporate name to Alpek Polyester USA, LLC.
(15) During 2023, DAK Resinas Américas México, S.A. de C.V., changed its corporate name to Alpek Polyester México, S.A. de C.V.

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

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

v. Joint ventures

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

Investments in joint arrangements are classified in accordance with the contractual rights and obligations of each investor such as: joint operations or joint ventures. When the Company holds the right over assets and obligations for related assets under a joint arrangement, this is classified as a joint operation.

When the company holds rights over net assets of the joint arrangement, this is classified as a joint venture. The Company has assessed the nature of its joint arrangements and classified them as joint ventures. Joint ventures are accounted for by using the equity method applied to an investment in associates.

The Company evaluates at each reporting date whether there is objective evidence that the joint venture is impaired. If there are indicators, it determines the recoverable value based on the requirements of IAS 36 and recognizes an impairment if said recoverable value is below the book value of the joint venture.

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	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
U.S. dollar	**16.89**	19.36	20.58	**17.61**	20.06	20.38
Argentine peso	**0.02**	0.11	0.20	**0.07**	0.15	0.21
Real	**3.48**	3.66	3.69	**3.53**	3.91	3.77
Euro	**18.66**	20.65	23.41	**19.18**	21.21	23.99
Pound sterling	**21.53**	23.29	27.88	**21.96**	24.71	28.02

d. Hyperinflationary effects
As of July 1, 2018, the cumulative inflation 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 indexes 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, 2023, 2022 and 2021.

e. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits available for operations and other short-term investments of high liquidity 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. 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.

As of December 31, 2023, 2022 and 2021, the Company does not maintain financial assets to be measured at fair value through other comprehensive income.

ii. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss, 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.

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.

g. 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.

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.

h. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. The cost of finished goods and work-in-progress includes cost of product design, raw materials, direct labor, other direct costs and production overheads (based on normal operating capacity). It excludes borrowing costs. The net realizable value is the estimated selling price in the normal course of business, less the applicable variable selling expenses. Costs of inventories include any gain or loss transferred from other comprehensive income corresponding to raw material purchases that qualify as cash flow hedges.

i. 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.

j. 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.

k. 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.

l. 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, 2023, 2022 and 2021, no factors have been identified limiting the life of these intangible assets.

(ii) Finite useful life

These assets are recognized at cost less 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.

m. 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.

n. 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 and depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels at which 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.

o. 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.

p. 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", for its acronym 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.

q. 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.

r. Share based payment

As of December 31, 2023, 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 as of 31, December 2022 and 2021, it included compensation plans based on Axtel shares, granted to certain senior executives of the Company and 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.

s. 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.

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.

t. 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.

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, 2023, 2022 and 2021, 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 recognized, until loss of control, 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).

u. 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, 2023, 2022 and 2021, there are no dilutive effects for instruments potentially convertible to shares.

v. 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 Accounting Standards issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2023. The conclusions related to their adoption are described as follows:

IFRS 17 – Insurance contracts

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

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

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

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

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

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

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

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

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

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

Amendments to IAS 8 – Definition of accounting estimates

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

The definition of a change in accounting estimates was eliminated.

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

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

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

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

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

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

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

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

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

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

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

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

- Amendments to IFRS 16 – Lease liability in a sale and leaseback (1)
- Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements (1)
- Amendments to IAS 1 – Classifying liabilities as current or non-current (1)
- Amendments to IAS 1 – Classification of debt with covenants (1)
- Amendments to IAS 21 – Lack of Exchangeability (2)

(1) *Effective for annual reporting periods beginning on January 1, 2024*
(2) *Effective for annual reporting periods beginning on January 1, 2025.*

4. Financial instruments and 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.

As part of its risk and capital management process, Alfa monitors the financial ratios established in its bank credit and stock debt agreements (covenants), which are detailed in Note 17.

Financial instruments by category

Below are the Company's financial instruments by category:

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

	As of December 31,		
	2023	**2022**	**2021**
Cash and cash equivalents	**$ 19,745**	$ 21,813	$ 30,979
Restricted cash	**329**	566	46
Financial assets measured at amortized cost:			
Trade and other accounts receivable	**26,190**	31,953	33,987
Accounts receivable - affiliates	**1,528**	1,594	1,764
Other non-current assets	**1,703**	2,513	2,645
Financial assets measured at fair value through profit or loss:			
Derivative financial instruments [1]	**561**	781	1,354
	$ 50,056	**$ 59,220**	**$ 70,775**
Financial liabilities measured at amortized cost:			
Debt	**$ 96,544**	$ 108,322	$ 120,293
Lease liability	**6,296**	5,554	6,389
Trade and other accounts payable	**51,873**	56,465	56,700
Accounts payable - affiliates	**2,054**	2,081	2,224
Dividend payable	**9**	81	107
Financial liabilities measured at fair value:			
Derivative financial instruments [1]	**1,887**	2,266	565
	$ 158,663	**$ 174,769**	**$ 186,278**

[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, 2023, 2022 and 2021.

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

	As of December 31, 2023		As of December 31, 2022		As of December 31, 2021	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets:						
Non-current accounts receivable	**$ 1,703**	**$ 1,703**	$ 2,513	$ 2,508	$ 2,645	$ 2,643
Financial liabilities:						
Non-current debt [1]	**95,393**	**92,546**	105,816	101,244	119,464	127,858

[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, 2023, 2022 and 2021 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 for the financial liabilities are the Interbank Equilibrium Interest Rate ("TIIE" for its acronym in Spanish) for instruments in Mexican pesos, Secured Overnight Financing Rate ("SOFR") in term 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, 2023:

	MXN	USD	EUR
Financial assets	$ 39,004	$ 38,713	$ 1,366
Financial liabilities	(31,909)	(73,797)	(11,669)
Foreign exchange monetary position	**$ 7,095**	**$ (35,084)**	**$ (10,303)**

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 $3,829 in the consolidated statement of income and stockholders' equity as of December 31, 2023.

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, 2023

Holding	Functional Currency	Hedging Instrument	Notional Value	Hedged Item	Net Assets of Hedged Item
Alfa, S.A.B de C.V.	MXN	Senior Notes Fixed Rate	**US$ 500**	Compagnie Alpek Polyester Canadá	**US$ -**
		Bank loan	**200**	Polioles, S. A. de C. V.	**24**
		Bank loan	**75**	Styropek México, S. A. de C. V.	**48**
		Bank loan	**100**	Alpek Polyester USA, LLC	**401**
		Bank loan	**50**		
		Bank loan	**50**		
		Bank loan	**100**		
		Bank loan	**25**		
		Bank loan	**100**		
		Bank loan	**25**		
		Bank loan	**25**		
			US$ 1,250		**US$ 473**

As of December 31, 2022

Holding	Functional Currency	Hedging Instrument	Notional Value	Hedged Item	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 México, 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	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 México, S. A. de C. V.	114
		Bank loan	200	Dak Americas, LLC	712
				Alestra USA, Inc.	1
			US$ 1,250		**US$ 841**

The average hedging ratio of the Company for the years ended December 31, 2023, 2022, and 2021 amounted to 155.9%, 141.0% and 148.7%, respectively. Therefore, the exchange fluctuation generated by the hedging instrument for the years ended December 31, 2023, 2022, and 2021 amounted to a net gain (loss) of $3,124, $1,123 and $(486), respectively, which was recognized in other comprehensive income for the reduced ineffectiveness recognized in results, offsetting the translation effect generated by each foreign subsidiary.

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 and Axtel, and due to the reduction in net assets of hedged items seen during the year ended December 31, 2023, were recognized in the consolidated statements of income as an exchange gain (loss), net of $1,088, $441 and $(309) for the years ended December 31, 2023, 2022 and 2021, 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, 2023					
Alpek, S. A. B de C. V. (1)	MXN	Senior Notes and bank loans	**US$422**	Subsidiaries of Alpek, S. A. B de C. V.	**US$742**
Sigma Alimentos, S.A. de C.V. (2)	USD	Fixed rate 144 A Bond	**€ 600**	Subsidiaries of Sigma Alimentos, S. A. de C. V.	**€ 481**
Sigma Alimentos Exterior, S. L. (3)	EUR	Fixed rate 144 A Bond	**US$495**	Subsidiaries of Sigma Alimentos Exterior, S. L.	**US$785**
Sigma Alimentos, S. A. de C. V. (4)	USD	Bank loans	**$3,500**	Subsidiarias de Sigma Alimentos, S. A. de C. V.	**$4.669**

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	Subsidiaries of Alpek, S. A. B de C. V.	US$817
Sigma Alimentos, S.A. de C.V. (2)	USD	Fixed rate 144 A Bond	€ 600	Subsidiaries of Sigma Alimentos, S. A. de C. V.	€ 465
Sigma Alimentos Exterior, S. L. (3)	EUR	Fixed rate 144 A Bond	US$495	Subsidiaries of Sigma Alimentos Exterior, S. L.	US$686
Sigma Alimentos, S. A. de C. V. (4)	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	Subsidiaries of Alpek, S. A. B de C. V.	US$823
Sigma Alimentos, S.A. de C.V. (2)	USD	Fixed rate 144 A Bond	€ 600	Subsidiaries of Sigma Alimentos, S. A. de C. V.	€ 548
Sigma Alimentos Exterior, S. L. (3)	EUR	Fixed rate 144 A Bond	US$495	Subsidiaries of Sigma Alimentos Exterior, S. L.	US$625
Sigma Alimentos, S. A. de C. V. (4)	USD	Bank loans	$ 3,500	Subsidiarias de Sigma Alimentos, S. A. de C. V.	$ 4,631

(1) The average hedging ratio of Alpek for the years ended December 31, 2023, 2022 and 2021, amounted to 56.3%, 48.9% and 54.9% and, respectively. Therefore, the exchange fluctuation generated by the hedging instruments for the years ended December 31, 2023, 2022 and 2021 amounted to a net gain (loss) of $873, $545 and $(329), 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, 2023, 2022 and 2021, amounted to 127.7%, 122.9% and 102.4%, respectively. Therefore, the exchange fluctuation generated by the hedging instruments for the years ended December 31, 2023, 2022 and 2021, amounted to a net (loss) gain of $(348), $759, and $927, 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 (loss) gain of $(68), $129 and $132 for the years ended December 31, 2023, 2022 and 2021, respectively.

(3) The average hedging ratio of Sigma Alimentos Exterior for the years ended December 31, 2023, 2022 and 2021, amounted to 66.1%, 75.5% and 81.3%, respectively. The exchange fluctuation generated by the hedging instrument for the years ended December 31, 2023, 2022 2021, amounted to a net (loss) gain of $(316.8), $658 and $727 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.

(4) The average coverage ratio of Sigma Alimentos S.A. de C.V. amounted to 75.7%, 74.0% and 73.9% for the year ended December 31, 2023, 2022 and 2021, respectively. Therefore, the exchange rate fluctuation generated by the hedging instrument for the years ended December 31, 2023, 2022 and 2021, amounted to a net (loss) gain of $(476), $(215) and $107, 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

As of December 31, 2023, 2022 and 2021, Alpek, a subsidiary of the Company, maintains forwards (EUR/USD) and (GBP/USD) to cover different needs. For 2023, 2022 and 2021, 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 2023, 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, 2023, Sigma does not have current instruments for this coverage.

Additionally, as of December 31, 2023, 2022 and 2021, 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, 2023, 2022 and 2021, 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, 2023, 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 GBP/USD	Forwards EUR/USD	CCS USD/MXN	CCS EUR/USD
As of December 31, 2023					
Notional amount	**US$613**	**£10**	**€29**	**US$520**	**US$147**
Currency	**USD**	**GBP**	**EUR**	**USD**	**USD**
Average strike / Coupon	**$18.04**	**$1.2639 GBP/USD**	**$ 1.0877 EUR/USD**	**4.125%**	**SOFR+Spread**
Notional amount	**$-**	**$ -**	**$-**	**$9,193**	**$149**
Currency	**-**	**-**	**-**	**MXN**	**EUR**
Average strike / Coupon	**-**	**-**	**-**	**9.294%**	**Euribor+Spread**
Maturity (MM/DD/YYYY)	**07/05/2024**	**12/30/2024**	**12/30/2024**	**05/02/2026**	**09/30/2027**
Net position of the carrying amount of the Forward / CCS (1) (2) (3)	**$ (763)**	**$ -**	**$ (8)**	**$ (367)**	**$ (26)**
Change in the fair value of the Forward / CCS, to measure ineffectiveness	**$ (791)**	**$ (2)**	**$ (10)**	**$ (384)**	**$ (26)**
Recognized in OCI net of reclassifications	**$ 942**	**$ -**	**$ (8)**	**$ (146)**	**$ (26)**
Ineffectiveness recognized in profit or loss	**$-**	**$ -**	**$-**	**$-**	**$ -**
Reclassification from OCI to profit or loss	**$(1,117)**	**$ -**	**$ -**	**$ (656)**	**$ -**
Carrying amount of the liability in USD	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in the fair value of the hedged item to measure ineffectiveness	**$ 896**	**$ 2**	**$ 10**	**$ (577)**	**$ 26**
Change in the fair value of the DFI vs.2022	**$ (203)**	**$ -**	**$ (6)**	**$ (710)**	**$ 11**

(1) The book value of the CCS of USD/MXN as of December 31, 2023, is made up of an asset position for $122 and a liability position for $489.
(2) The book value of the USD/MXN forward as of December 31, 2023, is made up of a liability position for $763.
(3) The book value of the CCS of EUR/USD as of December 31, 2023, is made up of an asset position for $347 and a liability position for $373.

Characteristics	Forwards USD/MXN	Forwards EUR/USD	CCS USD/MXN	CCS USD/MXN
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.2021	$ (490)	$ (19)	$ (115)	$ (37)

(1) The carrying amount of the CCS of USD/MXN as of December 31, 2022 consists of an asset position of $517 and a liability position of $174.
(2) The carrying amount of the forward of USD/MXN as of December 31, 2022 consists of an asset position of $3 and a liability position of $63.
(3) The carrying amount of the forward of USD/MXN as of December 31, 2022 consists of an asset position of $3 and a liability position of $63.

Characteristics	Forwards USD/MXN	Forwards EUR/USD	CCS USD/MXN	CCS USD/MXN
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)	$ 16	$ 451	$ 334
Recognized in OCI net of reclassifications	$ 29	$ 16	$ 94	$ 1
Ineffectiveness recognized in profit or loss	$ -	$ -	$ -	$ -
Reclassification from OCI to profit or loss	$152	$ -	$ 79	$ 60
Carrying amount of the liability in USD	$ -	$ -	$ -	$ -
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).

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, 2023, 2022 and 2021, for the USD/MXN exchange rate is 9%, 10% and 10%, of 68%, 25% and 55% for the EUR/USD ratio; while, for CCS USD/MXN, the average coverage ratio is 90%, 38% and 44% and, respectively. Finally, for the CCS EUR/USD in the hedge of net investment abroad, the coverage ratio is 100%; and for the USD/MXN exchange rate hedge ratio that covers raw material purchases, the hedge ratio as of December 31, 2023 is 68%.

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, 2023, 2022 and 2021, 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, principally.

In recent years, the price of some inputs has 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 2023, 2022 and 2021 was US$2.5, US$6.4 and US$3.8, respectively.

As of December 31, 2023, 2022 and 2021, the Company, through Alpek, had hedges of natural gas prices, through Alpek, for a portion expected of consumption needs in Mexico and 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"), 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. 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, 2023, Sigma does not maintain current derivative financial instruments due to their natural expiration during the course of the year.

On the other hand, electricity and gas are used to carry out production processes, therefore, Sigma has contracted commodity swaps to mitigate the risk of volatility in the price of these inputs of one of its subsidiaries, designating them as cash flow hedge accounting. The swap coverage contracts were contracted by the Sigma Alimentos Holding Company. However, because the risk lies with the operating entity, intercompany derivatives were made, and hedging relationships were designated at the individual level. As of December 31, 2023, the Company maintains two commodity swaps as hedging instruments for each of these hedges; meanwhile, as of December 31, 2022 and 2021, there were no derivatives in force for this hedging strategy.

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, 2023				
Características de swaps	**Natural Gas**	**Paraxylene**	**Ethylene**	**MEG**
Notional amount	**24,042,090**	**277,280**	**3,304,623**	**157,474**
Units	**MMBtu**	**MT**	**Lb**	**MT**
Price received	**Mercado**	**Mercado**	**Mercado**	**Mercado**
Price paid (average)	**$2.7/MMBtu**	**$1,019/MT**	**$0.19/lb**	**$520/MT**
Maturity (monthly)	**January 2025**	**January 2025**	**January 2024**	**January 2025**
Net position of the swap (1)	**$ (200)**	**$ 28**	**$ 1**	**$ 8**
Change in the fair value to measure ineffectiveness	**$ (189)**	**$ 36**	**$ -**	**$ 26**
Recognized in OCI, net of reclassifications	**$ (200)**	**$ 23**	**$ -**	**$ 24**
Reclassification from OCI to profit or loss	**$ -**	**$ 4**	**$ 1**	**$ (16)**
Change in the fair value of the hedged item to measure ineffectiveness	**$ 190**	**$ (36)**	**$ -**	**$ (26)**
Efficiency test results	**100%**	**100%**	**100%**	**100%**

As of December 31, 2023

Characteristics of the swaps	Electricity	Gas	Propylene
Notional amount	**783**	**827**	**3,261,920**
Units	**MWh**	**MWh**	**Lb**
Price received	**Mercado**	**Mercado**	**Mercado**
Price paid (average)	**$152/MWh**	**$65/MWh**	**$0.43/LB**
Maturity (monthly)	**January 2024**	**January 2024**	**August 2024**
Net position of the swap [(1)]	**$ (1)**	**$ -**	**$ 2**
Change in the fair value to measure ineffectiveness	**$ (1)**	**$ -**	**$ -**
Recognized in OCI, net of reclassifications	**$ -**	**$ -**	**$ 2**
Reclassification from OCI to profit or loss	**$ (1)**	**$ -**	**$ -**
Change in the fair value of the hedged item to measure ineffectiveness	**$ 1**	**$ -**	**$ -**
Efficiency test results	**100%**	**100%**	**100%**

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%

[(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.

The fair value of the financial instruments as of December 31, 2023, 2022 and 2021 is presented below:

As of December 31, 2023

Swaps	Asset	Liability	Total
Natural Gas	**$ -**	**$ (200)**	**$ (200)**
Propylene	**2**	**-**	**2**
Electricity	**-**	**(1)**	**(1)**
Paraxylene	**54**	**(26)**	**28**
MEG / Ethylene	**36**	**(27)**	**9**

As of December 31, 2022

Swaps	Asset	Liability	Total
Natural Gas	$ -	$ (950)	**$ (950)**
Paraxylene	10	(151)	**(141)**
MEG	-	(138)	**(138)**

Al 31 de diciembre de 2021

Swaps	Asset	Liability	Total
Natural Gas	$ -	$ (155)	**$ (155)**
Paraxylene	322	(5)	**317**
MEG	5	(94)	**(89)**
Ethane	6	-	**6**

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, 2023, 2022 and 2021 for the natural gas ratio is 17%, 29% and 21%, 46%, 45% and 44% for the paraxylene, 32%, 37% and 47% for the ethylene and MEG, respectively, and 25%, 0%, and 0% for propylene. As of December 31, 2023, the average coverage ratio if 80% and 80% for electricity and gas coverage, respectively, and as of December 31, 2022 and 2021, these coverages were not current.

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

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, 2023, 69% of the financings are denominated at a fixed rate and 31% at a variable rate.

As of December 31, 2023, 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 $320.

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, 2023 y 2022, the Company does not have interest rate swaps due to their natural maturity. As of December 31, 2021, 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, resulted in 119.0%, 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 is 51%. 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, 2022 and 2021, there were no ineffectiveness recognized in profit or loss.

As of December 31, 2023, 2022 and 2021, the net position of the fair value of the aforementioned financial derivative instruments amounts to $(1,326), $(1,485), and $789, 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, 2023, 2022 and 2021, 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, 2023, 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, 2023			
Trade and other accounts payable	$ 51,873	$ -	$ -
Current and non-current debt (excluding debt issuance costs)	12,656	57,075	27,114
Lease liabilities	1,188	2,787	2,321
Derivative financial instruments	1,502	385	-
Dividends payable	9	-	-
Accounts payable - affiliates	2,053	-	-

	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	-	-
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, 2023, the Company has uncommitted short-term credit lines, unused for $22,852 (US$1,353). Additionally, as of December 31, 2022, the Company has committed medium-term credit lines, unused for $25,068 (US$1,484) and unused credit lines in drawdown period for $8,411 (US$498).

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, 2023, 2022 and 2021 are located within level 2 of the fair value hierarchy.

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

The specific valuation techniques used to value financial instruments include:

- Market quotations or 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, as of December 31, 2022 and 2021, 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,		
	2023	**2022**	**2021**
Cash on hand and in banks	**$16,636**	$17,893	$26,275
Short-term bank deposits	**3,109**	3,920	4,704
Total cash and cash equivalents	**$19,745**	**$21,813**	**$30,979**

7. Restricted cash

The balance of restricted cash is composed of cash whose restrictions cause them not to comply with the definition of cash and cash equivalents, and composed as follows:

	December 31,		
	2023	**2022**	**2021**
Current	**$ 15**	$ 199	$ 13
Non-current [1] (Note 14)	**314**	367	33
Total restricted cash	**$ 329**	**$ 566**	**$ 46**

[1] 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). The decrease during the year ended December 31, 2023, is primarily related to the release of cash restrictions at Alpek, resulting from the revocation of Anti-Dumping measures applicable to PET sheet.

8. Trade and other accounts receivable, net

	December 31		
	2023	**2022**	**2021**
Trade accounts receivable	**$ 21,973**	$ 28,122	$ 29,891
Recoverable taxes	**2,368**	1,758	2,220
Interest receivable	**4**	14	1
Other debtors:			
Sundry debtors	**6,178**	6,434	6,842
Notes receivable	**1,782**	2,604	3,509
Allowance for impairment of trade and other accounts receivable	**(2,044)**	(2,708)	(3,611)
	30,261	**36,224**	**38,852**
Less: non-current portion [1]	**1,703**	2,513	2,645
Current portion	**$ 28,558**	**$ 33,711**	**$ 36,207**

[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 within other non-current assets within the consolidated statements of financial position (see Note 14).

As of December 31, 2023, 2022 and 2021, trade and other accounts receivable of $28,558, $33,711, and $36,207, respectively have an impairment provision.

Movements in the allowance for impairment of trade and other accounts receivable during 2023, 2022 and 2021 of customers and other receivables, with the impairment model used by the Company, are analyzed as follows:

	December 31,		
	2023	**2022**	**2021**
Opening balance as of January 1	**$ 2,708**	$ 3,611	$ 3,626
Increase in allowance of trade and other accounts receivable	**370**	3	272
Receivables written off during the year	**(1,034)**	(601)	(287)
Reclassification to assets held for disposal	**-**	(305)	-
Ending balance as of December 31	**$ 2,044**	**$ 2,708**	**$ 3,611**

The net change in the allowance for impairment of trade and other accounts receivable of $664, $903, and $15 for the years ended December 31, 2023, 2022 and 2021, 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 2023, 2022 and 2021, 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, 2023, 2022, and 2021, the Company has guaranteed accounts receivable of $2,540, $3,495 and $4,813, respectively, that mitigate the exposure to credit risk of financial assets.

9. Inventories, net

	December 31,		
	2023	**2022**	**2021**
Finished goods	**$ 16,704**	$ 21,953	$ 17,616
Raw material and other consumables	**18,105**	25,099	19,958
Work in process	**4,998**	5,455	5,213
Total inventories	**$ 39,807**	**$ 52,507**	**$ 42,787**

An expense for impairment for damaged, slow-moving and obsolete inventory was recognized in cost of sales for $124, $252, and $86, for the years ended December 31, 2023, 2022 and 2021, respectively.

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

10. Other current assets

Other current assets consist of the following:

	December 31,		
	2023	**2022**	**2021**
Prepayments	**$ 1,140**	$ 1,206	$ 1,766
Accounts receivable – affiliates (Note 30)	**1,528**	1,594	1,764
Assets held for sale and others [1]	**-**	2,597	2,989
Total other current assets	**$ 2,668**	**$ 5,397**	**$ 6,519**

[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 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, 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**
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	(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**

	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
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**
For the year ended December 31, 2023											
Opening balance, net	$ 8,846	$ 17,519	$ 43,563	$ 1,901	$ -	$ 1,109	$ 39	$ 8,267	$ 975	$ 358	$ 82,577
Translation effect	(537)	(1,264)	(4,262)	(61)	-	(69)	(15)	(1,098)	(33)	(124)	(7,463)
Additions	27	524	1,267	279	-	161	-	5,151	172	292	7,873
Additions from business acquisitions	-	-	114	5	-	1	-	61	10	-	191
Disposals	(12)	(20)	(327)	(23)	-	(2)	(5)	(858)	(1)	(2)	(1,250)
Impairment charges and reversals recognized in the year	(505)	(892)	(1,264)	(13)	-	(34)	-	(385)	-	-	(3,093)
Depreciation charge recognized in the year	-	(922)	(4,500)	(478)	-	(331)	(4)	-	(55)	(129)	(6,419)
Transfers	18	(1,004)	5,384	93	-	184	1	(4,577)	(122)	23	-
Transfers to held for sale/disposal	365	700	337	-	-	37	-	724	-	-	2,163
Final balance as of December 31, 2023	**$ 8,202**	**$ 14,641**	**$ 40,312**	**$ 1,703**	**$ -**	**$ 1,056**	**$ 16**	**$ 7,285**	**$ 946**	**$ 418**	**$ 74,579**
As of December 31, 2023											
Cost	$ 8,202	$ 35,698	$ 116,924	$ 4,497	$ -	$ 5,166	$ 104	$ 7,285	$ 1,432	$ 957	$ 180,265
Accumulated depreciation	-	(21,057)	(76,612)	(2,794)	-	(4,110)	(88)	-	(486)	(539)	(105,686)
Net carrying amount as of December 31, 2023	**$ 8,202**	**$ 14,641**	**$ 40,312**	**$ 1,703**	**$ -**	**$ 1,056**	**$ 16**	**$ 7,285**	**$ 946**	**$ 418**	**$ 74,579**

Of the total depreciation expense, $5,364, $5,241, and $5,296 have been recorded in cost of sales, $735, $750, and $379 in selling expenses, $320, $295, and $655 in administrative expenses for the years ended December 31, 2023, 2022 and 2021, respectively. On the other hand, $2,305, and $2,507 were recorded in discontinued operations, for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2023, 2022 and 2021, 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, land, buildings, machinery and equipment, vehicles, and computer equipment. The average term of the lease contracts as of December 31, 2023, 2022 and 2021 is 7 years.

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

	Land	Buildings	Machinery and equipment	Transportation Equipment	Railcars	Other fixed assets	Total
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
Final balance as of December 31, 2023	294	2,720	709	285	1,776	127	5,911
Depreciation expense 2021 [1]	$ 12	$ 387	$ 334	$ 219	$ 437	$ 151	$ 1,540
Depreciation expense 2022 [1]	33	409	344	190	426	199	1,601
Depreciation expense 2023	31	467	427	126	435	219	1,705

[1] The depreciation expense recognized within discontinued operations was $216, and $235, for the years ended December 31, 2022 and 2021, respectively.

During the years ended December 31, 2023, 2022 and 2021, the Company recognized rent expenses of $1,376, $1,310, and $1,547, respectively, associated with expenses from low-value asset leases and short-term lease, of which $421, $948, and $943 were recognized under discontinued operations for the years ended December 31, 2023, 2022 and 2021, respectively.

Additions to the net book value of the right-of-use asset for leases as of December 31, 2023, 2022 and 2021 amounted to $3,379, $1,497, and $2,632, respectively.

As of December 31, 2023, 2022 and 2021, the Company has commitments arisen from short-term lease agreements for an amount of $67, $76, and $97.

The Company has signed transportation equipment lease contracts for an average term of 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 2 years.

13. Goodwill and intangible assets, net

	Finite life							Indefinite life			
	Development costs	Exploration costs	Trademarks	Customers relationships	Software and licenses	Intellectual property rights and patents	Others	Goodwill	Trademarks	Other	Total
Cost											
As of January 1, 2021	$ 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 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**
Translation effect	(17)	(114)	(223)	(625)	(310)	(482)	(65)	(1,400)	(1,280)	(1)	(4,517)
Additions	7	-	-	-	177	-	-	-	1	-	185
Additions for business acquisitions	-	-	-	280	45	-	-	396	544	-	1,265
Impairment charges recognized in the year	-	-	-	-	(2)	-	-	(42)	-	-	(44)
Transfers held for disposal	-	-	-	-	204	-	-	-	96	-	300
Transfers	2	-	-	-	9	-	(11)	-	-	-	-
Disposals	(6)	(48)	-	-	(551)	-	-	-	-	-	(605)
As of December 31, 2023	**$ 757**	**$ 188**	**$ 275**	**$ 2,535**	**$ 3,903**	**$ 4,729**	**$ 1,312**	**$ 12,245**	**$ 10,491**	**$ 11**	**$ 36,446**

	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	$ 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**
Cost	$ 757	$ 188	$ 275	$ 2,535	$ 3,903	$ 4,729	$ 1,312	$ 12,245	$ 10,491	$ 11	$ 36,446
Accumulated amortization	(463)	(188)	(129)	(2,069)	(3,228)	(1,907)	(1,175)	-	-	-	(9,159)
As of December 31, 2023	**$ 294**	**$ -**	**$ 146**	**$ 466**	**$ 675**	**$ 2,822**	**$ 137**	**$ 12,245**	**$ 10,491**	**$ 11**	**$ 27,287**

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, $413, $374, and $348, have been recorded in cost of sales, $162, $294, and $363 in selling expenses, $243, $318, and $382 in administrative expenses for the years ended December 31, 2023, 2022 and 2021, respectively. On the other hand, $247, and $795 were recorded in the discontinued operation, for the years ended December 31, 2022 and 2021, respectively.

Research expenses incurred and recorded in the consolidated statements of income of 2023, 2022 and 2021 were $68, $68, and $67, 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,		
	2023	**2022**	**2021**
Alpek	**$ 338**	$ 387	$ 412
Sigma	**11,833**	12,829	14,443
Axtel [(1)]	**-**	-	2,591
Other segments	**74**	75	74
	$12,245	**$13,291**	**$17,520**

[(1)] 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 2023, 2022 and 2021, were as follows:

	2023	
	Alpek	**Sigma**
Long-term perpetual growth rate	**2.0%**	**2.2%**
Discount rate	**9.1%**	**10.4%**

		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%

The Company carried out a sensitivity analysis considering macroeconomic and market parameters, as well as historical trends for the key flow generation variables. Likewise, an evaluation of the impact on the value estimate was generated considering a long-term growth rate at expected long-term inflation levels. As a result of this analysis, the Company concluded that there are no significant variations with the impairment calculations prepared as of December 31, 2023.

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

	December 31,		
	2023	**2022**	**2021**
Portion of trade and other non-current accounts receivable [1] (Note 8)	**$ 1,703**	$ 2,513	$ 2,645
Other capital instruments	**209**	202	227
Other assets	**1,918**	1,630	2,162
Restricted cash (Note 7)	**314**	367	33
Other non-current assets	**4,144**	**4,712**	**5,067**
Investments in associates	**360**	458	508
Joint ventures [2]	**69**	8,826	8,582
Total other non-current assets	**$ 4,573**	**$ 13,996**	**$ 14,157**

[1] As of December 31, 2023, 2022 and 2021, this item mainly includes financing granted by Alpek, a subsidiary of the Company, to M&G Polímeros México S.A de C.V.

[2] As of December 31, 2022 and 2021, this item consists mainly of the joint venture of Alpek and CCP. During the year ended December 31, 2023, derived from the temporary pause in the construction of the integrated PTA-PET plant, the Company recognized an impairment of its investment in the joint venture for $9,591 (see Note 2).

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, 2023 and 2022.

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, 2023, 2022 and 2021:

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, 2023, 2022 and 2021.

Joint ventures

The following includes the joint ventures that the Company has as of December 31, 2023, 2022 and 2021:

Name	Segment	Percentage of possession
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, 2023, 2022 and 2021, 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,		
		2023	2022	2021	**2023**	2022	2021
Alpek, S. A. B. de C. V.	18%	**$ (1,072)**	$ 4,682	$ 3,890	**$ 9,706**	$ 13,715	$ 13,696
Other		**36**	96	(8)	**(25)**	32	(112)
Axtel, S. A. B. de C. V.	-	**90**	(54)	(559)	**-**	2,100	2,152
		$ (946)	**$ 4,724**	**$ 3,323**	**$ 9,681**	**$ 15,847**	**$ 15,736**

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

	Alpek, S. A. B. de C. V.		
	2023	**2022**	**2021**
Consolidated statements of financial position			
Current assets	**$ 49,024**	$ 64,425	$ 61,780
Non-current assets	**53,660**	72,394	62,165
Current liabilities	**29,911**	43,942	35,670
Non-current liabilities	**39,551**	40,683	38,689
Stockholders' equity	**33,222**	52,194	49,586
Consolidated statements of income			
Revenues	**138,159**	212,435	156,224
Net (loss) income	**(10,033)**	15,966	10,196
Comprehensive (loss) income of the year	**(15,187)**	12,441	10,218
Comprehensive income attributable to non-controlling interest	**194**	1,885	2,632
Cash flows			
Dividends paid to non-controlling interest	**(956)**	(2,464)	(1,889)
Net cash flows generated by operating activities	**15,024**	15,210	13,230
Net cash flows used in investing activities	**(3,320)**	(12,908)	(3,860)
Net cash flows used in financing activities	**(8,532)**	(5,615)	(8,986)

The information above does not include the elimination of intercompany balances and transactions.

16. Trade and other accounts payable

	December 31,		
	2023	**2022**	**2021**
Trade accounts payable	**$ 46,648**	$ 51,800	$ 49,742
Short-term employee benefits	**660**	711	1,170
Customer advance payments	**173**	122	291
Other payable taxes	**3,451**	4,095	3,049
Other accounts and accrued expenses payable	**5,225**	4,665	6,958
	$ 56,157	**$ 61,393**	**$ 61,210**

17. Debt

	As of December 31,		
	2023	**2022**	**2021**
Current:			
Bank loans [1][2]	**$ 390**	$ 1,465	$ 286
Current portion of non-current debt	**12,266**	7,170	3,603
Notes payable [1][2]	**-**	150	170
Current debt	**$ 12,656**	**$ 8,785**	**$ 4,059**
Non-current:			
In U.S. dollars:			
Senior Notes	**$ 52,611**	$ 75,939	$ 91,667
Unsecured bank loans	**28,168**	14,135	6,519
Other	**188**	364	464
In pesos:			
Secured bank loans	**-**	-	7
Unsecured bank loans	**3,662**	3,589	6,790
Other	**-**	7	25
In euros:			
Senior Notes	**11,480**	12,673	14,351
Unsecured bank loans	**45**	-	-
Other	**-**	-	14
	96,154	**106,707**	**119,837**
Less: current portion of non-current debt	**(12,266)**	(7,170)	(3,603)
Non-current debt	**$ 83,888**	**$ 99,537**	**$ 116,234**

[1] As of December 31, 2023, 2022 and 2021, short-term bank loans and notes payable cause interest at an average rate of 6.01%, 4.73%, and 1.40%, 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	Outstanding balance	Debt issuance costs (1)	Interest payable (1)	Balance as of December 31, 2023	Balance as of December 31, 2022	Balance as of December 31, 2021	Maturity date MM/DD/YYYY	Interest rate %
Bilateral	MXN	$ -	$ -	$ -	$ -	$ -	$ 7	08/23/2022	10.28%
Total secured bank loans		**-**	**-**	**-**	**-**	**-**	**7**		
Bilateral (2)	MXN	-	-	-	-	-	3,165	08/31/2028	10.37%
Bilateral	USD	-	-	-	-	-	103	10/04/2023	3.68%
Banking	MXN	3,500	9	31	3,522	3,516	3,498	10/20/2025	12.50%
Bilateral	USD	-	-	-	-	487	619	12/03/2024	2.83%
Bilateral (2)	MXN	-	-	-	-	-	50	06/24/2024	5.86%
Bilateral (2)	USD	-	-	-	-	-	554	06/24/2024	1.77%
Banking	MXN	68	-	-	68	70	85	12/21/2023	13.50%
Banking	MXN	72	-	-	72	73	77	12/21/2023	13.50%
Banking	USD	-	-	-	-	-	1,030	01/19/2023	1.24%
Banking	USD	3,379	-	16	3,395	3,888	4,128	09/06/2023	6.91%
Banking	USD	1,689	7	10	1,692	1,936	-	04/06/2027	6.39%
Banking	USD	3,379	8	21	3,392	3,882	-	04/07/2027	6.43%
Banking	USD	1,689	8	10	1,691	1,936	-	05/06/2027	6.39%
Banking	USD	1,689	7	10	1,692	1,936	-	04/06/2027	6.39%
Banking	USD	2,112	-	-	2,112	-	-	05/01/2026	6.36%
Banking	USD	3,379	-	37	3,416	-	-	07/21/2028	6.44%
Banking	USD	422	-	1	423	-	-	09/06/2026	6.81%
Banking	USD	1,267	-	2	1,269	-	-	09/30/2025	6.67%
Banking	USD	1,689	-	3	1,692	-	-	09/22/2027	6.91%
Banking	USD	845	-	2	847	-	-	09/30/2027	6.97%
Banking	USD	1,689	-	10	1,699	-	-	12/19/2027	6.90%
Banking	USD	1,689	-	3	1,692	-	-	02/20/2028	6.87%
Banking	USD	422	-	1	423	-	-	02/20/2028	6.87%
Banking	USD	422	-	1	423	-	-	02/20/2028	6.87%
Banking	USD	845	-	2	847	-	-	10/18/2027	7.01%
Banking	USD	1,267	-	14	1,281	-	-	09/30/2027	6.44%
Banking	EUR	37	-	8	45	-	-	05/03/2028	4.85%
Banking	USD	84	-	-	84	-	-	06/29/2027	7.06%
Banking	USD	97	-	1	98	-	-	06/20/2026	6.94%
Total unsecured bank loans					**31,875**	**17,724**	**13,309**		

Description	Contractual currency	Outstanding balance	Debt issuance costs (1)	Interest payable (1)	Balance as of December 31, 2023	Balance as of December 31, 2022	Balance as of December 31, 2021	Maturity date MM/DD/YYYY	Interest rate %
Senior Notes – Fixed rate	USD	-	-	-	-	-	1,941	11/20/2022	4.50%
Senior Notes – Fixed rate	USD	-	-	-	-	5,925	6,290	08/08/2023	5.38%
Senior Notes – Fixed rate	USD	-	-	-	-	9,787	10,403	03/25/2024	5.25%
Senior Notes – Fixed rate	USD	8,418	80	153	8,491	9,725	10,337	03/25/2044	6.88%
Senior Notes – Fixed rate	USD	8,433	42	102	8,493	9,722	10,324	09/18/2029	4.25%
Senior Notes – Fixed rate (2)	USD	-	-	-	-	-	9,067	11/14/2024	6.38%
Senior Notes – Fixed rate	EUR	11,199	1	282	11,480	12,673	14,351	02/07/2024	2.63%
Senior Notes – Fixed rate	USD	16,884	35	120	16,969	19,424	20,632	05/02/2026	4.13%
Senior Notes – Fixed rate	USD	8,446	50	108	8,504	9,733	10,333	03/27/2028	4.88%
Senior Notes – Fixed rate	USD	10,094	54	114	10,154	11,623	12,340	02/25/2031	3.25%
Total Senior Notes - Fixed rate					**64,091**	**88,612**	**106,018**		
Other loans	USD	-	-	-	-	7	307	Various	Various
Other loans	USD	60	-	-	60	218	14	Various	Various
Other loans	USD	85	-	-	85	97	104	11/26/2049	1.26%
Other loans	USD	43	-	-	43	49	53	11/26/2049	1.22%
Other loans (2)	MXN	-	-	-	-	-	21	Various	5.00%
Other loans	MXN	-	-	-	-	-	2	03/01/2023	9.35%
Other loans (2)	MXN	-	-	-	-	-	2	Various	4.62%
Total other loans					188	371	503		
Total		**$ 95,393**	**$ 301**	**$ 1,062**	**$ 96,154**	**$ 106,707**	**$ 119,837**		

(1) For the years ended December 31, 2023, 2022 and 2021, the debt issuance costs were $301, $451, and $601, 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, 2023, the annual maturities of long-term debt, including the current portion and interest payable and gross of issuance costs, are as follows:

	2024	2025	2026	2027	2028 and thereafter	Total
Bank and other loans	$ 188	$ 4,780	$ 2,755	$ 18,260	$ 6,119	$ 32,102
Senior Notes	12,078	-	16,884	-	35,391	64,353
Non accrued future interests	4,455	4,299	3,206	2,476	11,215	25,651
	$ 16,721	**$ 9,079**	**$ 22,845**	**$ 20,736**	**$ 52,725**	**$ 122,106**

Covenants:

Bank credits contracts and debt agreements contain restrictions, in general, 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 2.75 times.

b. Leverage ratio: which is defined as net consolidated debt at that date, divided by adjusted EBITDA (see Note 31) for the period of the last four complete quarters, which shall not be more than 4.0 times.

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, 2021, and going up to 5.25 times as of March 31, 2022, and then going down again to 3.5 times as of March 31, 2022, and staying at that threshold. During the year ended December 31, 2023, the Company amended its financial ratios to 2.75 times for the interests coverage ratio and 4.0 times for the leverage ratio.

During 2023, 2022 and 2021, 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, 2023, 2022 and 2021, 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, 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, 2023, which removed the guarantee of said assets. The outstanding balance of the loan as of December 31, 2022, as well as the value of the pledged assets is approximately $7 (US$0.3) and $15 (US$0.7), respectively.

Significant debt issuances and payments in 2023

a. Alfa announced that it began the process for the payment of its 5.250% Senior Notes due on March 25, 2024, and with a current principal amount of US$500. On March 24, 2023, the Company made full payment for a price amounting to $9,272. Alfa made the payment of its Senior Notes with funds from multiple long-term bilateral bank loans that are prepayable at any time.

b. Alpek announced that it refinanced the remaining balance of the bond due in August 2023, with bank debt that includes a Sustainability Linked Credit for US$200 due in 2028.

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

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

Significant debt issuances and payments in 2022

c. 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, 2023, 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

d. 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.

e. 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 2021. 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.

f. 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 2022 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%.

g. 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.

18. Lease liability

	December 31,		
	2023	2022	2021
Current portion			
USD	**$ 613**	$ 635	$ 646
MXP	**192**	224	442
EUR	**253**	231	325
Other currencies	**130**	169	159
Current lease liability	**$ 1,188**	**$ 1,259**	**$ 1,572**
Non-current portion:			
USD	**$ 3,270**	$ 2,613	$ 2,852
MXP	**526**	711	938
EUR	**894**	476	494
Other currencies	**418**	495	533
Non-current lease liability	**$ 5,108**	**$ 4,295**	**$ 4,817**

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

	2023	2022	2021
Beginning balance as of January 1	**$ 5,554**	$ 6,389	$ 6,250
New contracts	**3,201**	1,838	2,033
Write-offs	**(387)**	(240)	(273)
Transfers to held for disposal	**-**	(321)	-
Adjustments to the liability balance	**43**	54	80
Interest expense of lease liability	**381**	409	404
Lease payments	**(2,073)**	(2,222)	(2,142)
Exchange differences	**(423)**	(353)	37
Ending balance as of December 31	**$ 6,296**	**$ 5,554**	**$ 6,389**

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

	December 31,		
	2023	2022	2021
- Less than 1 year	**$ 1,188**	$ 1,259	$ 1,572
- Over 1 year and less than 3 years	**1,637**	1,686	1,923
- Over 3 year and less than 5 years	**1,150**	1,063	1,192
- Over 5 years	**2,321**	1,546	1,702
Total	**$ 6,296**	**$ 5,554**	**$ 6,389**

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, 2023, 2022 and 2021:

	%
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 ("LISR", for its acronym in Spanish) 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 and 2021 amounts to $114, and $233, respectively. The deferred tax consolidation income tax was settled in March, 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 2023, 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 was paid in January, 2023.

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

	2023	2022	2021
Current tax expense	**$ (8,006)**	$ (7,936)	$ (7,270)
Deferred income tax benefit	**1,863**	(484)	(1,406)
Income taxes expense	**$ (6,143)**	**$ (8,420)**	**$ (8,676)**

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

	2023	2022	2021
(Loss) income before taxes	**$ (7,229)**	$ 24,985	$ 17,289
Equity in results of associates recognized through the equity method	**136**	(24)	(24)
(Loss) income before interest in associates	**(7,093)**	**24,961**	**17,265**
Statutory rate	**30%**	30%	30%
Taxes at statutory rate	**2,128**	**(7,488)**	**(5,179)**
(Add) less tax effect on:			
Reserve for asset valuation for deferred income tax for investment in shares	**-**	-	-
Differences based on comprehensive financial cost	**(4,147)**	(3,860)	1,075
Effect of difference of tax rates and other differences, net	**(4,124)**	2,928	(4,572)
Total provision for income taxes charged to income	**$ (6,143)**	**$ (8,420)**	**$ (8,676)**
Effective rate	**(87)%**	**34%**	**50%**

c. The detail of deferred income tax asset and liability is as follows:

		December 31,	
	2023	2022	2021
Inventories	**$ (75)**	$ 154	$ 83
Intangible assets	**4,995**	5,377	5,402
Property, plant and equipment	**5,262**	7,497	9,239
Provisions	**(584)**	(519)	(684)
Other temporary differences, net	**(3,737)**	(4,404)	(5,022)
Deferred income tax liability	**$ 5,861**	**$ 8,105**	**$ 9,018**
Inventories	**$ 123**	$ 58	$ 80
Property, plant and equipment	**(707)**	(37)	1,418
Intangible assets	**(80)**	(176)	(902)
Valuation of derivative instruments	**7**	553	46
Provisions	**2,067**	2,493	1,353
Tax loss carryforwards	**1,602**	2,006	5,123
Other temporary differences, net	**2,316**	957	1,214
Deferred income tax assets	**$ 5,328**	**$ 5,854**	**$ 8,332**

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, 2023, expire in the following years:

Loss year	Tax losses to be amortized [1]	Expiration year
2014	$ 840	2024
2015	561	2025
2016	492	2026
2017	365	2027
2018	532	2028
2019 and thereafter	4,826	2029 and thereafter
	23,862	No maturity
	$ 31,478	

[1] *The Company has decided to reserve tax losses for $20,347, in accordance with management's estimate of future reversals of temporary differences, therefore, as of December 31, 2023, they do not generate a deferred income tax asset.*

d. The tax charge (credit) related to comprehensive income is as follows:

	2023			2022			2021		
	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	**$ 1,966**	**$ (590)**	**$ 1,376**	$ (1,444)	$ 433	$ (1,011)	$ 347	$ (104)	$ 243
Remeasurement of employee benefit obligations	**(456)**	**137**	**(319)**	(369)	111	(258)	611	(184)	427
Translation effect of foreign entities	**(4,090)**	**-**	**(4,090)**	(3,111)	-	(3,111)	(1,741)	-	(1,741)
Discontinued operations	**126**	**(38)**	**88**	29	(9)	20	258	(77)	181
Other comprehensive income	**$ (2,454)**	**$ (491)**	**$ (2,945)**	**$ (4,895)**	**$ 535**	**$ (4,360)**	**$ (525)**	**$ (365)**	**$ (890)**

e. Income tax payable consists of the following:

	December 31,		
	2023	**2022**	**2021**
Current income tax	**$ 2,026**	$ 1,936	$ 3,015
Income tax from tax consolidation (regime in effect through 2013)	**-**	114	233
Income tax from optional regime for group of entities in Mexico	**-**	1,561	1,268
Total income tax payable	**$ 2,026**	**$ 3,611**	**$ 4,516**
Current portion	**$ 2,026**	$ 3,611	$ 3,015
Non-current portion	**-**	-	1,501
Total income tax payable	**$ 2,026**	**$ 3,611**	**$ 4,516**

20. Provisions

	Disputes	Restructuring and demolition (1)	Contingencies (2)	Guarantees	Other	Total
At January 1, 2021	$ 212	$ 334	$ 1,424	$ 38	$ 120	**$ 2,128**
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 (3)	-	-	-	-	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**
Additions	4	596	138	-	300	**1,038**
Exchange effects	(16)	(19)	(33)	-	(212)	**(280)**
Cancelation of provisions	(10)	(1)	(31)	-	(252)	**(294)**
Payments	(6)	(251)	-	-	(998)	**(1,255)**
Reclassifications (4)	(93)	(247)	(683)	-	1,023	**-**
At December 31, 2023	**$ 27**	**$ 389**	**$ 674**	**$ -**	**$ 672**	**$ 1,762**

(1) This provision includes the related to 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) 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.

(3) Corresponds to the contingent consideration generated in the acquisition of Octal by Alpek (see Note 2). During the year ended December 31, 2023, there were cash flows related to the contingent benefit of $512 (US$28.4). As of December 31, 2023, the contingent consideration is $309 (US$18.3).

(4) Corresponds to reclassifications made during the year ended December 31, 2023, in order to present the provisions under the applicable item based on their nature, without affecting the total balance of the item.

	December 31,		
	2023	2022	2021
Current provisions	**$ 1,016**	$ 1,408	$ 1,298
Non-current provisions	**746**	1,145	981
	$ 1,762	**$ 2,553**	**$ 2,279**

21. Other liabilities

	December 31,		
	2023	**2022**	**2021**
Share-based employee benefits (Note 25)	**$ 308**	$ 364	$ 332
Dividends payable	**9**	81	107
Deferred credits	**529**	559	247
Accounts payable - affiliates (Note 30)	**2,054**	2,081	2,224
Liabilities held for sale [(1)]	**-**	2,866	3,208
Total other liabilities	**$ 2,900**	**$ 5,951**	**$ 6,118**
Current portion	**$ 2,196**	$ 5,144	$ 5,646
Non-current portion	**704**	807	472
Total other liabilities	**$ 2,900**	**$ 5,951**	**$ 6,118**

[(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,		
Country	**2023**	**2022**	**2021**
Mexico	**$ 3,083**	$ 2,686	$ 2,670
United States	**424**	538	405
Others	**328**	447	823
Total	**$ 3,835**	**$ 3,671**	**$ 3,898**

Below is a summary of the primary financial data of these employee benefits:

	December 31,		
	2023	**2022**	**2021**
Obligations in the consolidated statement of financial position:			
Pension benefits	**$ 2,951**	$ 2,965	$ 3,286
Post-employment medical benefits	**884**	706	612
Liability recognized in the consolidated statement of financial position	**$ 3,835**	**$ 3,671**	**$ 3,898**
Charge in the statement of income for:			
Pension benefits	**$ (337)**	$ (385)	$ (340)
Post-employment medical benefits	**(73)**	(51)	(52)
	$ (410)	**$ (436)**	**$ (392)**
Remeasurements for employee benefit obligations recognized in other comprehensive income for the year from continuing operations	**$ (456)**	$ (369)	$ 611
Remeasurements for accrued employee benefit obligations recognized in other comprehensive income	**$ (1,102)**	**$ (646)**	**$ (277)**

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 statements of financial position are determined as follows:

	December 31,		
	2023	**2022**	**2021**
Present value of obligations	**$ 6,917**	$ 5,747	$ 7,839
Fair value of plan assets	**(4,828)**	(4,021)	(5,322)
Present value of defined benefit obligations	**2,089**	**1,726**	**2,517**
Liability for defined contributions	**1,746**	1,945	1,381
Liability in the consolidated statement of financial position	**$ 3,835**	**$ 3,671**	**$ 3,898**

The movement in the defined benefit obligation during the year was as follows:

	2023	**2022**	**2021**
As of January l	**$ 5,747**	$ 7,839	$ 10,179
Current service cost	**278**	303	310
Interest cost	**434**	344	327
Contributions from plan participants	**4**	4	6
Actuarial remeasurements	**392**	(621)	(275)
Exchange differences	**(441)**	(281)	47
Benefits paid	**(1,009)**	(673)	(648)
Reorganization effects	**-**	(128)	20
Transfer to liabilities held for sale	**1,106**	-	(1,985)
Transfer to liabilities held for disposal	**421**	(891)	-
Curtailments	**(15)**	(149)	(142)
As of December 31,	**$ 6,917**	**$ 5,747**	**$ 7,839**

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

	2023	**2022**	**2021**
As of January 1	**$ (4,021)**	$ (5,322)	$ (6,635)
Remeasurements – expected return on plan assets, excluding interest in income	**(307)**	694	(422)
Exchange differences	**289**	256	(467)
Contributions from plan participants	**2**	-	(1)
Employee contributions	**(2)**	-	(23)
Benefits paid	**393**	351	293
Transfer (from) to assets held for sale	**(1,182)**	-	1,933
As of December 31,	**$ (4,828)**	**$ (4,021)**	**$ (5,322)**

The primary actuarial assumptions were as follows:

	December 31,		
	2023	**2022**	**2021**
Discount rate	**MX 9.75%**	MX 9.25%	MX7.75%
Discount rate	**US 4.83%**	US 5.06%	US2.64%
Inflation rate	**3.50%**	7.00%	3.50%
Wage increase rate	**5.50%**	5.00%	4.50%
Future wage increase	**3.50%**	3.50%	3.50%
Medical inflation rate	**7.00%**	7.00%	4.50%

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 in $294	Increase in $326

Pension benefit assets

Plan assets are comprised of the following:

	As of December 31,		
	2023	**2022**	**2021**
Equity instruments	**$ 3,320**	$ 2,872	$ 2,405
Short and long-term fixed-income securities	**1,508**	1,149	2,917
	$ 4,828	**$ 4,021**	**$ 5,322**

23. Stockholders' equity

As of December 31, 2023, 2022 and 2021, the capital stock is variable, with a fixed minimum of $152, $170, and $170, respectively, represented by 4,818,823,020, 4,909,211,020, and 4,909,211,020, respectively, registered shares "Class I" of Series "A", without 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".

In the Extraordinary General Shareholders' Meeting of Alfa SAB held on March 9, 2023, the shareholders approved the cancellation of 90,388,000 shares of Alfa SAB and consequently the reduction of the fixed part of the share capital by $3. Additionally, on July 12, 2022, the Extraordinary General Shareholders' Meeting approved the partial spin-off of Alfa SAB transferring the entire shareholding of Alfa SAB in Axtel to a newly created company, which resulted in an equity reduction of $15, which had accounting effects in May 2023.

For the year ended December 31, 2022 and 2021, Alfa SAB repurchased 86,875,000, and 3,513,000 shares equivalent to $1,209, and $53, respectively, which were held in treasury. As of December 31, 2023 Alfa SAB did not hold shares in Treasury at the end of the years 2022 and 2021, Alfa SAB hold 90,388,000, and 3,513,000 shares in treasury, respectively, and the market value of the shares was $12.41, and $15.02, respectively.

In the Extraordinary Meeting of March 11, 2022, the Shareholders approved the cancellation of 145,900,000 shares that Alfa SAB had in the treasury. As of December 31, 2023, Alpek, subsidiary of the Company, repurchased and repositioned its shares for a total of $10, which were recognized by reducing retained earnings and non-controlling interest by $8 and $2, respectively. 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.

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, 2023, 2022 and 2021, the amount of the legal reserve amounts to $60, which is included in retained earnings.

On March 9, 2023, the Ordinary General Shareholders' Meeting of Alfa SAB approved the payment of an ordinary cash dividend of $0.02 US dollars for each of the outstanding shares, which is equivalent to approximately $1,746 (US$96).

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).

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, 2023, the tax value of the CUFIN and the tax value of the Contribution Capital Single Account ("CUCA", for its acronym in Spanish) amounted to $39,333 ($40,909 in 2022 and $33,585 in 2021) and $27,963 ($30,904 in 2022 and $28,686 in 2021), 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

Split 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, 2023, 2022 and 2021.

Condensed information related to the consolidated income statements of discontinued operations for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Revenues	**$ 4,409**	$ 10,334	$ 11,258
Cost of sales	**(2,180)**	(5,084)	(5,630)
Gross profit	**2,229**	**5,250**	**5,628**
Selling and administrative expenses	**(2,172)**	(5,214)	(5,464)
Other income (expenses), net	**(85)**	66	(372)
Operating income (loss)	**(28)**	**102**	**(208)**
Financial expenses, net	**(190)**	(772)	(1,164)
Foreign exchange gain (loss), net	**568**	512	(277)
Income (loss) before taxes	**350**	**(158)**	**(1,649)**
Income (benefits) taxes	**(194)**	40	465
Loss from discontinued operations	**156**	**(118)**	**(1,184)**
Reclassification of comprehensive income due to spin-off [1]	**20**	-	-
Income from discontinued operations, net of income taxes	**$ 176**	**$ (118)**	**$ (1,184)**

[1] Corresponds to the conversion effect of $5 generated by Axtel, which based on IAS 21, the accumulated amount of Exchange rate differences related to the foreign business, recognized in "Other Comprehensive Income" and accumulated in a separate component of equity, it must be reclassified to profit, as a reclassification adjustment, when the gain or los on the disposal is recognized at the time of the los of effective control. Additionally, it includes an accumulated profit for $15 within the conversion effect in "Other Comprehensive Income", and which was reclassified to the result of the period as a reclassification adjustment, based on the requirements of IFRS 9, at the time of the disposal of the business on which it had been designated as a hedge on its debt denominated in foreign currency.

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**

	2022
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 was concluded on May 29, 2023.

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 (as of December 31, 2022 and 2021)
- 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 2023, 2022 and 2021 is $15.68, $15.92, and $15.26, 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, 2023, 2022 and 2021, the liability for share-based payments amounted to $308, $364, and $332, respectively.

The current and non-current liability is as follows:

		December 31,	
	2023	2022	2021
Current	**$ 96**	$ 116	$ 107
Non-current	**212**	248	225
Total carrying amount	**$ 308**	**$ 364**	**$ 332**

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:

	2023	2022	2021
Raw material and service costs	**$ 187,031**	$ 239,458	$ 188,574
Maquila (production outsourcing)	**-**	40	52
Employee benefit expenses	**35,577**	31,317	34,747
Maintenance	**7,590**	7,182	6,604
Depreciation and amortization	**8,942**	8,876	8,963
Freight charges	**13,709**	13,082	4,593
Advertising expenses	**3,345**	2,782	3,734
Lease expenses	**1,376**	1,310	761
Consumption of energy and fuel	**7,241**	9,903	7,148
Travel expenses	**856**	728	1,085
Technical assistance, professional fees and administrative services	**5,375**	4,937	4,204
Other items	**4,462**	11,914	8,750
Total	**$ 275,504**	**$ 331,529**	**$ 269,215**

27. Other (expenses) income, net

	2023	2022	2021
Gain on sale of property, plant and equipment	**$ 56**	$ 44	$ 82
Gain on business combinations [1]	**-**	425	29
Other income, net	**154**	345	721
	210	**814**	**832**
Loss on sale of property, plant and equipment	**(73)**	-	-
Impairment of long-lived assets [2]	**(12,728)**	(644)	(2,929)
	(12,801)	**(644)**	**(2,929)**
Total other (expenses) income, net	**$ (12,591)**	**$ 170**	**$ (2,097)**

[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).

[2] For 2023, comprised mainly from $1,832 of net impairment of Sigma, due to the sale process of the subsidiary Fiorucci Holding S.r.L. and the reclassification of assets held for sale to the corresponding accounts as part of the transaction; additionally, it includes $11,079 of Alpek's impairment expense generated mainly because of the temporary pause of the investment of the CCP joint venture, for the closure of the Cooper River plant and the textile and industrial fiber production; $183 for reversal of impairment of other subsidiaries. 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.

28. Financial income and expenses

	2023	2022	2021
Financial income:			
Interest income on short-term bank deposits	**$ 1,103**	$ 497	$ 257
Other financial income	**736**	637	419
Valuation effect of derivative financial instruments	**-**	265	196
Total financial income	**$ 1,839**	**$ 1,399**	**$ 872**
Financial expenses:			
Interest expense on bank loans	**$ (2,349)**	$ (921)	$ (379)
Interest expense on debt securities	**(3,564)**	(4,555)	(5,433)
Interest expense on portfolio sale	**(675)**	(441)	(204)
Financial cost of employee benefits	**(569)**	(413)	(295)
Supplier interest expense	**(306)**	(104)	(49)
Other financial expenses	**(1,361)**	(1,201)	(768)
Total financial expenses	**$ (8,824)**	**$ (7,635)**	**$ (7,128)**
Exchange fluctuation loss, net:			
Exchange fluctuation gain	**$ 37,543**	$ 1,262	$ 2,798
Exchange fluctuation loss	**(34,322)**	(2,570)	(4,767)
Exchange fluctuation loss, net	**$ (3,221)**	**$ (1,308)**	**$ (1,969)**
Financial result, net	**$ (10,206)**	**$ (7,544)**	**$ (8,225)**

29. Employee benefit expenses

	2023	2022	2021
Salaries, wages and benefits	**$ 31,110**	$ 30,786	$ 31,615
Social security fees	**3,123**	2,820	2,255
Employee benefits	**1,102**	1,166	790
Other fees	**242**	211	87
Total	**$ 35,577**	**$ 34,983**	**$ 34,747**

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, 2023 and 2022.

30. Transactions with related parties

Transactions with related parties during the years ended December 31, 2023, 2022 and 2021, which were carried out in terms similar to those of arm's-length transactions with independent third parties, were as follows:

	2023	2022	2021
Sale of goods and services:			
Affiliates	**$ 112**	$ 170	$ 442
Stockholders with significant influence over subsidiaries [1]	**1,765**	2,181	1,841
Purchase of goods and services:			
Affiliates	**$ 278**	$ 781	$ 780
Stockholders with significant influence over subsidiaries [1]	**660**	778	2,134

[1] *Includes the effects of the agreements between Alpek and BASF y BASELL on the polyurethane businesses.*

For the years ended December 31, 2023, 2022 and 2021, wages and benefits received by top officials of the Company were $804, $784, and $794, 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, 2023, 2022 and 2021, the balances with related parties were as follows:

	Nature of the transaction	2023	2022	2021
Receivables:				
Affiliates	Sale of goods	**$ 1,264**	$ 1,278	$ 1,294
Affiliates	Loans	**264**	316	470
Payable:				
Affiliates	Purchase of raw materials	**$ 1,900**	$ 1,897	$ 2,042
Affiliates	Loans	**154**	184	182

Balances payable to related parties at December 31, 2023 are payable in 2024, respectively. As of December 31, 2023, 2022, and 2021, a loan is maintained with an affiliate that bear interest at a rate of 12.50%, 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 two 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.
- 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 Axtel, and the presentation of Axtel's financial information as a discontinued operation, described in Note 2, the condensed financial information of the operating segments included in the consolidated statements of income for the year ended December 31, 2021 were reformulated to consider the operating segments that were presented to the CEO as of and for the year ended December 31, 2023 and 2022. Additionally, during 2023 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 year ended December 31, 2021, 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, 2023, 2022 and 2021:

For the year ended December 31, 2023

	Alpek	Sigma	Other segments and eliminations	Total
Consolidated statement of income				
Income by segment	$ 138,159	$ 150,839	$ 3,766	$ 292,764
Inter-segment income	(109)	(2)	(1,445)	(1,556)
Income from external customers	$ 138,050	$ 150,837	$ 2,321	$ 291,208
Adjusted EBITDA	$ 9,260	$ 15,805	$ (281)	$ 24,784
Depreciation and amortization	4,619	4,145	178	8,942
Impairment of long-lived assets	11,079	1,833	(183)	12,728
Operating (loss) income	(6,438)	9,827	(276)	3,113
Financial result, net	(2,668)	[redacted]	(751)	(10,206)
Equity in income of associates recognized using the equity method	(202)	3	63	(136)
(Loss) income before taxes	$ (9,308)	$ 3,043	$ (964)	$ (7,229)

As of December 31, 2023

	Alpek	Sigma	Other segments and eliminations	Total
Consolidated statement of financial position				
Investment in associates	$ 261	$ 61	$ 107	$ 429
Other assets	102,423	96,923	9,257	208,603
Total assets	102,684	96,984	9,364	209,032
Total liabilities	69,462	80,830	26,976	177,268
Net assets	$ 33,222	$ 16,154	$ (17,612)	$ 31,764
Capital investment (Capex)	$ (2,528)	$ (3,868)	$ 45	$ (6,351)

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 long-lived 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 income of associates recognized using the equity method	(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 long-lived 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 income of associates recognized using the equity method	(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)**

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, 2023

	Sales to external customers	Property, plant and equipment	Goodwill	Intangible assets
Mexico	**$ 128,487**	**$ 35,251**	**$ 2,492**	**$ 4,405**
United States	**69,705**	**10,614**	**404**	**1,507**
Canada	**2,317**	**497**	**-**	**3**
Central and South America	**27,478**	**6,700**	**89**	**283**
Europe and other countries	**63,221**	**21,517**	**9,260**	**8,844**
Total	**$ 291,208**	**$ 74,579**	**$ 12,245**	**$ 15,042**

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**

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, 2023, 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, 2023, the Company and its subsidiaries had the following commitments:

a. Entities of Alpek, subsidiary of the Company, 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. An entity of Alpek, a subsidiary of the Company, has 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.

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

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 $471 in taxes, penalties and interest that the SFSP requires; therefore, as of December 31, 2023, Alpek has not recognized any provision related to this concept.

   On the other hand, for ICMS accreditation, the amount demanded amounts to $93, 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 2023.

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. According to the third-party maximum loss study, the maximum real exposure of this guarantee would amount to $547.2 (US$32.4) in the worst scenario.

e. Alpek, a subsidiary of the Company, through Octal, currently has investigations and open cases in relation to:

i. Anti-Dumping of PET Resin:

In March 2015, in response to requests from PET resin manufacturers in the United States of America ("US"), the International Trade Commission ("ITC") and the United States Department of Commerce ("USDOC") initiated an Anti-Dumping investigation on imports of PET resin from China, India, Oman and Canada, resulting in the imposition of an antidumping countervailing fee (percentage on export sales of resin of PET to the US). The fee has been 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%.

ii. 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 an antidumping countervailing fee (percentage on export sales of PET sheet from Oman to the US) that is currently 4.74%. In October 2022, the DOC, in the first administrative review, preliminarily determined a new margin equivalent to 4.16%, which was in the process of being confirmed in a final determination; however, effective on February 1, 2023, the USDOC concluded a change of circumstances procedure and thereby revoked the Anti-Dumping order applicable to PET sheet originating in Oman. Since the antidumping order was revoked, the Department of Commerce also rescinded the 2020-2021 and 2021-2022 antidumping administrative reviews.

33. Significant 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, 2023 and until January 31, 2024 (date of issuance of the consolidated financial statements), and except as mentioned below, no significant subsequent events have been identified:

a. At the end of 2023, Sigma had 4 bilateral lines approved for contracting (US$425 and €250), with the main purpose of using these resources to pay the Senior Notes for €600M that will mature on February 7, 2024. In preparation for said payment, on January 31, 2024, US$225 were drawn down, which mature on September 30, 2027, and accrues interest at an annual rate of SOFR +1.05%.

34. Authorization to issue the consolidated financial statements

On January 31, 2024 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.

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.

CONSEJERO PROPIETARIO INDEPENDIENTE
Posee acciones de una empresa pero no está relacionado con la administración diaria de la empresa.

DIRECT EMISSIONS (SCOPE 1)
Greenhouse gas (GHG) emissions from sources directly owned or controlled by 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.

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.

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.

POLIESTIRENO EXPANDIDO
Termoplástico utilizado para aislamiento térmico y embalaje.

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.

STARTUPS
Newly created and technology-based company.

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Date Listed:
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