

**Orbia Advance Corporation, S.A.B. de
C.V. and Subsidiaries**
(Subsidiary of Kaluz, S.A. de C.V.)

Consolidated Financial Statements for the
Years Ended December 31, 2022, 2021
and 2020, and Independent Auditors'
Report Dated February 22, 2023



Orbia Advance Corporation, S.A.B. de C.V. and Subsidiaries

(Subsidiary of Kaluz, S.A. de C.V.)

Consolidated Financial Statements for the Years Ended December 31, 2022, 2021 and 2020 and Independent Auditor's Report

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Independent Auditor's Report to the Board of Directors and Shareholders of Orbia Advance Corporation, S.A.B. de C.V. and Subsidiaries

(Amounts in millions of U.S. dollars)

Opinion

We have audited the accompanying consolidated financial statements of Orbia Advance Corporation, S.A. de C.V. and subsidiaries (herein referred to as “Orbia” or the “Company”), which comprise the consolidated statements of financial position as of December 31, 2022, 2021 and 2020, and the consolidated statements of profit, the consolidated statements of other comprehensive income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Orbia Advance Corporation, S.A.B. de C.V. and its subsidiaries as of December 31, 2022, 2021 and 2020, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 *Código de Ética Profesional* (Code of Ethics) issued by the Mexican Institute of Public Accountants A.C. (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 consolidated financial statements as of December 31, 2022. 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.

(continued)



Goodwill and Intangible Assets (Notes 4 and 16)

The Company has identified several cash-generating units (CGUs) for which an annual impairment analysis focused on intangible assets is performed. Accordingly, the Company determines the recoverable value in accordance with *IAS 36 Impairment of Assets*, (IAS 36). Recoverable amount is calculated for all CGUs using Value in Use (VU) except for one CGU whose recoverable amount is calculated using Fair Value Less Cost of Disposal (FVLCD). When calculating VU and FVLCD, management is required to make significant judgments and estimates for future revenue, cash flows and operating margins, and to select an appropriate discount rate and to identify comparable market multiples of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and costs of disposal to determine the existence of impairment on its long-lived assets. The assumptions used by Management to determine VU and FVLCD are sensitive to current and foreseeable future market conditions. As of December 31, 2022, the balances of intangible assets and goodwill recognized in the consolidated financial statements are \$1,627 and \$1,478, respectively.

How the Key Audit Matter was addressed in our audit:

Our audit procedures included, among others, the following:

We involved our expert specialists so as to:

Assess the methodologies used by Management to calculate the VU and FVLCD of its cash generating units and ensure its compliance with IAS 36 and perform a technical analysis of the reasonableness of the Company's valuation models used to estimate recoverable amounts.

Assess whether the valuation assumptions used, including the discount rate and market comparable multiples of EBITDA are reasonable and were determined using recognized sources of information and/or commonly used methodologies.

Test the mathematical accuracy of the model and/or other significant calculations.

Selectively review the recoverable amount calculation and impairment tests performed by the Company for its cash generating units.

Perform an independent analysis to test the sensitivity of significant assumptions.

We tested the design and implementation of the Company's internal controls for impairment, including the estimates used.

We performed a risk assessment to classify the valuation risk applicable to each of the cash generating units.

We tested the completeness and accuracy of the inputs into the Company's financial models.

Additional Information Other than the Consolidated Financial Statements and the Independent Auditors' Report

Management is responsible for the additional information. The additional information is comprised of: i) the Annual Report, ii) the information that will be included in the Annual Report, which the Company must prepare in accordance with Article 33 Section I, paragraph b) of Title Fourth, Chapter First of the General Rules Applicable to Issuers and Other Stock Market Participants in Mexico and the accompanying Guidelines (the Rules). The Annual Report is expected to be available for our reading after the date of this audit report; and iii) certain alternative performance measures, which is not specifically required by IFRS and has been included to provide additional information for investors and other users of the Company's consolidated financial statements regarding its level of indebtedness, net debt and borrowing costs in relation to its EBITDA. This information is presented in Note 10.

(continued)



Our opinion on the accompanying consolidated financial statements does not cover the additional information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility will be to read the Additional Information when it becomes available and, when doing so, consider whether the information contained therein is materially inconsistent with the consolidated financial statements, the knowledge we obtained during the audit or whether it appears to contain a material misstatement. If, based on the work we have performed, we conclude that the other information contains a material misstatement, we would have to report this fact. When we read the Annual Report, we will issue the respective declaration, as required by Article 33, Section I, paragraph b) item 1.2. of the Rules. We have nothing to report on the other additional information mentioned in point iii) of the previous paragraph.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and reasonable presentation of the accompanying consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, 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 any going concern issues 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.

The members of the Company's Audit Committee and Board of Directors are responsible for overseeing the Company's financial reporting process.

Independent Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may 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 conformity with ISA, 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, deceit, 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 under the circumstances, but not for 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.



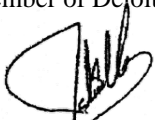
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a way that constitutes 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 audit group. 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 or 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 2022 consolidated financial statements 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 matters 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.
Member of Deloitte Touche Tohmatsu Limited



Erick J. Chavillo Rello

Mexico City, Mexico
February 22, 2023

(Concludes)



Orbia Advance Corporation, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Consolidated Statements of Financial Position

As of December 31, 2022, 2021 and 2020

(Amounts in millions of U.S. dollars)

Assets	Notes	2022	2021	2020
Current assets:				
Cash and cash equivalents	7	\$ 1,546	\$ 782	\$ 875
Accounts receivable	8	1,659	1,595	1,325
Due from related parties	21	2	1	5
Inventories	9	1,320	1,292	861
Prepaid expenses		54	50	60
Derivative financial instruments	11 and 12	1	2	20
Assets classified as held for sale		<u>2</u>	<u>2</u>	<u>10</u>
Total current assets		<u>4,584</u>	<u>3,724</u>	<u>3,156</u>
Non-current assets				
Property, plant, and equipment	13	3,170	3,051	3,186
Right-of-use assets	14	358	346	323
Equity investment in associates		58	40	39
Deferred taxes	23	197	174	200
Employee benefits asset	18	28	17	13
Intangible assets	16	1,627	1,617	1,734
Goodwill	16	1,478	1,514	1,491
Other assets		<u>124</u>	<u>104</u>	<u>69</u>
Total non-current assets		<u>7,040</u>	<u>6,863</u>	<u>7,055</u>
Total assets		<u>\$ 11,624</u>	<u>\$ 10,587</u>	<u>\$ 10,211</u>

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

(continued)



Orbia Advance Corporation, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Consolidated Statements of Financial Position

As of December 31, 2022, 2021 and 2020

(Amounts in millions of U.S. dollars)

Liabilities and stockholders' equity	Notes	2022	2021	2020
Current liabilities:				
Bank loans and current portion of long-term debt	17	\$ 760	\$ 240	\$ 495
Suppliers		812	1,046	788
Letters of credit	10	467	459	538
Due to related parties	21	1	1	1
Other accounts payable and accrued liabilities		651	521	467
Dividends payable			1	3
Provisions	19	33	29	33
Employee benefits		234	226	160
Lease liabilities	14	84	86	82
Derivative financial instruments	11 and 12	3	34	14
Liabilities associated with assets held for sale		-	-	6
Total current liabilities		<u>3,045</u>	<u>2,643</u>	<u>2,587</u>
Non-current liabilities:				
Bank loans and long-term debt	17	3,936	3,280	3,131
Employee benefits	18	137	221	274
Provisions	19	22	17	21
Other long-term liabilities		75	41	30
Redeemable non-controlling interests	12	375	316	274
Derivative financial instruments	11 and 12	1	17	95
Deferred tax liabilities	23	373	318	314
Lease liabilities	14	285	281	263
Income tax	23	<u>52</u>	<u>49</u>	<u>42</u>
Total non-current liabilities		<u>5,256</u>	<u>4,540</u>	<u>4,444</u>
Total liabilities		8,301	7,183	7,031
Stockholders' equity:				
Share capital	20	256	256	256
Additional paid-in capital		1,475	1,475	1,475
Cumulative inflation adjustment		<u>24</u>	<u>24</u>	<u>24</u>
		1,755	1,755	1,755



	Notes	2022	2021	2020
Earned capital				
Retained earnings		881	966	1,108
Redeemable non-controlling interests	12	(436)	(241)	(227)
Share buyback reserve	20	1,090	851	400
Other comprehensive loss		<u>(622)</u>	<u>(595)</u>	<u>(543)</u>
		<u>913</u>	<u>981</u>	<u>738</u>
Controlling interests		2,668	2,736	2,493
Non-controlling interests		<u>655</u>	<u>668</u>	<u>687</u>
Total stockholders' equity		<u>3,323</u>	<u>3,404</u>	<u>3,180</u>
Total liabilities and stockholders' equity		<u>\$ 11,624</u>	<u>\$ 10,587</u>	<u>\$ 10,211</u>

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

(Concludes)



Orbia Advance Corporation, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Consolidated Statements of Profit

For the Years Ended December 31, 2022, 2021 and 2020

(Amounts in millions of U.S. dollars, except for earnings per share amounts expressed in U.S. dollars and shares outstanding)

	Notes	2022	2021	2020
Continuing operations:				
Net sales	26	\$ 9,648	\$ 8,783	\$ 6,420
Cost of sales	22	<u>7,079</u>	<u>6,156</u>	<u>4,651</u>
Gross profit		2,569	2,627	1,769
Selling and development expenses	22	582	573	507
Administrative expenses	22	661	599	508
Other (income) expenses, net	22	(2)	6	34
Foreign exchange loss, net		13	32	2
Interest expense		285	248	239
Interest income		(30)	(16)	(10)
Change in fair value of redeemable non-controlling interests	12	(119)	28	10
Monetary position loss	25	11	4	1
Share of profit in associates		(3)	(1)	(1)
Impairment of goodwill	16	<u>136</u>	<u>-</u>	<u>-</u>
Profit before income tax		1,035	1,154	479
Income taxes	23	<u>369</u>	<u>381</u>	<u>151</u>
Profit from continuing operations		666	773	328
Discontinued operations:				
Net loss from discontinued operations		<u>(1)</u>	<u>(1)</u>	<u>(9)</u>
Consolidated net profit for the year		<u>665</u>	<u>772</u>	<u>319</u>
Consolidated net profit for the year attributable to:				
Equity holders of the parent		\$ 567	\$ 657	\$ 195
Non-controlling interest		<u>98</u>	<u>115</u>	<u>124</u>
Total net consolidated profit		<u>\$ 665</u>	<u>\$ 772</u>	<u>\$ 319</u>
Basic and diluted earnings per share	4	<u>\$ 0.30</u>	<u>\$ 0.33</u>	<u>\$ 0.10</u>
Weighted average ordinary shares outstanding		<u>1,918,919,097</u>	<u>1,992,657,096</u>	<u>2,024,791,839</u>

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



Orbia Advance Corporation, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Consolidated Statements of Other Comprehensive Income

For the Years Ended December 31, 2022, 2021 and 2020
(Amounts in millions of U.S. dollars)

	Notes	2022	2021	2020
Net consolidated profit		\$ 665	\$ 772	\$ 319
Other comprehensive income:				
Items that will not be subsequently reclassified to profit or loss:				
Actuarial Gain or (loss)	18	53	41	(37)
Income taxes (loss) benefit	23	(14)	(10)	9
		39	31	(28)
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation		(83)	(124)	5
Unrealized gain (loss) on valuation of financial instruments		41	38	(23)
Income taxes	23	(21)	-	7
		(63)	(86)	(11)
Total other comprehensive loss		(24)	(55)	(39)
Consolidated comprehensive income for the year		\$ 641	\$ 717	\$ 280
Consolidated comprehensive income attributable to:				
Equity holders of the parent		\$ 540	\$ 605	\$ 159
Non-controlling interests		101	112	121
Consolidated comprehensive income for the year		\$ 641	\$ 717	\$ 280

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



Orbia Advance Corporation, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Consolidated Statements of Changes in Stockholders’ Equity

For the Years Ended December 31, 2022, 2021 and 2020
(Amounts in millions of U.S. dollars)

	Contributed capital			Retained earnings			Other comprehensive income/(loss)			Controlling interests	Non-controlling interests	Total equity
	Nominal share capital	Share premium	Cumulative inflation adjustment	Legal reserve	Retained earnings	Redeemable non-controlling interests	Share buyback reserve	Foreign currency translation loss and actuarial gains and losses	Unrealized (loss)/gain on valuation of financial instruments			
Balance as of January 1, 2020	\$ 256	\$ 1,475	\$ 24	\$ 51	\$ 1,008	\$ (227)	\$ 295	\$ (557)	\$ 50	\$ 2,375	\$ 719	\$ 3,094
Share buybacks	-	-	-	-	-	-	(42)	-	-	(42)	-	(42)
Increase in share buyback reserve	-	-	-	-	(147)	-	147	-	-	-	-	-
Distribution of capital to non-controlling interests in subsidiary	-	-	-	-	-	-	-	-	-	-	(153)	(153)
Share-based payments	-	-	-	-	1	-	-	-	-	1	-	1
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(20)	(16)	(36)	(3)	(39)
Net profit for the year	-	-	-	-	195	-	-	-	-	195	124	319
Balance as of December 31, 2020	256	1,475	24	51	1,057	(227)	400	(577)	34	2,493	687	3,180
Dividends declared	-	-	-	-	(197)	-	-	-	-	(197)	-	(197)
Share buybacks	-	-	-	-	3	-	(168)	-	-	(165)	-	(165)
Increase in share buyback reserve	-	-	-	-	(619)	-	619	-	-	-	-	-
Distribution of capital to non-controlling interests in subsidiary	-	-	-	-	-	-	-	-	-	-	(145)	(145)
Redeemable non-controlling interests	-	-	-	-	-	(14)	-	-	-	(14)	-	(14)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	14	14
Share-based payments	-	-	-	-	14	-	-	-	-	14	-	14
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(90)	38	(52)	(3)	(55)
Net profit for the year	-	-	-	-	657	-	-	-	-	657	115	772
Balance as of December 31, 2021	256	1,475	24	51	915	(241)	851	(667)	72	2,736	668	3,404
Dividends declared	-	-	-	-	(298)	-	-	-	-	(298)	-	(298)
Share buybacks	-	-	-	-	(5)	-	(137)	-	-	(142)	-	(142)
Increase in share buyback reserve	-	-	-	-	(369)	-	369	-	-	-	-	-
Distribution of capital to non-controlling interests in subsidiary	-	-	-	-	-	-	-	-	-	-	(142)	(142)
Redeemable non-controlling interests	-	-	-	-	-	(195)	-	-	-	(195)	-	(195)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	28	28
Share-based payments	-	-	-	-	20	-	7	-	-	27	-	27
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(47)	20	(27)	3	(24)
Net profit for the year	-	-	-	-	567	-	-	-	-	567	98	665
Balance as of December 31, 2022	<u>\$ 256</u>	<u>\$ 1,475</u>	<u>\$ 24</u>	<u>\$ 51</u>	<u>\$ 830</u>	<u>\$ (436)</u>	<u>\$ 1,090</u>	<u>\$ (714)</u>	<u>\$ 92</u>	<u>\$ 2,668</u>	<u>\$ 655</u>	<u>\$ 3,323</u>

The accompanying notes are part of these consolidated financial statements.



Orbia Advance Corporation, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022, 2021 and 2020

(Amounts in millions of U.S. dollars)

	2022	2021	2020
Operating activities:			
Consolidated net profit for the year	\$ 665	\$ 772	\$ 319
Adjustments for:			
Income tax expense	369	381	151
Loss from discontinued operations	1	-	10
Employee benefit cost	8	7	12
Depreciation and amortization	581	598	598
(Gain) loss on sale of fixed assets	(2)	6	-
Unrealized foreign exchange loss	11	31	2
Impairment of fixed assets	-	14	8
Impairment of goodwill	136	-	-
Change in fair value of redeemable non-controlling interests	(119)	28	10
Changes in provisions	15	18	9
Share of profit of associates	(3)	(1)	(1)
Interest income	(30)	(16)	(10)
Interest expense	285	248	239
Net Cash Flow generated from operating activities before changes in working capital	1,917	2,086	1,347
Working capital adjustments:			
(Increase)/decrease in:			
Trade receivables	107	(318)	57
Inventories	(33)	(455)	(28)
Other assets	(138)	(48)	(64)
Assets held for sale	-	7	(1)
Increase/(decrease) in:			
Suppliers	(204)	210	63
Related parties	(2)	5	(2)
Other liabilities	98	(18)	(8)
Interest received	30	16	10
Liabilities associated with assets held for sale	-	(6)	-
Income tax paid	(488)	(243)	(281)
Net cash flows from operating activities	1,287	1,236	1,093
Investing activities:			
Purchase of machinery and equipment	(470)	(286)	(204)
Investments in other assets and intangible assets	(67)	(27)	(31)
Sale of machinery and equipment	11	18	21
Acquisition of equity investment in associates	(11)	-	(4)
Acquisition of subsidiaries, net of cash acquired	(225)	(48)	-
Net cash flows used in investing activities	(762)	(343)	(218)

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

(continued)



Orbia Advance Corporation, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022, 2021 and 2020

(Amounts in millions of U.S. dollars)

	2022	2021	2020
Financing activities:			
Proceeds from loans obtained	1,908	1,589	1,468
Repayment of loans	(773)	(1,684)	(1,296)
Interest paid	(258)	(271)	(231)
Lease payments	(92)	(97)	(89)
Dividends paid	(299)	(200)	(230)
Distribution to non-controlling interests in subsidiaries	(141)	(135)	(142)
Share buybacks	<u>(142)</u>	<u>(165)</u>	<u>(42)</u>
Net cash flows from / (used in) financing activities	203	(963)	(562)
Adjustment for effects of foreign exchange differences	<u>36</u>	<u>(23)</u>	<u>(24)</u>
Net increase/(decrease) in cash and cash equivalents	764	(93)	289
Cash and cash equivalents at beginning of year	<u>782</u>	<u>875</u>	<u>586</u>
Cash and cash equivalents at the end of year	<u>\$ 1,546</u>	<u>\$ 782</u>	<u>\$ 875</u>

(Concludes)

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



Orbia Advance Corporation, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2022, 2021 and 2020

(Amounts in millions of U.S. dollars)

1. General Information

Orbia Advance Corporation, S.A.B. de C.V. and subsidiaries (the Company or Orbia) is a company driven by a shared purpose: to advance life around the world. Orbia operates in the Polymer Solutions (Vestolit and Alphagary), Building and Infrastructure (Wavin), Precision Agriculture (Netafim), Connectivity Solutions (Dura-Line) and Fluorinated Solutions (Koura) operating segments. The five Orbia business groups have a collective focus on expanding access to health and wellness, reinventing the future of cities and homes, ensuring food and water security, connecting communities to information and accelerating a circular economy with basic and advanced materials, specialty products and innovative solutions. Orbia has commercial activities in more than 110 countries and operations in over 50, with global headquarters in Boston, Mexico City, Amsterdam and Tel Aviv.

Orbia's registered office is at Paseo de la Reforma No. 483 Piso 47, Cuauhtémoc, 06500 Mexico City.

2. Significant Events

2022

Russia and Ukraine Conflict: In February 2022, Russia invaded Ukraine resulting in the United States, Canada, the European Union and other countries imposing economic sanctions on Russia. Orbia continues to monitor and evaluate the broader economic impact of this conflict, including sanctions imposed, the potential for additional sanctions and any responses from Russia that could directly affect the Company's supply chain, business partners or customers. As a result of the invasion, the Company discontinued all operations and sales in Russia. This has not had and is not expected to have a material impact on the Company's financial condition or results of operations.

COVID-19: Orbia continues to closely monitor possible impacts to its business as a result of the COVID-19 pandemic. The Company has not experienced any material operational or financial disruptions due to COVID-19 in 2022 and continues to focus on its medium and long-term business strategy. As the challenges related to the pandemic continue, the Company remains focused on the health and safety of its people and has positioned itself to adapt quickly to the changing environment.

Issuance of Sustainability Linked Notes: In December 2022, the Company completed the first and second offering of short and long-term notes (*certificados bursátiles*), for a total amount of 10 billion Mexican Pesos (MXP) with a "sustainability-linked bond" feature. The offerings were made under the revolving short and long-term shelf registration program implemented by Orbia and authorized by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores* or *CNBV*) in November 2022. The first issuance was for an amount of 2.34 billion MXP due on December 4, 2025, accruing interest at a variable rate of 28-day THIE (interbank rate) + 40 basis points, and the second issuance was for an amount of 7.66 billion MXP due on November 25, 2032, accruing interest at a fixed annual rate of 10.63%.

Business acquisitions: As discussed further in Note 15, Orbia completed the following acquisitions for aggregate consideration totaling approximately \$246 million in 2022:

- In September 2022, Orbia's Connectivity Solutions business acquired Biarri Networks, a leading Denver-based technology provider that specializes in fiber optic network design solutions for the global telecommunications industry. Biarri Networks has offices in Australia, Philippines, Vietnam, United Kingdom, and the U.S.



- In August 2022, Orbia's Building and Infrastructure business acquired Bow Plumbing Group, a leading Montreal-based manufacturer of plastic pipes and fittings with manufacturing in Quebec, Canada, with strategically located warehouses and commercial reach across the North American residential and commercial construction industry.
- In February 2022, Orbia's Building and Infrastructure business acquired a 67 percent stake in Vectus Industries Limited ("Vectus"), a manufacturer of plumbing and drainage pipes and the market leader in water storage tanks in India. The transaction includes a call and put option that can be executed for Orbia to purchase the remaining shares on the fifth anniversary of the transaction (see Note 12 for further details).

2021

Business acquisitions: Orbia completed the following acquisitions for aggregate consideration totaling approximately \$64 million in 2021:

- In November 2021, Orbia's Fluorinated Solutions business acquired Silatronix, a Madison, Wisconsin based Company. Silatronix has expertise in fluorosilane additives for lithium-ion batteries and has an industry-wide reputation for developing innovative solutions that deliver improved battery safety and performance in a range of applications, from electric vehicles to stationary grid-scale storage.
- In June 2021, Orbia's Polymer Solutions business acquired 55 percent of the outstanding shares of Shakun Polymers Private Limited (Shakun), based in India, a market leader in the production of compounds for the wire and cable markets in the Indian subcontinent, the Middle East, Southeast Asia and Africa. The transaction includes a call and put option that can be executed for Orbia to purchase the remaining shares (see Note 12 for further details).
- In April 2021, Orbia's Precision Agriculture business acquired Dutch greenhouse company Gakon Horticultural Projects (Gakon). The acquisition is synergistic, combining Netafim's business global presence and agriculture expertise with Gakon's advanced greenhouse technology that will enable Netafim to expand its global customer offerings.

Prepayment of Senior Notes: In September 2021, the Company prepaid the remaining balance of \$750 million senior notes by paying the remaining outstanding balance of \$422 million, plus a premium of \$18 million. These securities were initially scheduled to mature on September 19, 2022, and bore interest at a fixed rate of 4.875%, payable semiannually.

Prepayment of Senior Note: In May 2021, the Company prepaid \$328 million of its \$750 million Senior Note initially due to mature on September 19, 2022. The Senior Note bore interest of 4.875% payable semi-annually.

Establishment of Euro Commercial Paper Program: In June 2021, the Company established a Euro Commercial Paper Program of up to €750 million by issuing unlisted notes due in less than one year. As of December 31, 2022, the Company has no notes outstanding under the program and €101 million as of December 31, 2021.

Early Settlement of Notes: In June 2021, the Company prepaid its \$3 billion Mexican Peso-denominated bond by utilizing its make-whole call provision. The bond bore interest at a fixed rate of 8.12% payable semiannually and it was initially scheduled to mature in March 2022.

Bonds Issuance: In May 2021, the Company announced the successful closing of its inaugural Sustainability-linked bond offering. In connection with the offering, Orbia issued senior notes totaling \$600 million bearing interest at 1.875% due in 2026, and senior notes totaling \$500 million bearing interest at 2.875% due in 2031 (collectively, the "2021 Bonds"). This issuance received credit ratings of Baa3 from Moody's, BBB- from S&P Global and BBB from Fitch ratings agencies.



Prepayment of United Kingdom (U.K.) Commercial Paper Program: In May 2021, the proceeds from the issuance of the 2021 Bonds were used to prepay the outstanding balance of the Company's commercial paper program in the United Kingdom totaling £300 million with a discount rate of 0.60%.

2020

Establishment of U.K Commercial Paper Program: In September 2020, the Company established a Commercial Paper Program for £300 million through the issuance of promissory notes with the Bank of England and Her Majesty's Treasury under the Covid Corporate Financing Facility. These promissory notes expired on May 18, 2021. The Company gained access to this financing option due to the COVID-19 pandemic and the prominence of its operations in the U.K.

Amendment to Line of Credit: In March 2020, the Company notified the syndicate of banks with which it had entered into a Revolving Line of Credit agreement on June 21, 2019, that it would reduce its \$1.5 billion line of credit originally by \$500 million. The \$1.0 billion syndicated revolving line of credit bore monthly interest at the London Interbank Offered Rate (LIBOR) plus 1.05%. Under the terms of the amended agreement, the loan principal was payable in a single installment upon maturity on June 21, 2024. On March 27, 2020, the Company drew down the full amount of the available line of credit and repaid it in full during 2020 as follows: \$400 million on September 30, \$350 million on October 30, \$175 million on November 30, and \$75 million on December 31. In October 2022, the Company and the syndicate of banks approved the amendment for LIBOR replacement, the revolving credit line now bears interest at the SOFR rate + Reserve Rate + 1.05%.

3. Adoption of New and Revised Accounting Standards

New and amended Accounting Standards that are Effective for the Current Year

In the current year, Orbia has applied a number of amendments to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2022.

The adoption of these amendments did not have a material impact on the amounts reported in the Company's financial statements or related disclosures, unless otherwise noted.

Amendments to International Accounting Standard (IAS) 16 *Property, Plant and Equipment* - Proceeds Before Intended Use

Under the amendments to IAS 16, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognized in profit or loss, together with the costs of producing those items. The amendments require a company to distinguish between costs associated with producing and selling items before the property, plant and equipment is available for use and costs associated with making the property, plant, and equipment available for its intended use. The amendments also clarify that testing whether property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance, such as achievement of operating margin.

The Company shall apply the IAS 16 amendment to any proceeds from selling items before the related item of property, plant and equipment is available for use after January 1, 2022 in accordance with the amendment's transitional provisions.

Amendments to IAS 37 *Onerous Contracts* - Costs of Fulfilling a Contract

The amendments to IAS 37 specify the costs which an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs such as, the costs of direct labor and materials, and an allocation of costs directly related to contract activities, such as depreciation of equipment used to fulfill the contract as well as costs of contract management and supervision. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.



The IAS 37 amendments have been applied to contracts for which the Company has not yet fulfilled its obligations as of January 1, 2022, in accordance with the amendments' transitional provisions.

Amendments to IFRS 3 *Business Combinations*

The amendments to IFRS 3 replace a reference to a previous version of the *IASB's Conceptual Framework* with a reference to the current version issued in March 2018. They also add a requirement that an acquirer must apply IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37) to determine whether at the acquisition date an obligation exists as a result of past events. For a levy that would be within the scope of International Financial Reporting Interpretations Committee (IFRIC) 21 *Levies*, the acquirer is required to apply IFRIC 21 to determine whether an obligating event that gives rise to a liability to pay the levy has occurred before the acquisition date. Finally, the amendments add an explicit statement that an acquirer may not recognize contingent assets acquired in a business combination.

The Company has applied the IFRS 3 amendments to all business combinations that have occurred after January 1, 2022 in accordance the amendments' transitional provisions.

Amendments to IFRS 9 *Financial Instruments (IFRS 9)* – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

The amendment to IFRS 9 specifies the fees that an entity is to include when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The fees to be considered only include those paid or received between the borrower and the lender, including costs paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39).

The Company shall apply the IFRS 9 amendment to any financial liabilities that are modified or exchanged after January 1, 2022 in accordance with the amendment's transitional provisions.

IFRS 16 *Leases*

The amendment removes the illustration of the reimbursement of leasehold improvements. This amendment had no effect on the Orbia's consolidated financial statements.

New and Revised Accounting Standards Issued by Not Yet Effective

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations when there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Company anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.



Amendments to IAS 1 Classification of Liabilities as Current or Non-Current

The amendments to IAS 1 affect the presentation of liabilities on the statement of financial position and are intended to promote consistency in the application of accounting principles by clarifying the requirements to determine whether debt, borrowings or other liabilities with an uncertain settlement date should be classified as current or non-current in the statement of financial position. The amendments clarify that the classification of liabilities as short-term or long-term should be made based on the borrower's rights to defer payment that are in existence at the end of the reporting period, not the expectations of management. The amendments also indicate that the rights exist if there are agreements to be fulfilled at the end of the reporting period and introduce a definition of 'arrangement' to clarify that the agreement refers to the transfer of counterparty cash, equity instruments, other assets or services.

The IAS 1 amendments are effective for annual periods beginning on or after January 1, 2023. The impact on the Company's consolidated financial statements is not expected to be material.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

These amendments require companies to replace references to significant accounting policies with material accounting policies in their financial statements. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that accounting policies related to immaterial transactions, other events or conditions, are themselves immaterial and as such need not be disclosed. However, accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; conversely not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier adoption permitted. The Company is continuing to assess the impact of the adoption of these amendments on its consolidated statements but does not expect the impact to be material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on defining accounting estimates as "monetary amounts in the financial statements that are subject to uncertainty in the measurement".

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both selecting a measurement technique such as estimation or valuation and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates and are not the correction of an error.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Company does not expect the impact of adoption of these amendments to be material to its consolidated financial statements.

Amendments to IAS 12 Income Taxes

The amendments to IAS 12 clarify how companies should account for deferred tax on certain transactions such as right-of-use lease assets and lease liabilities that are generated by single contracts, as well as any related decommissioning obligations, by narrowing the scope of the initial recognition exemption (IRE). As amended, the provisions would not apply to transactions that give rise to equal and offsetting temporary differences.



Accordingly, companies must recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease right-of-use asset and related liability and any related decommission provision.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, however, the amendments apply to transactions that occurred on or after the beginning of the earliest comparative period with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The Company is assessing the potential impact of adoption that these amendments will have on its consolidated financial statements.

4. Significant Accounting Policies

Basis of accounting: The consolidated financial statements of Orbia have been prepared in accordance with IFRS as issued by the IASB. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Orbia takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Going concern: The Company's management has at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The consolidated financial statements have been prepared by management assuming that the Company will continue as a going concern.

Basis of consolidation: The consolidated financial statements include the financial statements of all entities over which the Company directly or indirectly has control (its subsidiaries). Orbia has determined that it controls an investee when it has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the investee, or has the ability to affect those returns through its power over them.

In cases when Orbia does not fully own a subsidiary, the non-controlling interest is recognized separately from Orbia's equity on its Consolidated Statements of Financial Position. The Company values the non-controlling interest at the time of acquiring control of the subsidiary at its proportionate share of the fair value of the identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. As of December 31, 2022 the Company had non-controlling interest in the following entities:

Legal Entity	NCI Interest Percentage	Non-Controlling Interest (In millions)
Ingleside Ethylene LLC	50%	\$ 535
Netafim Ltd	20%	57
Shakun Polymers Private Limited	45%	30
MPC Poland	49%	16
Vectus Industries Limited	33%	11
All others		<u>6</u>
Total		\$ 655



Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to Orbia.

Profit or loss and each component of other comprehensive income are attributed separately to the Company and the non-controlling interests in the consolidated financial statements.

Investments in entities in which the Company holds between 20% and 50% of the voting shares, or over which it otherwise has significant influence, are accounted for using the equity method under IAS 28 *Investments in Associates and Joint Ventures*. The Company's accounting policy for an investment in associates is included in later in this Note.

In the event the Company loses control of a subsidiary, the subsidiary is deconsolidated, and a gain or loss on disposal is recognized in the Consolidated Statement of Profits which is calculated as the difference between the aggregate of the fair value of the consideration received plus the fair value of any retained interest, minus the previous carrying amount of the net assets of the subsidiary including goodwill and non-controlling interest. The Company has not lost control of a subsidiary in any of the periods presented.

All intercompany transactions between the Company and its subsidiaries, and between subsidiaries, are eliminated in consolidation.

Recognition of the effects of inflation: The Company recognizes the effect of inflation for its entities that operate in highly inflationary economies. An economy is deemed to be hyperinflationary when inflation over the preceding three years exceeds 100%. The Company adjusts its financial statements for the impact of inflation in these economies in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies* using a general price index. In 2022, 2021 and 2020, the Company recognized the effects of inflation on its operations in Venezuela and Argentina. Additionally, in 2022, the economy of Turkey was deemed to be hyperinflationary, and therefore the Company has also adjusted its financial statements to reflect the inflationary effects from its operations there. Please see Note 26 for further detail.

Foreign currency transactions: The Company's financial statements are presented in U.S. dollars (USD). The functional currency of a subsidiary is the local currency of that respective entity. For subsidiaries not operating in hyperinflationary economies, the subsidiary's results, financial position, and cash flows that do not have USD as their functional currency are translated using the following exchange rates:

- Monthly average exchange rates for income and expense items
- The closing exchange rate in effect at the date of the Statement of Financial Position for assets and liabilities, and
- historical exchange rates for equity balances

Goodwill and fair value adjustments arising from identifiable acquired assets and assumed liabilities from the acquisition of a foreign subsidiary are translated at the closing exchange rate in effect at the date of the Statement of Financial Position as assets and liabilities of the foreign subsidiary. Foreign exchange gains and losses are recognized in Other Comprehensive Income. Exchange rate differences resulting from financial instruments that are initially recognized in Other Comprehensive Income are reclassified to profit or loss when that instrument is partially or fully sold. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Cash and cash equivalents: Cash and cash equivalents primarily consist of cash on hand, bank deposits available for operations and other and highly liquid, short-term investments with a maturity of three months or less that are easily convertible into cash.



Inventories: Inventories are valued at the lower of cost or net realizable value. Costs, including direct materials and a portion of fixed and variable overhead expenses incurred in bringing the inventories to their present location and condition, are valued using the average cost method. Net realizable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Business combinations: Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, calculated as the sum of the acquisition date fair values of the assets transferred by the Company plus liabilities due to the former owners of the acquiree and any equity interest issued by the Company in exchange for control of the acquiree. Acquisition related costs are recognized in Other (income) expenses, net in the Consolidated Statements of Profit as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are generally recognized at their fair value except for deferred tax assets or liabilities recognized under IAS 12 *Income Taxes*, employee benefit arrangements recognized under IAS 19 *Employee Benefits*, or certain share-based payment arrangements measured in accordance with IFRS 2 *Share Based Payments*.

The excess of the fair value of the total consideration transferred over the fair value of the identifiable acquired assets and assumed liabilities is recognized as goodwill.

When applicable, contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in the business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments, which are adjustments arising from additional information obtained within one year from the date of acquisition, are adjusted retrospectively with corresponding adjustments to goodwill. Subsequent changes in the fair value of contingent consideration that do not qualify as measurement period adjustments for contingent consideration that is classified as equity are not remeasured at subsequent reporting dates and subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Orbia reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date, that, if known, would have affected the amounts recognized as of that date.

Property, plant, and equipment: Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment loss. Borrowing costs that can be allocated directly to the acquisition, construction or installation of a qualifying asset, are capitalized and included in the cost of acquisition.

Construction in process is measured at cost, net of accumulated impairment losses, if any. Costs may include professional fees and, for qualifying assets, borrowing costs that are capitalized. Depreciation commences when the assets are ready for their intended use.

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

Depreciation is recognized to write-off the cost or value of assets (other than land or assets under construction) on a straight-line basis over the estimated useful life of the individual asset to its residual value. The estimated useful lives, residual values, and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.



The following table reflects the estimated useful life by major categories for property, plant and equipment for the periods presented:

	Years
Buildings and structures	19
Machinery and equipment	9
Office furniture and equipment	4
Vehicles	4 to 16

Property plant and equipment is assessed for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable.

Gains and losses on disposals of assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in Other (income) expenses, net within the Consolidated Statements of Profit.

Leases: 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 consideration. The Company recognizes an asset for the right-of-use asset and a corresponding lease liability for all lease agreements in which it acts as lessee, except in the case of short-term leases defined as leases with a lease term of 12 months or less. For short-term leases, the Company recognizes the rent payments as operating expense using the straight-line method over the lease term.

Additionally, variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. Variable lease payments are recognized as operating expenses in profit or loss in the period in which the event or condition that triggers those payments occurs.

The right-of-use asset comprises all lease payments discounted at present value, the direct costs to obtain a lease, any advance lease payments and the obligations of dismantling or removal of assets. The Company depreciates the right-of-use asset over the shorter of the lease term or the useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Company or the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over 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).

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. Subsequently, the lease liability carrying amount is increased to reflect interest on the lease liability using the effective interest method and is reduced to reflect 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.



For contracts that contain both lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone selling price and the aggregate stand-alone selling price of the non-lease components.

The Company periodically assesses right-of-use assets for impairment in accordance with IAS 36 *Impairment of Assets* and recognizes any impairment loss identified in earnings for the amount by which the carrying amount of the asset exceeds its recoverable amount.

Obligations for costs to dismantle and remove leased assets, restore sites on which the leased assets are located or to restore the underlying asset to the condition required by the terms of the lease agreement, require the Company to recognize a provision under the requirements of IAS 37. Costs of disposal are included in the related right-of-use asset, provided they are not incurred to produce inventories.

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.

Equity investment in associates: An associate is an entity over which the Company has significant influence but not control. Generally, an investor must hold between 20% to 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.

The Company's share of profits or losses of associates, post-acquisition, is recognized in Share of profit in associates in the Consolidated Statements of Profit and its share of other comprehensive income of associates is recognized as other comprehensive income. When the Company's share of losses in an associate is equal to or exceeds its equity in the associate, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

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

The Company assesses at each reporting date whether there is objective evidence indicating the investment in the associate is impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and the carrying value and records it in earnings. Any impairment loss recognized is reflected in the carrying value of the investment. A reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the Consolidated Statements of Profit in which the investment is acquired.

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 asset transferred is impaired. 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 Statements of Profit.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. The Company had no such transactions in any of the periods presented.



The Company had total investments in associates of \$58 million, \$40 million, and \$39 million as of December 31, 2022, 2021 and 2020, respectively, and the Company's share of profits of associates across its equity investments was \$3 million, \$1 million and \$1 million, respectively during these periods primarily related to investments in Switzerland, United States of America and Germany.

Intangible assets: The Company recognizes intangible assets when they are identifiable, give rise to a future economic benefit, and the Company has control over such benefits. Intangible assets consist of non-compete agreements, trademarks, intellectual property, customer portfolios and certain software related costs. The Company capitalizes software licenses and related development costs directly related to the design and testing of identifiable software products controlled by the Company. Such licenses include hosted software when Orbia has the contractual right to take possession of the software during the hosting period without significant penalty and it is feasible for the Company to run the software on its own hardware or to contract with another party unrelated to the supplier to host the software. Software maintenance costs are expensed as incurred.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives and are evaluated for potential impairment whenever facts and circumstances indicate that their carrying value may not be fully recoverable. Intangible assets with indefinite useful lives are not amortized and instead are subject to impairment assessment at least annually and whenever there is an indication that the asset may be impaired. The estimated useful lives, residual values and methods of amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Intangible assets acquired in a business combination and recognized separately from goodwill are recognized initially at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are recognized at cost less accumulated amortization and accumulated impairment losses, consistent with the accounting treatment of intangible assets with finite useful lives.

Government grants: Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants with the primary condition that the Company should purchase, construct or otherwise acquire non-current assets, are recognized as deferred revenue in the Consolidated Statements of Financial Position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Goodwill: Goodwill is calculated as the excess of the fair value of the total purchase consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed in a business combination.

Goodwill is not amortized but subject to impairment testing annually, or more frequently when there is an indication of potential impairment. Goodwill is allocated to cash generating units (CGUs). A CGU or a group of CGUs is considered impaired when its carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less costs of disposal and its value in use.

The amount of the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit on a pro-rata basis based on the relative carrying amount of each asset in the CGU. Goodwill impairment charges are directly recognized in profit or loss. An impairment loss recognized for goodwill cannot be reversed in a subsequent period. On disposal of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of tangible and intangible assets other than goodwill: At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to assess for potential indicators of impairment. If the Company determines such indicators exist, the recoverable amount of the impacted asset(s) is estimated to determine the extent of the impairment loss (if any)



Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

For assets that do not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount of assets is deemed to be the higher of fair value less costs of disposal and value in use.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount with the corresponding impairment loss recognized the Consolidated Statements of Profit.

If applicable, when an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate 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 CGU in previous years. The reversal of an impairment loss is recognized immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognized for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Financial instruments: Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities measured at fair value through profit or loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in the Consolidated Statements of Profit.

Financial assets: Purchases or sales of financial assets are recognized and derecognized on a trade date basis. The Company subsequently classifies and measures its financial assets based on the business model used to manage such assets and the characteristics of the related cash flows. As such these are measured at either amortized cost, at fair value with changes recognized in other comprehensive income, or at fair value with changes recognized in profit or loss.

The designation of each of these is described further below.

Financial assets measured subsequently at amortized cost:

Financial assets measured at amortized costs are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for which 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.

Such assets are subsequently measured using the effective interest method and are subject to impairment review potential indicators of impairment are present. Gains and losses are recognized in profit or loss only when the asset is derecognized, modified, or impaired.

The Company's financial assets measured at amortized cost include trade and other accounts receivable.

Financial assets measured subsequently at fair value through other comprehensive income:

Financial assets that are measured subsequently at fair value through other comprehensive income include those that are held within a business model whose objective is achieved by collecting contractual cash flows and / or selling the financial assets for which 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.



For these assets, interest income, foreign exchange reevaluation and impairment losses or reversals are recognized in the Consolidated Statements of Profit and calculated in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is reclassified to profit and loss.

Financial assets measured subsequently at fair value through profit and loss:

All other financial assets that do not meet the criteria for subsequent measurement at amortized cost or at fair value through other comprehensive income, however upon initial recognition, the Company can elect the following irrevocable classifications:

- Recognize its equity investments as equity instruments designated at fair value through other comprehensive income provided such investments meet the definition of equity under IAS 32 *Financial Instruments* meaning the investment is not held for trading purposes.
- Assign a debt instrument to be measured at fair value in profit or loss, if as a result it eliminates or significantly reduces an accounting mismatch that would arise from the measurement of assets or liabilities or the recognition of profits and losses on a different basis.

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

Impairment of financial assets:

The Company recognizes lifetime Expected Credit Losses (ECL) recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. (a lifetime ECL).

For trade receivables, the expected credit losses are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as forecasted conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. In assessing credit risk, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is readily available.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when the debtor has not fulfilled its financial agreements; or internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before considering any collateral held by the Company.

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are typically over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognized in profit or loss in the Company's Consolidated Statements of Profit.



Derecognition of financial assets:

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognizes its retained interest in the asset and the related liability. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received or related receivable is recognized in profit or loss.

Financial liabilities at amortized cost:

After initial recognition, interest-bearing loans and trade and other payables, are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit and loss when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Financial liabilities at fair value through profit or loss:

Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Changes in fair value, as well as interest or dividend expense, as applicable are recorded in profit and loss.

Derecognition of financial liabilities:

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

Derivative financial instruments: The Company uses derivative financial instruments, such as forward currency contracts, exchange rate swaps, interest rate swaps, put and call options, cross-currency and principal only swaps to hedge its exposure to foreign currency risk, interest rate risk, financing and acquisitions of its projects.

The Company's derivative financial instruments and related impacts to the Company's consolidated financial statements are disclosed in more detail in Note 12.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. For purposes of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of recognized assets or liabilities or unrecognized firm commitments. The Company holds exchange rate and interest rate swaps under this classification.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction or the foreign currency risk in an unrecognized firm commitment. The Company holds forward contracts and put and call options under this classification.



- Hedges of a net investment in a foreign business. The Company did not hold any open net investment hedges as of December 31, 2022.

Embedded derivatives:

The Company reviews all executed contracts to identify embedded derivatives required to be separated from the host contract for purposes of valuation and recognition. Embedded derivatives identified in other financial instruments or in other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, and the host contract itself is not designated at fair value through profit and loss. The Company has identified no material embedded derivatives for any of the periods presented.

Hedge accounting:

At the inception of the hedge relationship, the Company designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements in accordance with IFRS 9. Additionally, on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item.

Hedges that meet the qualifying criteria as set forth in IFRS 9 are accounted for as described below:

Cash flow hedges:

The Company recognizes all derivative assets and liabilities at fair value in the Consolidated Statement of Financial Position. The fair value of these derivatives is determined based on corroborated observable market data, and in certain cases through the use of unobservable inputs used in valuation techniques, that provide a reasonable basis for determining the related fair value.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statements of Profit in the interest expense line.

Amounts previously recognized in Other Comprehensive Income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in Other Comprehensive Income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

The Company discontinues hedge accounting when the hedging instrument expires, is sold, terminated, or exercised, or when the hedging relationship ceases to meet the qualifying criteria. Any gain or loss recognized in Other Comprehensive Income and accumulated in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is reclassified immediately to profit or loss in the interest expense line.

Fair value hedges:

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are immediately recognized in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the Consolidated Statements of Profit.



Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or ceases to meet the qualifying criteria for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve will be reclassified to profit or loss on the disposal or partial disposal of the foreign operation and mapped to the interest expense line.

Hedges of net investments in foreign operations:

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income as part of foreign currency translation reserve. Any gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the Other (income) expense, net in the Consolidated Statements of Profit.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

Letters of Credit: The Company is party of a reverse factoring operation with financial institutions to facilitate administrative procedures for suppliers to advance payment related to the routine raw material purchases of the Company. The Company will direct the financial institution to pay the supplier in advance in exchange for a discount when agreed between the bank and the supplier. The Company will subsequently repay the financial institution. This operation does not change the amounts, nature and timing of the liability except extended payment terms up to 180 days. These transactions are presented as Letters of credit on the Statements of Financial Position and operating activities in the Consolidated Statement of Cash Flows.

Provisions: Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities recognized in a business combination are initially measured at fair value at the acquisition date.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, such reimbursement is recognized as a separate asset. The company records a receivable if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably. The expense relating to a provision is presented in the Consolidated Statements of Profit net of any reimbursement.

Restructuring provisions: A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by either starting to implement the plan or announcing its main features to those affected by it. The Company does not include costs associated with its ongoing activities in its restructuring provisions.



Short-term employee benefits: Short-term employee benefits are those that are expected to be settled within 12 months after the end of the annual reporting period and include wages and salaries, paid time off, sick leave, employee profit sharing, incentives, and other benefits to existing employees earned in the period. Short-term employee benefits are recorded on an undiscounted basis.

Share buy-back reserve: Purchases and sales of the Company's shares are recognized directly in the share buyback reserve at their acquisition cost. Any gain or loss between the acquisition cost and the price in which the Company subsequently sells the shares is recognized in retained earnings.

Taxes: Income tax expense represents the sum of the current tax payable and deferred taxes. The Company accounting policies for each category is discussed further below.

Current income tax:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxing authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax:

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or
- For taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- For deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.



Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee benefits: The Company offers various benefit plans to its employees as described further below.

Defined Contribution Plans:

Direct benefit costs and payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined Benefit Plans:

The Company's defined benefit plans specify 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.

Defined benefit costs are split into three categories:

- Service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- Net interest expense or income; and
- Remeasurements.

For defined benefit plans, seniority premiums and termination benefits, the cost of providing benefits is determined using the projected unit credit method, based on actuarial valuations performed at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, and the return on plan assets, excluding interest, are recognized immediately in the Consolidated Statements of Financial Position with a charge or benefit to other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are not reclassified. Past service cost is recognized in profit or loss when a plan amendment or curtailment occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

The Company recognizes service costs in either Cost of sales, Selling and development expenses, or Administrative expenses depending on the employee's main function, and net interest expense or income is recognized in Interest expense or Interest income as applicable in the Consolidated Statements of Profit. Gains and losses from curtailments are recognized as part of past service costs.

The net retirement benefit obligation is reflected in Employee benefits in the Consolidated Statement of Financial Position.

Employee or third-party contributions to defined benefit plans:

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plans specify that there will be contributions from employees or third parties, the Company's accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services, such as when contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses, they are reflected in the remeasurement of the net defined benefit liability.
- For the amount of contribution that is dependent on the number of years of service, the Company reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 for the related gross benefits.



Termination benefits:

Termination benefits are payable when the Company terminates an employment contract before the normal retirement date or when the employee accepts voluntary severance in exchange for these benefits. The Company recognizes termination benefits at the earlier of when the Company can no longer withdraw the offer of these benefits, or when the Company recognizes the costs from a restructuring plan that includes the payment of termination benefits.

Share-based payments: The Company has established a Long-Term Incentive Plan (LTIP) for certain executives to align their compensation with shareholder interests. Under the plan, the Company annually grants Restricted Stock units (RSUs) and Performance Share units (PSUs) to plan participants. Share-based payments made in exchange for services can be settled in equity or depending on the award year and country where the participant is based, the executives can also be awarded phantom shares. Phantom shares are share-based payments settled in cash.

RSUs and PSUs are subject to a three-year performance and vesting period provided the participant is actively employed by the Company at the time of grant. PSUs are also subject to cliff vesting and performance payout is based on the Company's achievement of financial performance targets. The Company accounts for share-based payments in accordance with IFRS 2 Share-based Payments as follows:

The LTIP balances included in the Consolidated Statements of Financial Position for 2022, 2021, and 2020 are \$74 million, \$67 million, and \$28 million respectively.

Equity-settled transactions:

The cost of equity-settled transactions is determined based on the fair value on the date of grant using a modified Black-Scholes valuation model.

That cost is recognized in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and performance conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has passed combined with the Company's estimate of the number of equity instruments that will ultimately vest. The expense or benefit recognized in the Consolidated Statements of Profit represents the change in cumulative expense for that period.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. When awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. Additional expense, measured at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee.

When an award is cancelled by the Company or by the employee, any remaining element of the fair value of the award is recorded immediately through profit or loss.

The dilutive effect of outstanding awards does not materially affect the computation of diluted earnings per share.

Cash-settled transactions:

The cost of cash-settled transactions is determined based on the fair value on the date of grant determined by using a binomial valuation model. If applicable, the approach used to account for vesting conditions for cash-settled awards is the same as for equity-settled transaction, except that the cost is recognized in employee benefits expense with a corresponding increase to liability.



Earnings per Share: Basic earnings per common share is calculated by dividing the consolidated net profit or loss attributable to ordinary equity holders of Orbia by the weighted average number of common shares outstanding during the year. Basic earnings (losses) per common share from discontinued operations is calculated by dividing the net profit from discontinued operations by the weighted average number of common shares outstanding during the year. Due to the immaterial amount of potentially dilutive instruments that are outstanding for each of the three years ended December 31, diluted earnings per share are the same as basic earnings per share.

Earnings per share for the years ended December 31, 2022, 2021 and 2020 were as follows:

Basic and diluted earnings per share

	2022	2021	2020
	(In millions)		
Total shares at the beginning of the year	2,010	2,100	2,100
Minus repurchased shares weighted average	<u>(91)</u>	<u>(107)</u>	<u>(75)</u>
Weighted average number of ordinary shares	1,919	1,993	2,025
Net profit attributable to the parent	\$ <u>567</u>	\$ <u>657</u>	\$ <u>195</u>
Total basic and diluted earnings per share – in dollars	\$ <u>0.30</u>	\$ <u>0.33</u>	\$ <u>0.10</u>

Revenue recognition: The Company derives revenues mainly from products manufactured and sold and related services rendered through its five business groups: Polymer Solutions (Vestolit and Alphagary), Building and Infrastructure (Wavin), Precision Agriculture (Netafim), Connectivity Solutions (Dura-Line) and Fluorinated Solutions (Koura).

The Company recognizes revenue for its products sold in these businesses using a point in time model when it determines that a contractual promise to the customer has been fulfilled by transferring the products to the customer, which typically occurs upon shipment or delivery of the product to the customer and title, risk and rewards of ownership have passed to the customer. The Company has an immaterial amount of revenue that is also recognized over time related to services performed for customers if those services can be determined to be distinct from the products sold. A performance obligation is determined to be distinct if the related products or services in the agreement can be identified individually, and the customer can benefit from them separately.

In addition to sales contracts, Orbia considers purchase orders, which in some cases are governed by master supply agreements, to be contracts with customers. The transaction price as specified on the sales contract or purchase order is considered to be the standalone selling price for each distinct product or service.

To determine the transaction price for each product or service at the time when revenue is recognized, the Company evaluates whether the price is subject to adjustments such as for anticipated returns, discounts, or volume rebates to calculate the net consideration the Company expects to receive. An estimate of any such adjustments is made using relevant available data and is generally recognized as a reduction to revenue in the reporting period that the corresponding revenue is recognized.

Several of the Company's sales contracts include warranties which cannot be purchased separately that provide assurance that the products sold comply with agreed upon specifications. The Company accounts for these warranties in accordance with the requirements of IAS 37.



The Company does not have material remaining performance obligations anticipated to be fulfilled in more than one year for any of the periods presented and does not have material contract assets or liabilities recorded on its Consolidated Statements of Financial Position.

Shipping and handling costs are expensed in the period incurred and are included in Cost of sales within the Consolidated Statements of Profit unless they are incurred after the transfer of control to the customer, in which case they are billed to customers and are recorded as sales revenue, as the Company considers these to be fulfillment costs. Taxes collected on sales to customers are excluded from the transaction price.

The Company's has presented its disaggregated revenues both by business group and by country or region of customer in Note 27.

Written put options over non-controlling interest: From time to time the Company acquires less than 100% of the shares of an entity and may enter into a written put option with the seller enabling the seller to put its remaining interest in the acquired entity at a specified price. The Company recognizes the value of the written put options as a financial liability as Redeemable non-controlling interest in the Consolidated Statements of Financial Position. The redeemable non-controlling interest is initially measured at an amount equal to the present value of the amount that may be required to be paid to the seller in accordance with IAS 32 *Financial Instruments* (IAS 32). Subsequent changes in the measurement of the gross obligation due to the unwinding of the discount, or changes in the amount that the Company could be required to pay, are recognized in the change in fair value of redeemable non-controlling interest line item in the Consolidated Statements of Profit.

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

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies described in Note 4, the Company is required to make judgments, estimates and assumptions that have a significant impact on amounts recognized about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Consolidation of Ingleside Ethylene LLC: The Company consolidates Ingleside Ethylene LLC for which it owns a 50% equity interest as a subsidiary. The Company can contractually control major operating decisions regarding production and sales at the joint venture and accordingly has determined that it has control of this investment.

Estimated impairment of goodwill and intangible assets with indefinite lives: The Company annually performs tests to determine whether goodwill and intangible assets with indefinite lives are impairment. For impairment testing purposes, goodwill and intangible assets with indefinites lives are typically allocated to cash generating units (CGUs). The recoverable amounts of each CGU have been determined based on the calculations of their value in use, which require the use of significant estimates including projected cash flows driven from revenues, anticipated gross margins, capital expenditures, and the rate used to discount future cash flows based on the weighted cost of capital of each CGU. Additionally, the Company has utilized an estimation of fair value less cost to dispose (FVLCD) for one of its CGUs in 2022 to calculate an impairment charge for that CGU (see Note 16). Key assumptions used to calculate the FVLCD of that CGU included the determination of comparable market transactions from which to derive the appropriate valuation multiple as well as the assumed cost to dispose of the CGU.



Long lived 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.

Additionally, 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 other such changes. When such changes to the anticipated use of an asset occur faster or differently than anticipated, the useful lives assigned to these assets may need to be reduced. This would lead to the recognition of a greater depreciation and amortization expense in future periods. Alternatively, these types of 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.

Inventory and Receivables: The Company uses estimates to determine the net realizable value of its inventories and its allowance for current expected credit losses for its accounts receivable. The factors that the Company considers to determine the net realizable value of its inventory are production and sales volumes, and changes in demand for certain products, including expected sales prices and costs. The reserve for current expected credit losses is based on the Company's assessment of the probability of default and estimated recovery rate of its accounts receivable at period end based on a variety of inputs, including collection history and an assessment of current factors that may impact the credit worthiness of its customers or risk of non-collection.

Ore Reserves: The Company periodically evaluates the estimates of its ore reserves (fluorite and salt), for the unexploited amount remaining in its existing mines, that can be produced and sold at a profit. Such estimates are based on engineering evaluations derived from samples, combined with assumptions about market prices and production costs relating to the respective mines. The Company updates the estimate for ore reserves at the beginning of each year.

Defined Benefit Obligation Discount Rate: To determine the carrying amount of the Company's defined benefit obligations, the Company must estimate an appropriate discount rate. The Company's defined benefit obligation is discounted using market yields on high-quality government and corporate bonds at the end of the reporting period. Judgement must be used to establish the criteria for the bonds to be included in the population from which the yield curve is derived. The most important criteria considered for the selection of the bonds include the size of the issuance of the government and corporate bonds, their rating and the identification of the atypical bonds that have been excluded.

Contingent Liabilities: Management makes judgments and estimates in recording provisions for matters relating to claims and litigation. Specifically, management must determine when a liability is probable to have occurred, and then, if deemed probable, must estimate the cost of the most likely outcome. Actual costs may vary from these estimates for several reasons, such as changes in cost estimates for resolution of complaints and different interpretations of the law.

Recoverability of Deferred Tax Assets: The Company prepares financial projections for each legal entity over which it has control in order to determine whether recorded tax assets may be used in the future against available tax loss carryforwards, and relies on these estimated projections to determine if a deferred tax asset is recoverable.

Leases: The determination of the value of the Company's right-of-assets and related lease liabilities require various estimates to be made including the expected term of the lease and the incremental borrowing rate used to discount future lease payments when determining the lease liability.

Assets Acquired in Business Combinations: The application of the acquisition method requires certain estimates and assumptions to be made concerning the fair values of the acquired intangible assets, inventories, property, plant and equipment and the liabilities assumed at the acquisition date and the useful lives of the intangible assets and property, plant, and equipment. Estimates of fair value require the use of various valuation techniques. These valuations require the use of management assumptions and estimates, including the value of comparable assets in the market, amount and timing of future cash flows, outcomes and costs of research and development activities, probability of obtaining regulatory approval, long-term sales forecasts, actions of competitors, discount rates and terminal growth rates.



Fair Value of Financial Instruments: The fair value of the financial instruments that are presented in the financial statements has been determined by the Company using the information available in the market or other valuation techniques that require judgment to develop and interpret fair value estimates. Additionally, such techniques use inputs based on market conditions as of the reporting date. Consequently, the estimated fair value of the financial instruments presented is not necessarily indicative of the amount that the Company could get in the open market. The use of different assumptions and/or estimation methods could have a material effect on the fair value calculations.

“Put/Call” Options - Redeemable non-controlling interest: The Company’s calculation of the fair value of its “Put/Call” options with minority shareholders require certain estimates including the amount and timing of future EBITDA, determination of the discount rates used to calculate the liabilities, terminal growth rates and probability of execution.

Uncertain Tax Positions: The Company operates in multiple tax jurisdictions and tax returns filed in those countries are subject to review and examination by local tax authorities with the rules in some jurisdictions being complex to interpret.

The Company recognizes uncertain tax positions when it is probable that a relevant taxing authority will not accept the tax treatment as reported in the income tax filing. Estimates have to be made by the Company on the tax treatment of a number of transactions in advance of the ultimate tax determination being certain.

There is significant judgement and estimation required in determining uncertain tax positions and a risk that all potential tax exposures may not be identified. However, the Company considers that such uncertain tax positions will not have a material effect on its consolidated financial position or operating results.

6. Transactions which did not generate or require Cash Flows

The Company has entered into certain lease agreements that require recognition as right-of-use assets with corresponding lease liabilities on the Consolidated Statements of Financial Position. In 2022, 2021 and 2020, these transactions represented additions to right-of-use assets totaling \$112 million, \$141 million, and \$83 million respectively that did not generate nor consume cash directly, except for subsequent lease payments.

In connection with the Vectus acquisition of 2022 and the Shakun acquisition of 2021, as discussed in Note 2, the Company recognized initial redeemable non-controlling interests for \$195 million, and \$14 million, respectively, and a charge to non-controlling interest for \$195 million and \$14 million, respectively, which did not generate nor consume cash.

In addition, in 2022 the Company has entered into financing activities debt, that did not generate nor consume cash for \$24 million arising from business combinations and \$10 million of foreign exchange effect.

7. Cash and Cash Equivalents

Cash and cash equivalents on the Consolidated Statements of Position as of December 31 consist of the following:

	2022	2021 (In millions)	2020
Cash	\$ 791	\$ 462	\$ 623
Cash equivalents:			
Cash held in bank deposit accounts	495	130	78
Highly liquid investments	<u>260</u>	<u>190</u>	<u>174</u>
	<u>\$ 1,546</u>	<u>\$ 782</u>	<u>\$ 875</u>



8. Accounts Receivable

Accounts receivable on the Consolidated Statements of Position as of December 31 consist of the following:

	2022	2021 (In millions)	2020
Trade receivables	\$ 1,309	\$ 1,452	\$ 1,160
Less - Allowance for current expected credit losses	<u>(80)</u>	<u>(82)</u>	<u>(66)</u>
	1,229	1,370	1,094
Recoverable taxes and other	<u>430</u>	<u>225</u>	<u>231</u>
	<u>\$ 1,659</u>	<u>\$ 1,595</u>	<u>\$ 1,325</u>

The average period to collect customer accounts receivable is between 30 and 90 days. No interest is charged on accounts receivable unless a payment restructuring agreement is executed. The Company has determined its allowance for current expected credit losses mainly based on the Company's historical credit loss experience and other factors that may impact its customers' ability to pay.

Before accepting new customers, the Company uses an external credit rating system to assess the credit quality of the potential customer and to set the credit limit for that customer. The Company reviews its customer credit ratings and credit limits once a year or whenever there is evidence that all or part of a receivable is unlikely to be collected.

The Company's customer base is large and diverse. No single customer represents more than 4% of the Company's trade receivable balance and accordingly the Company's concentration of credit risk is low.

As of December 31, 2022, 2021, 2020 the Company had 7%, 7%, and 8% of trade receivables greater than 60 days past due.

The movements in the allowance for current expected credit losses for the years ended December 31, 2022, 2021 and 2020 were as follows:

	2022	2021 (In millions)	2020
Beginning balance on January 1	\$ 82	\$ 66	\$ 59
Charge to profit or loss	4	22	20
Charges against the allowance	(4)	(4)	(11)
Foreign currency translation	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Ending balance on December 31	<u>\$ 80</u>	<u>\$ 82</u>	<u>\$ 66</u>

9. Inventories

Inventories in the Consolidated Statements of Financial Position as of December 31 consist of the following:

	2022	2021 (In millions)	2020
Finished products	\$ 900	\$ 830	\$ 595
Raw materials	375	362	194
Merchandise in transit	81	122	94
Spare parts	<u>47</u>	<u>45</u>	<u>43</u>
	1,403	1,359	926
Less - Allowance for obsolete and slow-moving inventories	<u>(83)</u>	<u>(67)</u>	<u>(65)</u>
	<u>\$ 1,320</u>	<u>\$ 1,292</u>	<u>\$ 861</u>



The movements of the allowance for obsolete and slow-moving inventories for the years ended December 31, 2022, 2021 and 2020 were as follows:

	2022	2021 (In millions)	2020
Beginning balance on January 1	\$ 67	\$ 65	\$ 63
Charge to profit or loss	21	8	4
Charges against the allowance	(4)	(4)	(2)
Foreign currency translation reserve	(1)	(2)	-
Ending balance on December 31	<u>\$ 83</u>	<u>\$ 67</u>	<u>\$ 65</u>

As of December 31, 2022, 2021 and 2020 no inventories have been pledged as collateral.

10. Financial Instruments

Financial Instruments risk management objectives and policies:

The Company is exposed to market risks, operating risks and financial risks arising from the use of financial instruments involving interest rate risk, credit risk, liquidity risk and foreign currency risk, which are centrally managed.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide direction on foreign currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and investment of surpluses. Compliance with policies and exposure limits is regularly reviewed. The Company does not enter into nor trade financial instruments, including derivative financial instruments, for speculative purposes.

A summary of the Company's risk management profile follows:

Capital risk management - The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing shareholder's return on investment through optimization of its debt and equity mix. The Company is not subject to any externally imposed capital requirements.

The Company's management periodically reviews its net debt position and borrowing costs in relation to the Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). Orbia monitors capital risk through internally developed Net debt ratio. The net debt ratio is calculated as the net-cost bearing debt divided by EBITDA. Management uses this internally developed metric in its development of financial projections as part of its business plan and is presented to the Board of Directors and shareholders. The Company determined that this metric is aligned with the Company's risk management policies.

The net debt ratio as of December 31, 2022, 2021 and 2020 was 1.65, 1.34 and 2.09, respectively. The interest coverage ratio for the years ended December 31, 2022, 2021 and 2020 was 7.27, 9.04 and 6.26, respectively.

Interest rate risk management - The Company is exposed to interest rate risk due to the variability of market interest rates related to its floating interest debt. The Company's hedging activities are evaluated regularly to assess their alignment with the interest rates and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The Company's exposures to interest-rate risk are mainly related to the variability in the Mexican Interbank Weighted Rate (TIIE), London Interbank Offered Rate (LIBOR) and Secured Overnight Financing Rate (SOFR) that may impact the Company's bank loans and short-term debt. A hypothetical increase of the TIIE, LIBOR and SOFR rates of 100 basis points at each reporting period, with all other variables held constant would result in an immaterial impact.



This is primarily because the Company's exposure to the LIBOR, SOFR and TIE rates on its long-term loans is not significant, as the majority of its bank loans and long-term debt bear interest at fixed rates. The Company is in the process of amending all debt tied to LIBOR with SOFR and to be completed in fiscal 2023.

Credit risk management - Credit risk is the risk that a counterparty will default on its contractual obligations under a financial instrument or customer contract, resulting in a financial loss to the Company. Credit risk originates primarily from trade receivables and liquid funds. Credit risk with respect to cash and cash equivalents and derivative financial instruments is limited because counterparties are banks with high credit ratings assigned by credit rating agencies. Accordingly, the Company's main exposure to credit risk is from its trade accounts receivable. The majority of the Company's accounts receivable arise from product sales in different economic environments, primarily in Mexico, South America, Europe, and the United States of America.

The total accounts receivable from all business groups is comprised of more than 30,000 customers, with no individual customer reflecting a significant concentration of credit risk. The Company periodically evaluates the financial condition of its customers and to mitigate credit risk, it purchases collection insurance for export sales, and generally requires a guarantee for domestic sales. The Company does not believe that there is a significant risk of loss from concentrations of credit with respect to its customer base and believes that any potential credit risk is adequately covered by its allowance for current expected credit losses, which represents its best estimate of impairment losses on trade receivables.

Liquidity risk management – Ultimate responsibility for liquidity risk management rests with Company management, which has established appropriate policies through the monitoring of working capital, in order to manage the Company's short, medium, and long-term funding requirements. The Company maintains cash reserves and available lines of credit, continuously monitoring projected and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The table below details the remaining contractual maturities of the Company's financial assets and financial liabilities, based on contractual repayment periods. The table reflects un-discounted projected cash flows of financial assets and liabilities based on the contractual payment date and when the Company expects to collect on its receivables. The table includes both projected cash flows related to interest and capital on financial debt in the consolidated statements of financial position and the interest that will be earned on financial assets. To the extent that interest flows are at a variable interest rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

As of December 31, 2022	Weighted average effective interest rate	Less than 1 year	More than one year and less than 3	3 years and thereafter	Total
(In Millions)					
Bank loans and general market	4.57%	\$ 989	\$ 698	\$ 5,558	\$ 7,245
Suppliers and letters of credit ⁽¹⁾	3.50%	1,279	-	-	1,279
Other accounts payable and other		816	55	260	1,131
Redeemable non-controlling interest		-	-	375	375
Lease liabilities	6.36%	100	153	167	420
Derivative financial instruments (net cash flow)		3	-	1	4
Total		<u>3,197</u>	<u>906</u>	<u>6,361</u>	<u>10,464</u>
Cash and cash equivalents		1,546	-	-	1,546
Trade and other accounts receivable		1,332	66	-	1,398
Total		<u>2,878</u>	<u>66</u>	<u>-</u>	<u>2,944</u>
Net		\$ (319)	\$ (840)	\$ (6,361)	\$ (7,520)



As of December 31, 2021	Weighted average effective interest rate	Less than 1 year	More than one year and less than 3	3 years and thereafter	Total
			(In Millions)		
Bank loans and general market	4.14%	\$ 373	\$ 319	\$ 4,991	\$ 5,683
Suppliers and letters of credit ⁽¹⁾	1.95%	1,505	-	-	1,505
Other accounts payable and other		630	55	313	998
Redeemable non-controlling interest		-	288	28	316
Lease liabilities	5.13%	95	166	147	408
Derivative financial instruments (net cash flow)		34	15	2	51
Total		<u>2,637</u>	<u>843</u>	<u>5,481</u>	<u>8,961</u>
Cash and cash equivalents		782	-	-	782
Trade and other accounts receivable		1,494	-	-	1,494
Total		<u>2,276</u>	<u>-</u>	<u>-</u>	<u>2,276</u>
Net		<u>\$ (361)</u>	<u>\$ (843)</u>	<u>\$ (5,481)</u>	<u>\$ (6,685)</u>

As of December 31, 2020	Weighted average effective interest rate	Less than 1 year	More than one year and less than 3	3 years and thereafter	Total
			(In Millions)		
Bank loans and general market	4.55%	\$ 638	\$ 1,106	\$ 4,025	\$ 5,769
Suppliers and letters of credit ⁽¹⁾	1.00%	1,326	-	-	1,326
Other accounts payable and other		636	51	297	984
Redeemable non-controlling interest		-	-	274	274
Lease liabilities	4.67%	92	130	168	390
Derivative financial instruments (net cash flow)		14	95	-	109
Total		<u>2,706</u>	<u>1,382</u>	<u>4,764</u>	<u>8,852</u>
Cash and cash equivalents		875	-	-	875
Trade and other accounts receivable		1,319	-	-	1,319
Total		<u>2,194</u>	<u>-</u>	<u>-</u>	<u>2,194</u>
Net		<u>\$ (512)</u>	<u>\$ (1,382)</u>	<u>\$ (4,764)</u>	<u>\$ (6,658)</u>

⁽¹⁾ The Company's letters of credits are used for the purchase of raw materials.

The amounts included for debt with financial institutions includes both fixed and variable interest rate instruments. The financial liabilities at variable interest rate are subject to change if changes in variable interest rates differ from the estimated interest rates determined at the end of the reporting period.

The Company expects to meet its obligations with the cash flows from operations and resources received from the maturity of financial assets. In addition, as of December 31, 2022, the Company has access to a revolving line of credit with an unused balance of \$850 million.



Foreign exchange risk management - The Company carries out transactions denominated in foreign currency; consequently, it is exposed to exchange rate fluctuations, which are managed within the parameters of approved policies, using forward exchange rate contracts when considered appropriate and effective in hedging the related risk. The Company's most significant exposure to foreign exchange risk in its operations is to the Euro, the Brazilian real, the Mexican peso, the Colombian peso, and the British pound.

Foreign currency sensitivity analysis- The Company has performed a sensitivity test to a 10% decrease in the functional currency unit against the relevant foreign currencies representing the most significantly material exposure to foreign exchange risk in the Company's operations.

The Company performed a sensitivity analysis which includes only monetary items denominated in foreign currency and adjusts their translation with a 10% weakening of the functional currency as of December 31, resulting in a hypothetical exchange gain (loss) included in the profit or loss or other comprehensive income statement:

Functional currency	2022	2021	2020
	(In millions)		
Euro	\$ (52)	\$ (76)	\$ 107
Mexican pesos	(87)	(21)	20
US Dollar	(1)	(7)	-
Colombian pesos	1	(5)	(2)
Panamanian balboa	-	-	(6)
Brazilian real	8	-	4
Pounds sterling	(8)	-	-
Others	4	-	-
	<u>\$ (135)</u>	<u>\$ (109)</u>	<u>\$ 123</u>

The sensitivity analysis may not necessarily reflect the Company's exposure during the year.

Financial risk management objectives - The Company's Treasury function provides services to the businesses, coordinates access to domestic and international financial markets and monitors and manages the financial risk related to the Company's operations through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including currency risk, interest rate risk, credit risk, and liquidity risk. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

The following financial instruments have been formally designated as hedging transactions for accounting purposes as of December 31, 2022:

- Swap: One Interest Rate Swap in U.S. dollars, to exchange variable interest rate for a fixed interest rate
- Forwards: 124 active forward contracts and 24 foreign exchange options

The Company has evaluated and measured the hedging effectiveness related to these swaps and forwards and concluded that its hedging strategy is highly effective as of December 31, 2022, 2021 and 2020. The Company uses the ratio analysis method, based on the hypothetical derivative model, to simulate the behavior of the hedged item. This method consists of comparing the changes in the fair value of the hedging instruments with the changes in the fair value of the hypothetical derivative that would result in perfect coverage of the hedged item.



11. Fair Value of Financial Instruments

The financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable are:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has determined that the carrying amount of cash, cash equivalents, accounts receivable and accounts payable from third parties and related parties, bank loans and the current portion long-term debt approximate their fair values because of their short-term maturities. The Company's long-term debt is recognized at amortized cost and accrues interest at fixed and variable rates that are tied to market indicators.

The Company uses quoted market prices or inputs or quoted prices for similar instruments to determine the fair value of long-term debt. Other techniques are used to determine the fair value of other financial instruments such as cash flows projections, considering the dates of the cash flows in market curves and discounting such cash flows using discount rates that reflect the counterparty credit risk as well as the Company's own credit risk over the reference period. The fair value of interest rate swaps is calculated as the present value of the estimated future net cash flows. The fair value of currency futures is determined using the future exchange rate quotes listed at the reporting date.

Assets and liabilities measured at fair value on a recurring basis

The following table shows the net fair value of financial instruments by type and their categorization in the fair value hierarchy as well as the valuation techniques and input data used to determine fair value as of December 31:

Financial Assets & (Liabilities)	Fair value			Fair value hierarchy	Valuation techniques and input data
	2022	2021	2020		
	(In Millions)				
1) Exchange rate and interest rate swap (see Note 12)	\$ -	\$ 1	\$ (15)	Level 2	The Company uses the ratio analysis method under the hypothetical derivative market model to simulate the behavior of the hedged item, which consists of comparing changes in the fair value of the hedge instruments with the changes in the fair value of the hypothetical derivative that would result in perfect coverage of the hedged item.
2) Principal-only Swap EUR/USD (see Note 12)	-	(50)	(88)	Level 2	



Financial Assets & (Liabilities)	Fair value			Fair value hierarchy	Valuation techniques and input data
	2022	2021	2020		
	(In Millions)				
3) Forward contracts (see Note 12)	(3)	-	14	Level 2	The Company values forward contracts using discounted cash flows. Future cash flows are estimated on the basis of the forward exchange rates, based on observable forward exchange rates at the end of the reporting period, and the rates of the forward contract, discounted at a rate that reflects the credit risk of several counterparties.
	(3)	(49)	(89)		
Less - Current portion – Net	(2)	(32)	6		
Total	\$ (1)	\$ (17)	\$ (95)		

The carrying amounts of financial instruments by category and their related fair values as of December 31, are as follows:

	2022		2021 (In Millions)		2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Cash and cash equivalents	\$ 1,546	\$ 1,546	\$ 782	\$ 782	\$ 875	\$ 875
Loans and receivables:						
Trade receivables and other current assets	1,661	1,661	1,596	1,596	1,330	1,330
Accounts payable	(2,721)	(2,721)	(2,808)	(2,808)	(2,538)	(2,538)
Redeemable non-controlling interests	(375)	(375)	(316)	(316)	(274)	(274)
Bank loans and current portion of long-term debt	(4,696)	(4,273)	(3,520)	(3,932)	(3,626)	(4,168)
Total	\$ (4,585)	\$ (4,162)	\$ (4,266)	\$ (4,678)	\$ (4,233)	\$ (4,775)

The fair values shown as of December 31, 2022, 2021 and 2020 are deemed to be fair value hierarchy level 1 and do not differ from their carrying amounts except for long-term debt .

There were no transfers between levels 1 and 2 for any of the periods presented.

12. Derivative Financial Instruments

Foreign currency forwards

During fiscal year 2022, the Company contracted exchange rate Forwards mainly in the following currencies: EUR, USD, BRL, ILS, TRY, INR, and ZAR with maturities shorter than one year.

During fiscal year 2021, the Company contracted USD/GBP exchange rate Forwards to cover the issuance of trade paper denominated in GBP. The terms of these instruments are identical to the terms of the commercial paper beginning on September 16, 2021 that matured on May 17, 2022.

In fiscal year 2020, Orbia's Precision Agriculture brand, Netafim, contracted EUR/USD, USD/TRY and USD/ZAR exchange rate Forwards with Discount, HSBC, Leumi, Mizrachi and Union, with a term from October 10, 2020 to May 29, 2021.



Options – Redeemable non-controlling interest

“Put/Call” option Vectus: under the 2022 shareholders’ agreement with the minority shareholders who retained the remaining 33 percent of the share capital (redeemable non-controlling interest) of Vectus, the Company entered into a put and call option contract that allows the minority shareholders to sell their interest in Vectus to Orbia, and allows Orbia the right to acquire Vectus, at a pre-determined price in 2027. The value of the put/call option is based on the assumed market value of Vectus’ shares which is calculated based on a multiple of forecasted EBITDA and is reflected at the present value of the calculated gross settlement price. The initial measurement of the liability of \$195 million was recorded in Redeemable non-controlling interest on the Consolidated Statements of Financial Position. As of December 31, 2022, the fair value of the option was \$115 million with a corresponding \$63 million benefit recognized in Change in fair value of the redeemable non-controlling interest in Orbia’s Consolidated Statements of Profit to reflect the change in fair value during the year.

“Put/Call” option Shakun - under the 2021 shareholders’ agreement with the minority shareholders who retained the remaining 45 percent of the share capital (redeemable non-controlling interest) of Shakun, the Company entered into a put and call option contract that allows the minority shareholders to sell their interest in Shakun to Orbia, and allows Orbia the right to acquire Shakun, at a pre-determined price in 2027. The value of the put/call option is based on the assumed market value of Shakun’s shares which is calculated based on a multiple of forecasted EBITDA and is reflected at the present value of the calculated gross settlement price. The initial measurement of the liability of \$14 million was recorded in Redeemable non-controlling interest on the Consolidated Statements of Financial Position. As of December 31, 2022 and 2021, the fair value of the option was \$43 million and \$28 million, respectively, with a corresponding expense of \$15 million and \$14 million, recognized in Change in fair value of the redeemable non-controlling interest in Orbia’s Consolidated Statements of Profit for the years ended December 31, 2022 and 2021, respectively, to reflect the changes in fair value in those periods.

“Put/Call” option Netafim: Under the 2018 shareholders’ agreement entered into with the minority shareholders who retained the remaining 20 percent of the share capital (redeemable non-controlling interest) of Netafim, the Company entered into a put and call option contract that allows the minority shareholders to sell their interest in Netafim to Orbia, and allows Orbia the right to acquire Netafim, at a predetermined price beginning in 2024 for a period of 10 years. The value of the put/call option is based on the greater of the assumed market value of Netafim’s shares which is calculated based on a multiple of forecasted EBITDA, or \$1.1 billion, and is reflected at the present value of the calculated gross settlement price. The initial measurement of the liability of \$227 million was recorded in Redeemable non-controlling interest on the Consolidated Statements of Financial Position. As of December 31, 2022, 2021, and 2020, the fair value of the option was \$217 million, \$288 million and \$274 million, respectively, with a corresponding benefit of \$71 million, loss of \$14 million, and loss of \$47 million recognized in Change in fair value of the redeemable non-controlling interest in Orbia’s Consolidated Statements of Profit for the years ended December 31, 2022, 2021 and 2020, respectively, to reflect the change in fair value in those periods.

Exchange Rate Swaps, Interest Rate Swaps, Cross-Currency and Principal-Only Swaps

As discussed previously, swaps contract transactions carried out in 2022, 2021, and 2020 are accounted for as hedging transactions. The fair value of these swaps contracts as of December 31, 2022, 2021 and 2020 was less than a million, \$48 million and \$102 million, respectively. Changes in fair value were recognized in other comprehensive income and as foreign exchange gain/(loss).

A principal-only EUR/USD swap and full cross currency swaps were cancelled in June 2022. The impact to the Company’s financial statements was not material.

The notional amounts of derivative financial instruments contracted with various financial institutions are as follows:

Derivative financial instruments	Financial institution	Start date	Maturity date	Notional amount (In millions)	Swap amount (In millions)	Interest rate / exchange rate swap	Interest rate / exchange rate at year end	Fair value as of December 31, 2022 (In millions)
Interest Rate Swap	Wells Fargo	02/05/2008	02/05/2023	USD \$4.6	USD \$4.6	4.3835% (Libor 1M)	4.3835% (Libor 1M)	-



Derivative financial instruments	Financial institution	Start date	Maturity date	Notional amount (In millions)	Swap amount (In millions)	Interest rate / exchange rate swap	Interest rate / exchange rate at year end	Fair value as of December 31, 2022 (In millions)
Exchange rate forward	Different financial institutions	8/15/2022	11/30/2023	USD \$27	EUR \$25	0.9341 (EUR/USD)	0.9341 (EUR/USD)	(1)
Exchange rate forward	Different financial institutions	2/24/2022	12/7/2023	USD \$83	ILS \$291	3.5199 (USD/ILS)	3.5199 (USD/ILS)	(1)
Exchange rate forward	Different financial institutions	4/1/2021	3/25/2027	USD \$5	-	-	0.0425 (INR/ILS)	_____ (1)
								\$ _____ (3)

Derivative financial instruments	Financial institution	Start date	Maturity date	Notional amount (In millions)	Swap amount (In millions)	Interest rate / exchange rate swap	Interest rate / exchange rate at year end	Fair value as of December 31, 2021 (In millions)
Principal-Only swap EUR/USD	Morgan Stanley	10/06/2015	17/03/2022	USD \$97	EUR \$100	1.6006% / 0.9672	1.6006% / 1.1369	(17)
Principal-Only swap EUR/USD	Santander	11/06/2015	17/03/2022	USD \$97	EUR \$101	1.7200% / 0.9639	1.7200% / 1.1369	(17)

Derivative financial instruments	Financial institution	Start date	Maturity date	Notional amount	Swap amount	Interest rate / exchange rate swap	Interest rate / exchange rate at year end	Fair value as of December 31, 2021
Principal-Only swap EUR/USD	Citibanamex	3/12/2015	17/03/2025	USD \$121	EUR \$114	1.7500% / 1.0615	1.7500% / 1.1369	(8)
Principal-Only swap EUR/USD	Barclays	3/12/2015	17/03/2025	USD \$121	EUR \$114	1.5500% / 1.0615	1.5500% / 1.1369	(7)
Cross Currency Swap USD/MXN	BBVA	13/12/2021	13/06/2022	USD \$24	MXN \$500	0.06% / 21.1790	0.06% / 20.5833	1
Exchange rate forward	Different financial institutions	27/04/2021	25/03/2022	USD \$22	INR \$ 1,653	0.0131 (INR/USD)	0.0135 (INR/USD)	(1)
Exchange rate forward	Different financial institutions	29/12/2021	5/01/2022	USD \$10	TRY \$125	0.082 (TRY/USD)	0.0752 (TRY/USD)	1
Exchange rate forward	Different financial institutions	5/08/2021	8/08/2022	ILS \$218	USD \$69	3.1368 (USD/ILS)	3.1192 (USD/ILS)	1
Exchange rate forward	Different financial institutions	1/04/2021	25/03/2027	USD \$5		0.0416 (INR/ILS)	0.0416 (INR/ILS)	_____ (2)
								\$ _____ (49)



Derivative financial instruments	Financial institution	Start date	Maturity date	Notional amount	Swap amount	Interest rate / exchange rate swap	Interest rate / exchange rate at year end	Fair value as of December 31, 2020
				(In millions)	(In millions)			(In millions)
Exchange rate and interest rate swap	J.P. Morgan	8/09/2015	5/03/2021	MXN \$750	USD \$57	4.11% / 13.2100	5.3360% / 19.9487	(2)
Exchange rate and interest rate swap	Bank of America	8/09/2015	5/03/2021	MXN \$750	USD \$57	4.49% / 13.2100	5.3360% / 19.9487	(2)
Exchange rate and interest rate swap	HSBC	23/01/2014	5/03/2021	MXN \$1,500	USD \$113	3.57% / 13.3200	5.3360% / 19.9487	(4)
Exchange rate and interest rate swap	Banamex	16/06/2017	9/03/2022	MXN \$1,500	USD \$84	3.09% / 17.8800	8.1200% / 19.9487	(7)
Principal-Only swap EUR/USD	Morgan Stanley	10/06/2015	17/03/2022	USD \$97	EUR \$100	1.6006% / 0.9672	12,298	(25)
Principal-Only swap EUR/USD	Santander	11/06/2015	17/03/2022	USD \$97	EUR \$101	1.7200% / 0.9639	12,298	(25)
Principal-Only swap EUR/USD	Bancomer	5/05/2015	18/03/2025	USD \$114	EUR \$102	1.7087% / 1.1192	12,298	(7)
Principal-Only swap EUR/USD	Banamex	3/12/2015	17/03/2025	USD \$121	EUR \$114	1.7500% / 1.0615	12,298	(16)
Principal-Only swap EUR/USD	Barclays	3/12/2015	17/03/2025	USD \$121	EUR \$114	1.5500% / 1.0615	12,298	(16)
Exchange rate forward	Barclays	15/09/2020	17/05/2021	GDP \$150	USD \$195	1.3021	13,625	10
Exchange rate forward	BBVA	15/09/2020	17/05/2021	GBP \$50	USD \$65	13,021	13,625	3
Exchange rate forward	Morgan Stanley	15/09/2020	17/05/2021	GBP \$100	USD \$130	13,024	13,625	6
Exchange rate forward	Santander	3/09/2020	11/03/2021	USD \$21	BRL \$112	0.1876	0.1924	(1)
Exchange rate forward	Santander	19/11/2020	10/02/2021	USD \$8	BRL \$44	0.1876	0.1924	(1)
Exchange rate forward	Leumi	12/11/2020	15/06/2021	USD \$24	TRY \$194	0.1261	0.1354	(1)
Exchange rate forward	Leumi	16/09/2020	15/12/2021	USD \$5	ZAR \$5	10,000	0.0684	(1)
								<u>\$ (89)</u>

13. Property, Plant and Equipment

For the years ended December 31, 2022, 2021 and 2020, the carrying amounts of property, plant and equipment recognized and the movements during those periods were as follows:

	Balance as of December 31, 2021	Additions	Additions through business combinations	Disposals	Transferred to property, plant and equipment (In millions)	(Loss)/gain on impairment	Hyperinflationary restatement effect	Foreign currency translation reserve	Balance as of December 31, 2022
Investment:									
Land	\$ 203	\$ -	\$ 1	\$ 1	\$ -	\$ -	\$ 1	\$ (2)	\$ 204
Buildings and structures	1,002	36	27	(8)	19	-	3	(10)	1,069
Machinery and equipment	6,019	114	70	(100)	126	-	14	(176)	6,067
Office furniture and equipment	173	8	6	(1)	8	-	1	(14)	181
Automotive equipment	42	2	1	(3)	1	-	-	-	43
Projects in process	<u>215</u>	<u>310</u>	<u>1</u>	<u>-</u>	<u>(154)</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>366</u>
Total investment	7,654	470	106	(111)	-	-	19	(208)	7,930
Depreciation:									
Buildings and structures	\$ 637	\$ 34	\$ 6	\$ (6)	\$ -	\$ -	\$ -	\$ (4)	\$ 667
Machinery and equipment	3,792	286	47	(89)	-	-	-	(123)	3,913
Office furniture and equipment	143	15	3	(4)	-	-	-	(8)	149
Automotive equipment	<u>31</u>	<u>1</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>31</u>
Total accumulated depreciation	<u>4,603</u>	<u>336</u>	<u>56</u>	<u>(102)</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>(134)</u>	<u>4,760</u>
Net investment	<u>\$ 3,051</u>	<u>\$ 134</u>	<u>\$ 50</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ (74)</u>	<u>\$ 3,170</u>



	Balance as of December 31, 2020	Additions	Additions through business combinations	Disposals	Transferred to property, plant and equipment (In millions)	(Loss)/gain on impairment	Hyperinflationary restatement effect	Foreign currency translation reserve	Balance as of December 31, 2021
Investment:									
Land	\$ 213	\$ 4	\$ -	\$ (4)	\$ -	\$ (2)	\$ -	\$ (8)	\$ 203
Buildings and structures	1,006	11	15	(6)	19	(4)	2	(41)	1,002
Machinery and equipment	6,050	61	14	(91)	134	(10)	4	(143)	6,019
Office furniture and equipment	172	6	1	(4)	6	(1)	-	(7)	173
Automotive equipment	45	-	2	(4)	-	-	-	(1)	42
Projects in process	<u>174</u>	<u>204</u>	<u>1</u>	<u>-</u>	<u>(159)</u>	<u>(2)</u>	<u>-</u>	<u>(3)</u>	<u>215</u>
Total investment	7,660	286	33	(109)	-	(19)	6	(203)	7,654
Depreciation:									
Buildings and structures	628	36	4	(6)	-	(1)	-	(24)	637
Machinery and equipment	3,677	303	8	(76)	-	(4)	-	(117)	3,791
Office furniture and equipment	140	13	-	(3)	-	-	-	(6)	144
Automotive equipment	<u>28</u>	<u>3</u>	<u>2</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>31</u>
Total accumulated depreciation	<u>4,473</u>	<u>355</u>	<u>14</u>	<u>(86)</u>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(148)</u>	<u>4,603</u>
Net investment	<u>\$ 3,187</u>	<u>\$ (69)</u>	<u>\$ 19</u>	<u>\$ (23)</u>	<u>\$ -</u>	<u>\$ (14)</u>	<u>\$ 6</u>	<u>\$ (55)</u>	<u>\$ 3,051</u>
	Balance as of January 1, 2020	Additions	Additions through business combinations	Disposals	Transferred to property, plant and equipment (In millions)	(Loss)/gain on impairment	Hyperinflationary restatement effect	Foreign currency translation reserve	Balance as of December 31, 2020
Investment:									
Land	\$ 212	\$ 1	\$ -	\$ (3)	\$ 1	\$ -	\$ 1	\$ 1	\$ 213
Buildings and structures	995	5	-	(22)	14	-	2	12	1,006
Machinery and equipment	5,956	56	-	(155)	119	(6)	5	75	6,050
Office furniture and equipment	166	3	-	(4)	6	-	(1)	1	171
Automotive equipment	38	-	-	(1)	7	-	-	-	44
Projects in process	<u>186</u>	<u>139</u>	<u>-</u>	<u>(8)</u>	<u>(147)</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>175</u>
Total investment	7,553	204	-	(193)	-	(6)	7	94	7,659
Depreciation:									
Buildings and structures	598	33	-	(20)	-	-	-	16	627
Machinery and equipment	3,453	304	-	(148)	-	1	1	65	3,676
Office furniture and equipment	128	15	-	(3)	-	1	-	1	142
Automotive equipment	<u>27</u>	<u>2</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28</u>
Total accumulated depreciation	<u>4,206</u>	<u>354</u>	<u>-</u>	<u>(172)</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>82</u>	<u>4,473</u>
Net investment	<u>\$ 3,347</u>	<u>\$ (150)</u>	<u>\$ -</u>	<u>\$ (21)</u>	<u>\$ -</u>	<u>\$ (8)</u>	<u>\$ 6</u>	<u>\$ 12</u>	<u>\$ 3,186</u>

At each reporting date, Orbia reviews the carrying amounts of its property, plant and equipment assets for potential indicators of impairment. There were no such impairment losses recorded in 2022, however impairment charges were recorded for \$14 million and \$7 million in the years ended December 31, 2021 and 2020, respectively.



14. Leases

The Company enters into various leases as the lessee, primarily related to warehouse facilities, machinery and equipment and certain transportation vehicles,

Right-of-Use Assets

For the years ended December 31, 2022, 2021 and 2020, the carrying amounts of right-of-use assets recognized and the movements during those periods were as follows:

	Balance as of December 31, 2021	Direct additions	Disposals (In millions)	Foreign currency translation reserve	Balance as of December 31, 2022
Investment:					
Land	\$ 31	\$ -	\$ -	\$ 8	\$ 39
Building	221	38	(9)	(5)	245
Machinery and equipment	137	17	(7)	(3)	144
Office furniture and equipment	4	-	(1)	-	3
Automotive equipment	<u>198</u>	<u>57</u>	<u>(5)</u>	<u>(10)</u>	<u>240</u>
Total investment	591	112	(22)	(10)	671
Depreciation:					
Land	4	1	-	-	5
Building	75	28	(8)	(2)	93
Machinery and equipment	49	19	(7)	(2)	59
Office furniture and equipment	2	1	-	-	3
Automotive equipment	<u>115</u>	<u>52</u>	<u>(5)</u>	<u>(9)</u>	<u>153</u>
Total accumulated depreciation	<u>245</u>	<u>101</u>	<u>(20)</u>	<u>(13)</u>	<u>313</u>
Net investment	<u>\$ 346</u>	<u>\$ 11</u>	<u>\$ (2)</u>	<u>\$ 3</u>	<u>\$ 358</u>
	Balance as of December 31, 2020	Direct additions	Disposals (In millions)	Foreign currency translation reserve	Balance as of December 31, 2021
Investment:					
Land	\$ 30	\$ 3	\$ -	\$ (2)	\$ 31
Building	219	23	(13)	(8)	221
Machinery and equipment	86	65	(10)	(4)	137
Office furniture and equipment	4	-	-	-	4
Automotive equipment	<u>165</u>	<u>50</u>	<u>(8)</u>	<u>(9)</u>	<u>198</u>
Total investment	504	141	(31)	(23)	591



	Balance as of December 31, 2020	Direct additions	Disposals	Foreign currency translation reserve	Balance as of December 31, 2021
Depreciation:					
Land	4	-	-	-	4
Building	59	26	(8)	(2)	75
Machinery and equipment	39	19	(7)	(2)	49
Office furniture and equipment	1	1	-	-	2
Automotive equipment	<u>78</u>	<u>49</u>	<u>(5)</u>	<u>(7)</u>	<u>115</u>
Total accumulated depreciation	<u>181</u>	<u>95</u>	<u>(20)</u>	<u>(11)</u>	<u>245</u>
Net investment	<u>\$ 323</u>	<u>\$ 46</u>	<u>\$ (11)</u>	<u>\$ (12)</u>	<u>\$ 346</u>

	Balance as of January 1, 2020	Direct additions	Disposals (In millions)	Foreign currency translation reserve	Balance as of December 31, 2020
Investment:					
Land	\$ 28	\$ -	\$ -	\$ 2	\$ 30
Building	185	36	(3)	1	219
Machinery and equipment	73	12	(1)	2	86
Office furniture and equipment	8	-	(1)	(3)	4
Automotive equipment	<u>142</u>	<u>29</u>	<u>(2)</u>	<u>(4)</u>	<u>165</u>
Total investment	436	77	(7)	(2)	504

Depreciation:					
Land	3	1	-	-	4
Building	34	31	(3)	(3)	59
Machinery and equipment	22	24	(1)	(6)	39
Office furniture and equipment	2	1	(1)	(1)	1
Automotive equipment	<u>40</u>	<u>39</u>	<u>(1)</u>	<u>-</u>	<u>78</u>
Total accumulated depreciation	<u>101</u>	<u>96</u>	<u>(6)</u>	<u>(10)</u>	<u>181</u>
Net investment	<u>\$ 335</u>	<u>\$ (19)</u>	<u>\$ (1)</u>	<u>\$ 8</u>	<u>\$ 323</u>



Lease liability

For the years ended December 31, 2022, 2021 and 2020, the carrying amounts of *lease liabilities* recognized and the movements during those periods were as follows:

	Amount (In millions)
Lease liabilities as of January 1, 2020	\$ 345
New lease liabilities	83
Cash outflows from lease payments	(89)
Foreign currency translation reserve	<u>6</u>
Lease liabilities as of December 31, 2020	345
New lease liabilities	141
Business combination	-
Disposals	(11)
Cash outflows from lease payments	(97)
Foreign currency translation reserve	<u>(11)</u>
Lease liabilities as of December 31, 2021	367
New lease liabilities	112
Business combination	-
Disposals	(2)
Cash outflows from lease payments	(92)
Foreign currency translation reserve	<u>(16)</u>
Lease liabilities as of December 31, 2022	369
Current lease liability	<u>84</u>
Non-current lease liability	<u>\$ 285</u>

The total of future discounted fixed payments of leases as of each year-end December 31, were as follows:

m	2022	2021 (In millions)	2020
1 year	\$ 84	\$ 86	\$ 82
2 years	63	55	53
3 years	45	42	43
4 years	44	43	35
>4 years	<u>133</u>	<u>141</u>	<u>132</u>
	<u>\$ 369</u>	<u>\$ 367</u>	<u>\$ 345</u>

Lease payments are reflected in Financing activities in the Consolidated Statements of Cash Flows.

Interest expense paid related to leases for the years ended December 31, 2022, 2021 and 2020 was \$17 million, \$18 million and \$14 million, respectively.



15. Business Combinations

2022 Acquisitions:

Vectus Acquisition - In February 2022, Wavin, acquired a majority stake (67%) of the equity in Vectus Industries Limited (“Vectus”) a privately held manufacturer of plumbing and drainage pipes and a market leader in water storage tanks in India, for \$108 million cash consideration plus non-cash consideration. The acquisition enables Orbia to operate at the forefront of India’s quickly growing water management industry, supplying customers in the residential, commercial, industrial, infrastructure and agricultural sectors.

Orbia has a put and call option in place with the minority shareholders that allows those shareholders to sell to Orbia, or the Company to purchase, the remaining interest in Vectus in 2027. The initial value of the put and call option was treated as a redeemable non-controlling interest measured at fair value on the Company’s Statement of Financial Position as of December 31, 2022 as discussed in further detail in Note 12.

A summary of the consideration transferred, acquired assets and liabilities and associated goodwill of the Vectus acquisition is shown in the table below:

Consideration	December 31, 2022
Cash	\$ 108
Non-Cash	<u>25</u>
Total Consideration Transferred	\$ 133
Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed	
Financial Assets	\$ 14
Inventory	28
Property, plant and equipment	33
Identifiable intangible assets	41
Other assets	12
Liabilities	<u>(36)</u>
Total identifiable net assets	<u>92</u>
Non-controlling interest	<u>18</u>
Goodwill	<u>\$ 59</u>

The purchase accounting for the Vectus acquisition is open pending the finalization of valuation of certain intangible assets and related tax impacts.

Other Acquisitions:

In 2022, also acquired Bow Plumbing Group (Bow) and Biarri Networks (Biarri) as discussed further below.

Bow Plumbing Group – In August 2022, Wavin acquired Bow Plumbing Group, a Montreal-based manufacturer of plastic pipes and fittings for the North American residential and commercial construction industry. Wavin’s investment in the Bow Plumbing Group strengthens and extends its presence in North America to serve customers and stakeholders with efficient, end-to-end solutions for water management

The final purchase accounting for the Bow acquisition is open pending the valuation of certain intangible assets and other items including tax impacts.

Biarri Networks – On September 30, 2022, Dura-Line acquired Biarri Networks, a Denver-based technology provider that specializes in fiber optic network design solutions for the global telecommunications industry. The strategic investment in Biarri Networks’ software and services complements Dura-Line’s infrastructure expertise and enables Dura-Line to extend its end-to-end offerings to customers. Biarri Networks has offices in Australia, Philippines, Vietnam, U.K., and the U.S.



A summary of the consideration transferred, acquired assets and liabilities and associated goodwill of the Bow and Biarri acquisitions is shown in the table below:

Consideration Transferred	Amount
Cash	\$ 114
Total Consideration Transferred	\$ 114
Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed	
Financial Assets	\$ 19
Inventory	30
Property, plant and equipment	17
Identifiable intangible assets	24
Other assets	1
Liabilities	(32)
Total identifiable net assets	<u>59</u>
Goodwill	<u>\$ 55</u>

The value of the goodwill derived from the 2022 acquisitions is attributed to a number of business factors, including the acquisition of a trained workforce and know-how in each of the businesses acquired, cost synergies expected to be realized, and access to new markets and service lines.

None of the goodwill acquired is expected to be deductible for tax purposes.

The acquired companies added \$140 million revenues for Orbia for the year ended December 31, 2022. Net income from these acquisitions was not material for the year ended December 31, 2022. If the Company had acquired the companies at the beginning of the year Orbia's revenues would have been approximately \$200 million higher.

2021 Acquisitions:

As discussed in greater detail in Note 2, Orbia completed the acquisitions of Silatronix, Shakun Polymers Private Limited, and Gakon Horticultural Projects in the year ended December 31, 2021 for combined consideration of approximately \$64 million. The purchase accounting for these acquisitions were finalized in fiscal 2022 resulting in a \$14 million decrease to goodwill.

16. Intangible assets and Goodwill

An analysis of intangible assets and goodwill as of December 31, 2022, 2021 and 2020 follows:

Intangible assets:

	Useful life (years)	2022	2021 (In millions)	2020
Customer portfolio	25	\$ 656	\$ 711	\$ 784
Trademark use	Indefinite / finite	595	599	608
Intellectual property	10	215	233	249
Other	5 - 7	<u>161</u>	<u>74</u>	<u>93</u>
		<u>\$ 1,627</u>	<u>\$ 1,617</u>	<u>\$ 1,734</u>



Cost	Non-compete agreements	Customer portfolio	Trademark use	Intellectual property	Other	Total
				(In millions)		
Balance as of January 1, 2020	\$ 184	\$ 1,200	\$ 619	\$ 370	\$ 175	\$ 2,548
New developments and investments	-	-	-	2	29	31
Foreign currency translation reserve	-	14	13	8	12	47
Balance as of December 31, 2020 (cost)	184	1,214	632	380	216	2,626
Acquisitions through business combinations	-	3	6	3	-	12
New developments and investments	-	-	-	-	26	26
Foreign currency translation reserve	-	(10)	(14)	3	(20)	(41)
Balance as of December 31, 2021 (cost)	184	1,207	624	386	222	2,623
Acquisitions through business combinations	-	20	4	-	62	86
New developments and investments	-	-	2	-	65	67
Foreign currency translation reserve	-	(10)	(9)	2	(14)	(31)
Balance as of December 31, 2022 (cost)	<u>\$ 184</u>	<u>\$ 1,217</u>	<u>\$ 621</u>	<u>\$ 388</u>	<u>\$ 335</u>	<u>\$ 2,745</u>

Amortization	Non-compete agreements	Customer portfolio	Trademark use	Intellectual property	Other	Total
				(In millions)		
Balance as of January 1, 2020 (accumulated amortization)	\$ 184	\$ 366	\$ 22	\$ 109	\$ 102	\$ 783
Amortization expense	-	64	2	22	21	109
Balance as of December 31, 2020 (accumulated amortization)	<u>\$ 184</u>	<u>\$ 430</u>	<u>\$ 24</u>	<u>\$ 131</u>	<u>\$ 123</u>	<u>\$ 892</u>
Amortization expense	-	66	1	22	26	115
Balance as of December 31, 2021 (accumulated amortization)	<u>\$ 184</u>	<u>\$ 496</u>	<u>\$ 25</u>	<u>\$ 153</u>	<u>\$ 149</u>	<u>\$ 1,007</u>
Amortization expense	<u>\$ -</u>	<u>\$ 65</u>	<u>\$ 1</u>	<u>\$ 20</u>	<u>\$ 25</u>	<u>\$ 111</u>
Balance as of December 31, 2022 (accumulated amortization)	<u>\$ 184</u>	<u>\$ 561</u>	<u>\$ 26</u>	<u>\$ 173</u>	<u>\$ 174</u>	<u>\$ 1,118</u>
Net assets as of December 31, 2022	<u>\$ -</u>	<u>\$ 656</u>	<u>\$ 595</u>	<u>\$ 215</u>	<u>\$ 161</u>	<u>\$ 1,627</u>

Goodwill:

	2022	2021 (In millions)	2020	CGU
Netafim, Ltd.	\$ 652	\$ 788	\$ 788	Netafim (<i>Precision Agriculture</i>)
Dura-Line Holdings, Inc.	192	166	166	Duraline (<i>Connectivity Solutions</i>)
Wavin N.V.	127	29	30	Wavin (<i>Building and infrastructure</i>)
Mexichem Resinas Vinílicas, S.A. de C.V.	111	120	101	Primex (MRV) y Policyd (<i>Polymer solutions</i>)
Mexichem Amanco Holding, S.A. de C.V.	72	80	88	Amanco (<i>Building and infrastructure</i>)
Mexichem Specialty Compounds, Inc	66	66	66	Alphagary & Bayshore (<i>Polymer solutions</i>)
Mexichem Speciality Resins, Inc.	66	66	66	Polyone (<i>Polymer solutions</i>)
Mexichem Resinas Colombia, S.A.S.	55	55	55	Petco (MRC) (<i>Polymer solutions</i>)



	2022	2021 (In millions)	2020	CGU
Fluorita de México, S.A. de C.V.	46	46	46	Fluor Mexico (<i>Fluorinated Solutions</i>)
VESTO PVC Holding GmbH	28	29	32	Vestolit (<i>Polymer solutions</i>)
Others	63	69	53	
Total	<u>\$ 1,478</u>	<u>\$ 1,514</u>	<u>\$ 1,491</u>	
Beginning balance	\$ 1,514	\$ 1,491	\$ 1,491	
Business combinations (Note 15)	99	33	-	
Accumulated impairment loss	(136)	-	-	
Foreign exchange loss	<u>1</u>	<u>(10)</u>	<u>-</u>	
Ending balance	<u>\$ 1,478</u>	<u>\$ 1,514</u>	<u>\$ 1,491</u>	

As of December 31, 2022, the Company performed its annual impairment test by comparing the carrying amount of each Cash Generating Unit (CGU) to its recoverable amount. The recoverable amount of a CGU is its Value in Use (VIU), except in circumstances when the carrying amount of a CGU exceeds its VIU. In such cases, the recoverable amount is the greater of the CGU's Fair Value Less Cost of Disposal (FVLCD) and its VIU.

As of December 31, 2022, the Company determined that the VIU of its Netafim GCU was less than its carrying value as a result of challenging economic conditions that have caused a significant increase in its weighted cost of capital of approximately 240 basis points used to discount the business' cash flows in the annual impairment analysis. Significant inputs that drive the calculated VIU amount include the discount rate, assumed future revenue levels, forecasted gross margins and capital expenditures. The Company determined that the recoverable amount for Netafim is its FVLCD as that is greater than its VIU. Key assumptions used to calculate the FVLCD of Netafim include the determination of comparable market transactions from which to derive an appropriate EBITDA valuation multiple as well as the assumed cost to dispose of the CGU. The VIU and FVLCD amounts are determined to be Level 3 valuations in the fair value measurement hierarchy as these are based on a mix of observable inputs such as elements of the weighted average cost of capital used to discount future cash flows and observable market transactions, and unobservable inputs such as the CGU's forecasted cash flows and assumed EBITDA.

The \$136 million difference between Netafim's carrying value and its recoverable amount has been recorded in Impairment of goodwill on the Consolidated Statements of Profit.

17. Bank loans and Current portion of long-term debt

Current and long-term debt on the Consolidated Statements of Financial Position as of December 31 in each of the periods presented consists of the following:

DEBT IN USD	2022	2021	2020
5.875% INTERNATIONAL BOND			
DUE 2044 (1)	\$ 750	\$ 750	\$ 750
4.875% INTERNATIONAL BOND			
DUE 2022 (2)	-	-	750
4.00% INTERNATIONAL BOND			
DUE 2027 (3)	500	500	500
5.50% INTERNATIONAL BOND			
DUE 2048 (3)	500	500	500
6.75% INTERNATIONAL BOND			
DUE 2042 (2)	400	400	400



DEBT IN USD	2022	2021	2020
1.875% INTERNATIONAL BOND DUE 2026 (4)	600	600	-
2.875% INTERNATIONAL BOND DUE 2031 (4)	500	500	-
SOFR 1M + 1.05% REVOLVING CREDIT FACILITY(5)	150	-	-
1M LIBOR + 1.85% BANK LOAN DUE 2024 (6)	40	50	60
1M LIBOR + 1.95% BANK LOAN DUE 2024 (7)	17	29	40
3M LIBOR + 2.00% BANK LOAN DUE 2024 (8)	-	-	39
DEBT IN OTHER CURRENCIES			
GBP COMMERCIAL PAPER DUE 2021 (9)	-	-	409
EUR COMMERCIAL PAPER (10)	-	115	-
MXN 8.12% CEBURES DUE 2022 (11)	-	-	150
MXN 10.63% CEBURES DUE 2032 (12)	396	-	-
MXN 28-DAY THIE + 0.40% CEBURES DUE 2025 (13)	121	-	-
MXN 28-DAY THIE + 0.825% AND 28-THIE + 0.71% TERM LOAN DUE 2021 (14)	-	-	15
MXN 28-DAY THIE + 0.55% ST BANK LOAN DUE 2022 (15)	-	49	-
MXN 28-DAY THIE + 0.66% ST BANK LOAN IN DUE 2023 (16)	516	-	-
OTHERS	254	81	53
	2022	2021	2020
TOTAL	4,744	3,574	3,666
LESS – TOTAL BANK LOANS AND CURRENT PORTION OF LONG-TERM DEBT (17)	(760)	(240)	(495)
LESS - DEBT ISSUE COSTS	(48)	(54)	(40)
TOTAL LONG-TERM DEBT LESS DEBT ISSUE COSTS	<u>\$ 3,936</u>	<u>\$ 3,280</u>	<u>\$ 3,131</u>

An analysis of long-term debt maturities, net of related debt issue costs, as of December 31, 2022, is as follows:

Maturity date

2023	\$	760
2024		189
2025		126



2026
Thereafter

605
3,016
\$ 4,696

- (1) On September 17, 2014, the Company issued and placed "Senior Notes" for a total amount of \$750 million for a term of thirty years, which accrue a fixed annual rate of 5.875%, with maturity on September 17, 2044.
- (2) On September 19, 2012, the Company issued and placed "Senior Notes" for a total amount of \$1,150 million, in two tranches: one of \$750 million, with a term of ten years with a fixed rate coupon of 4.875% and another of \$400 million, at a thirty-year term with a fixed coupon rate of 6.75%. With maturities on September 19, 2022, and September 19, 2042, respectively. In September 2021, the 4.875% Bond was fully repaid.
- (3) On October 4, 2017, the Company issued and placed "Senior Notes" for a total amount of \$1,000 million in two tranches, \$500 million for a term of ten years, with maturity on October 4, 2027. And \$500 million for a term of thirty years, with maturity on January 15, 2048. Which accrue a fixed rate of 4.0% and 5.50%.
- (4) On May 11, 2021, the Company announced the successful closing of its inaugural issuance of Sustainability-Linked Bonds in the amount of \$600 million in senior notes due May 2026 bearing interest at a fixed rate of 1.875%, and \$500 million in senior notes due May 2031 bearing interest at a fixed rate of 2.875%.
- (5) In June 2019, the Company issued a Revolving Credit Facility line for \$1,000 million that accrues monthly interest at the SOFR 1M (Secured Overnight Financing Rate) + Reserve Rate + 1.05%. The principal is amortized in a payment due on June 21, 2024.
- (6) Bank loan for \$75 million, bearing quarterly interest at a variable rate of 1-month LIBOR + 1.85%. The loan has quarterly amortizations, and matures in March 2024.
- (7) Bank loan for \$40 million, bearing quarterly interest at a variable rate of 1-month LIBOR + 1.95%. The loan has quarterly amortizations, and matures in June 2024.
- (8) Bank loan for \$50 million, bearing quarterly interest at a variable rate of 3-month LIBOR + 2.00%. The loan has quarterly amortizations, and matures on March 25, 2024. This loan was fully repaid in March 2021.
- (9) In May 2020, the Company made an Issuance of Commercial Paper for £300 million with a discount rate of 0.60%, and matured on May 18, 2021.
- (10) In June 2021, the Company made an Issuance of a Commercial Paper Program for up to € 750 million through the issuance of notes with maturities less than one year. As of December 2022 there is no outstanding balance.
- (11) In March 2012, the Company issued Cebures ("Certificados Bursátiles") for 3,000 million Mexican pesos, bearing semi-annual interest at a fixed rate of 8.12% Due in March 2022. The Issuance was fully repaid in June 2021.
- (12) On December 8th 2022, the Company issued 10-year Cebures ("Certificados Bursátiles") for 7,660 million Mexican pesos, bearing semi-annual interest at a fixed rate of 10.63%. The loan principal is repayable in a single installment upon maturity in December 2032.
- (13) On December 8th 2022, the Company issued 3-year Cebures for 2,340 million Mexican pesos, bearing monthly interest at a variable rate of 28-day THIE + 0.40%. The loan principal is repayable in a single installment upon maturity in December 2025.
- (14) In February 2013, the Company issued Term loans for 3,000 million Mexican pesos and 69.443 million Mexican pesos, bearing quarterly interest at the THIE rate + 0.825% and THIE rate + 0.71%, respectively. With semianual amortizations, and maturity in 2021.
- (15) In 2021, the Company issued Promissory notes for 3,000 million Mexican pesos, bearing monthly interest at an average variable rate of 28-day THIE + 0.55%. The note's principal is repayable in a single installment upon maturity in 2022.
- (16) In 2022, the Company issued Promissory notes for 9,985 million Mexican pesos, bearing monthly interest at an average variable rate of 28-day THIE + 0.66%. The notes' principal is repayable in a single installment upon maturity in 2023.
- (17) Current Portion of Long-Term Debt (< 12 months) consolidates in its majority the following loans: (16) and other.



As of December 31, 2022, some of the Company's loan agreements contain certain affirmative and negative covenants including the requirement for the Company to maintain a consolidated interest ratio (calculated: EBITDA/Interest expense) above 3.0x and maintain a gearing ratio (calculated: Net debt/EBITDA) below 3.0x. The Company is in compliance with all of its financial covenants as of December 31, 2022.

18. Employee Benefits

Defined contribution plans

For its subsidiaries in Mexico, as required by law, the Company makes contributions from the integrated salary of its workers to a defined contribution retirement savings system.

Additionally, the Company has established a savings plan for its U.S. employees that is designed to be qualified under Section 401(k) of the Internal Revenue Code. Eligible employees are permitted to contribute to this plan through payroll deductions within statutory and plan limits and the Company matches employee contributions to certain limits.

Employees in certain subsidiaries have retirement benefit plans managed by local governments. To finance these plans, the relevant subsidiaries are required to contribute a specific percentage of the employees' salary to the retirement benefit plans. The Company's only legal obligation with regards to these plans is to make the required contributions.

Supplemental benefit plans

The Company has unfunded obligations which comprise of service awards and retirement commitments that qualify as other benefit plans for long-term employees in the Netherlands, Belgium, Germany, Denmark, France, Ireland, Poland, Italy and Turkey. Typical of such plans, the Company's other benefit plans are unfunded and, therefore, have no plan assets. The Company funds these plans as claims or payments come due.

Defined benefit plans

The Company operates defined benefit pension plans in various jurisdictions 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 the equivalent). The Company does not have any post-retirement medical plans.

The Company's material defined benefit plans are in Mexico, the U.K. and Germany for the periods presented.

Under the Mexican plan, qualified employees who have 10 or more years of service are entitled to retirement benefits when reaching the age of retirement (65 years old). Employees who have 10 or more years of service also have the option of early retirement when the sum of years worked plus their age is 55 years. Additionally, a Mexican seniority-premium plan pays a one-time benefit equal to 12-days' salary for each year worked based on the employee's final monthly salary, which is capped at twice the legal minimum daily wage.

Orbia's U.K. subsidiaries have three defined benefit pension plans as follows: the Wavin Plastics Pension plan (Wavin plan), the Hepworth Building Product Pension Plan (the Hepworth plan) and the Wavin Limited unfunded pension plan (the Wavin Limited plan). These plans are closed to future participants. In the U.K. all pension rights of deferred members and of pensioners are increased annually on an unconditional basis. In prior years, it was determined that the Wavin Plastics Pension Plan and the Hepworth Building Products Pension Plan were in a deficit position. Accordingly, the trustees of those plans and the Company agreed that for the years 2021 to 2026 the Company would make deficit contributions to these plans of GBP 8.5 million per year.



Qualified employees hired in Vestolit Germany before 1999 accrue or receive benefits under a Defined Benefit Pension Plan. Post-1999 hires are covered under Defined Contribution arrangements, albeit with a provision that guarantees an asset return.

Risks Associated with the Company's Defined Benefit Plans:

The Defined Benefit plans typically expose the Company to actuarial risks such as investment risk, interest rate risk, mortality risk and salary/inflation risk.

Investment risk	The present value of the defined benefit obligation is calculated using a discount rate determined by reference to high quality corporate and government bond yields; if the return on plan assets is below this rate, this will give rise to a plan deficit. Currently, the plan has a relatively balanced investment in equity securities and debt instruments. Due to the long-term nature of the plan liabilities, the Board of the pension fund considers it appropriate to invest a reasonable portion of the plan assets in variable yield securities and invest another portion in fixed yield securities.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments. All plans have largely hedged the interest rate risk.
Mortality risk	The present value of the defined benefit obligation is calculated based on assumptions regarding mortality rates of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.
Salary/inflation risk	The present value of the defined benefit plan obligation is calculated by reference to the projected salaries of plan participants. As such, salary increases higher than projected will increase the defined benefit plan's liability. Certain plans are closed to future accrual, and therefore salary risk no longer exists and is replaced by inflation risk.

The amounts included in the Consolidated Statement of Financial Position from Orbia's defined benefit plans for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021 (In millions)	2020
Present value of funded defined benefit obligation	\$ (374)	\$ (565)	\$ (614)
Fair value of plan assets	<u>271</u>	<u>388</u>	<u>366</u>
Net liability from the defined benefit obligation	(103)	(177)	(248)
Share-based payments and other benefits	<u>(6)</u>	<u>(27)</u>	<u>(13)</u>
	(109)	(204)	(261)
Employee benefits - assets	<u>(28)</u>	<u>(17)</u>	<u>(13)</u>
Long-term liabilities for employee benefits	<u>\$ (137)</u>	<u>\$ (221)</u>	<u>\$ (274)</u>

The 2022 net liability has decreased when compared to 2021 mainly as a result of favorable movements in bond yields, increasing the discount rate and decreasing the value placed on the plan liabilities.



An additional break-down by operating segment follows:

December 31, 2022						
(In millions)						
	Polymer Solutions	Fluorinated Solutions	Building and Infrastructure	Precision Agriculture	Controlling Company	Consolidated
Present value of funded defined benefit obligation	\$ (87)	\$ (8)	\$ (269)	\$ (7)	\$ (3)	\$ (374)
Fair value of plan assets	\$ 19	\$ -	\$ 249	\$ 3	\$ -	\$ 271
December 31, 2021						
(In millions)						
	Polymer solutions	Fluorinated Solutions	Building and infrastructure	Precision agriculture	Controlling Entity	Consolidated
Present value of funded defined benefit obligation	\$ (111)	\$ (7)	\$ (436)	\$ (8)	\$ (3)	\$ (565)
Fair value of plan assets	\$ 19	\$ -	\$ 366	\$ 3	\$ -	\$ 388
December 31, 2020						
(In millions)						
	Polymer solutions	Fluorinated Solutions	Building and infrastructure	Precision agriculture	Controlling Entity	Consolidated
Present value of funded defined benefit obligation	\$ (129)	\$ (6)	\$ (468)	\$ (8)	\$ (3)	\$ (614)
Fair value of plan assets	\$ 18	\$ -	\$ 345	\$ 3	\$ -	\$ 366

Changes in present value of the defined benefit obligation for the years ended December 31, 2022, 2021 and 2020 were as follows:

	2022	2021	2020
	(In millions)		
Beginning balance of defined benefit obligation	\$ 565	\$ 614	\$ 525
Current-year service cost	6	6	10
Interest cost	10	8	10
Actuarial (gains)/losses arising from changes in demographic assumptions	-	(23)	61
Actuarial (gains)/losses arising from changes in financial assumptions	(163)	(7)	8
Actuarial losses/(gains) arising from past experience adjustments	22	8	(4)
Changes in plan asset ceiling	-	-	3
Past service cost, including gains from curtailments	-	(1)	(1)



	2022	2021 (In millions)	2020
Exchange rate differences applicable to plans denominated in a currency other than the presentation currency	(49)	(20)	24
Benefits paid	(17)	(20)	(22)
Plan contributions	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of defined benefit obligation	<u>\$ 374</u>	<u>\$ 565</u>	<u>\$ 614</u>

Changes in the present value of plan assets for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021 (In millions)	2020
Beginning balance of plan assets at fair value	\$ 388	\$ 366	\$ 320
Interest income	8	5	7
Return on plan assets (excluding amounts included in net interest expense)	(88)	21	31
Employer contributions	12	13	11
Exchange rate differences on foreign plans	(37)	(3)	12
Benefits paid	(11)	(13)	(14)
Administrative expenses	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Ending balance of plan assets at fair value	<u>\$ 271</u>	<u>\$ 388</u>	<u>\$ 366</u>

The principal assumptions used in the actuarial valuations are, as weighted average, are as follows:

	2022	2021	2020
Discount rate	4.26%	2.26%	2.70%
Expected salary increase rate	2.53%	3.36%	2.79%
Expected return on plan assets	2.85%	1.35%	2.70%

In 2022, if the discount rate was 10 basis points higher/(lower), the defined benefit obligation would have decreased/(increased) by approximately \$3 million with all other assumptions remaining constant.

In the sensitivity analysis described above, the present value of defined benefit obligations is calculated using the projected unit credit method at the end of the reporting period, which is the same method applied to calculate the liability for defined benefit obligations recognized in the Consolidated statements of financial position. There were no changes in the methods nor assumptions considered in the sensitivity analyses from prior years.



An analysis of the fair value of plan assets at the end of the reporting period for each category follows:

	2022	2021 (In millions)	2020
Equity investments	\$ 44	\$ 87	\$ 85
Debt investments and debt instruments	137	192	171
Investments in funds and other	<u>90</u>	<u>109</u>	<u>110</u>
Total plan assets	<u>\$ 271</u>	<u>\$ 388</u>	<u>\$ 366</u>

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

An asset-liability matching analysis is prepared each year to analyze the outcome of the Company's investment strategy in terms of risk and return profiles. The investment and contribution policies are included as part of this analysis. The Fund's investment policy is as follows:

Asset mix is based on 45% equity instruments, 24% local variable yield and 31% cash.

The Company's processes for managing its risks remains unchanged from past periods.

The main categories of plan assets, and the expected return rate in each category at the end of the reporting period are as follows:

	2022	Expected return 2021	2020
Equity instruments	0.47%	0.30%	0.63%
Debt instruments	<u>2.38%</u>	<u>1.05%</u>	<u>2.07%</u>
Weighted average expected return	<u>2.85%</u>	<u>1.35%</u>	<u>2.70%</u>

The overall expected rate of return is a weighted average of the expected returns on various categories of plan assets. The Company's assessment of expected returns is based on historical performance trends and analyst predictions for over-the-counter markets over the life of the related obligation.

The amounts recognized in the Company's Consolidated comprehensive income for its defined benefit plans for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021 (In millions)	2020
Service cost:			
Current-year service cost	\$ 6	\$ 6	\$ 10
Past service cost and (gain)/loss from settlements	-	(1)	(1)
Interest expense, net	<u>2</u>	<u>2</u>	<u>3</u>
Defined benefit cost items recognized in profit or loss	<u>8</u>	<u>7</u>	<u>12</u>



	2022	2021 (In millions)	2020
Remeasurement of defined benefit obligation, net:			
Return on plan assets (excluding amounts included in net interest expense)	88	(21)	(31)
Actuarial losses/(gains) arising from changes in demographic assumptions	0	(22)	61
Actuarial losses/(gains) arising from changes in financial assumptions	(163)	(4)	3
Actuarial losses/(gains) arising from past experience adjustments	<u>22</u>	<u>5</u>	<u>4</u>
Components of defined (benefit) costs recognized in other comprehensive income	<u>(53)</u>	<u>(42)</u>	<u>37</u>
Total	<u>\$ (45)</u>	<u>\$ (35)</u>	<u>\$ 49</u>

Current-year service costs and past service cost and (gain)/loss from settlements are recorded to Cost of sales, Selling and development expenses or Administrative expenses in the Consolidated Statements of Profit.

The remeasurement of the net defined benefit obligation is included in Other Comprehensive Income.

19. Provisions

For the years ended December 31, 2022, 2021 and 2020, the carrying amounts of the Company's reserves and the related movements during those periods were as follows:

	Legal (In millions)	Restructurings	Warranties	Other	Total
Balance as of January 1, 2020	\$ 58	\$ 1	\$ 8	\$ 8	\$ 75
Charge/(benefit) to profit or loss	24	9	2	1	36
Charges against the provision	(50)	(3)	(2)	1	(54)
Foreign currency translation reserve	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>(3)</u>
Balance as of December 31, 2020	31	7	8	8	54



	Legal (In millions)	Restructurings	Warranties	Other	Total
Charge/(benefit) to profit or loss	2	3	-	2	7
Charges against the provision	(5)	(8)	(1)	(1)	(15)
Foreign currency translation reserve	-	-	-	-	-
Balance as of December 31, 2021	28	2	7	9	46
Charge/(benefit) to profit or loss	8	14	2	(3)	21
Charges against the provision	(7)	(2)	(2)	3	(8)
Foreign currency translation reserve	-	-	(1)	(3)	(4)
Balance as of December 31, 2022	<u>\$ 29</u>	<u>\$ 14</u>	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ 55</u>

A description of each provision follows:

Legal – The Company’s legal provisions consists of outstanding matters and related legal costs that it has deemed probable of payment and for which an amount can be reliably estimated. None of the activity nor balances of such matters are material to the Company’s consolidated financial statements in the periods presented. Most of the cash outflows related to legal provisions are expected to occur within one to five years. Please see Note 25 for further discussion of legal contingencies.

Restructurings – The Company’s restructuring provisions and related activity are related to actions taken at different sites throughout Orbia. The balances of restructuring provisions at each period end are mainly comprised of severance costs associated with plans. Typically, outstanding provision amounts are expected to be paid within one to two years from the date of plan initiation. None of the plan actions taken in any of the periods presented were material to the Company’s consolidated financial statements.

Warranties – The Company’s warranty provision is mainly driven by warranties provided in the Building and Infrastructure business. Orbia calculates its warranty provision based on both historical claims data and existing claims outstanding that are expected to occur within one to five years. No individual warranty claims nor reserves are material to the Company’s consolidated financial statements.

Other provisions – Other provisions represent various obligations that have occurred in the normal course of business. No such items are deemed material to the Company’s consolidated financial statements.



20. Stockholder's Equity

Contributed capital:

As of December 31, 2022 and 2021, the Company's share capital count was 2,010,000,000 shares.

The fixed portion of the Company's share capital is comprised of Class I registered shares with no right to withdrawal. The variable portion of the Company's share capital is comprised of Class II registered shares with no par value and may not exceed ten times the minimum fixed share capital.

At the Company's shareholders' meeting held on July 21, 2021, the shareholders agreed to cancel 90,000,000 Class II common shares, with no par value, which represented the variable portion of the Company's share capital. This cancellation did not result in a share capital decrease since the Company maintained the ownership of those shares as they had been repurchased from its own share capital.

An analysis of the Company's current share capital structure as of December 31, 2022 and 2021, is as follows:

Share capital subscribed	Share Count	Amount (In millions)
Class I	308,178,735	\$ 37
Class II	<u>1,701,821,265</u>	<u>219</u>
	<u>2,010,000,000</u>	<u>\$ 256</u>

As of December 31, 2020, the total share capital subscribed was 2,100,000,000 shares as broken out below:

Share capital subscribed	Share Count	Amount (In millions)
Class I	308,178,735	\$ 37
Class II	<u>1,791,821,265</u>	<u>219</u>
	<u>2,100,000,000</u>	<u>\$ 256</u>

Share buyback reserve:

On April 1, 2022, the Company's shareholders approved a share buyback program for an amount up to \$1,224 million until the next shareholders meeting. As of December 31, 2022, 2021, and 2020 the Company repurchased \$142 million, \$165 million, and \$42 million shares respectively.

As of December 31, 2022, 2021 and 2020, the Company's treasury shares in retained earnings on the Consolidated Statements of Financial Positions is \$1,090 million, \$851 million and \$400 million respectively, and the Company holds 104 million, 57 million, and 83 million of its own shares, respectively.

Earned capital:

On April 1, 2022, the Company's shareholders' approved the payment of a cash dividend of \$240 million and an extraordinary dividend of \$60 million applied to retained earnings and the net taxable profits account (CUFIN, by its acronym in Spanish). These dividends were distributed to the holders of the outstanding shares at each payment date during 2022, minus the amount corresponding to the shares of the share buyback program.



On March 30, 2021, the Company's shareholders approved payment of a cash dividend of \$210 million applied to CUFIN. This dividend were distributed to the holders of the outstanding shares at each payment date during 2021, minus the amount corresponding to the shares of the share buyback program.

On December 2, 2019, the Company's shareholders approved the payment of a cash dividend of \$180 million, applied to CUFIN. This dividend were distributed to the holders of the outstanding shares at each payment date during 2021, minus the amount corresponding to the shares of the share buyback program.

Except for earnings distributed from the Restated Contributed Capital Account (CUCA) and the CUFIN balance, dividends are subject to the payment of corporate income tax at the statutory rate at that time. Income tax paid on dividends may be credited against income tax payable (annual or in prepayments) in the year of payment or either of the two immediately subsequent years.

Retained earnings include the statutory legal reserve. In accordance with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net profit of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's share capital. At December 31, 2022, 2021 and 2020, the reserve represents 20% of the nominal share capital and its balance is \$51 million.

Dividends paid from earnings to Mexican individuals and foreign corporations are subject to an additional 10% withholding tax.

As of December 31, 2022, 2021 and 2020, the Company had \$1776 million, \$1,647 million, and \$1,559 million in the CUCA and \$409 million, \$343 million and \$183 million in the CUFIN.

21. Related party balances and transactions

The Company recognized revenues from related parties for the years ended 2022, 2021, and 2020 of \$6 million, \$4 million and \$7 million, respectively, and expenses to related parties for the years ended 2022, 2021, and 2020 of \$5 million, \$5 million, and \$7 million respectively. Amounts due to and due from related parties for the years ended 2022, 2021, and 2020 were not material.

Incentive and termination benefits paid to key members of management for the years ended December 31 is as follows:

	2022	2021 (In millions)	2020
Short-term incentive benefits	\$ 19	\$ 10	\$ 9
Termination benefits	<u>-</u>	<u>9</u>	<u>3</u>
	<u>\$ 19</u>	<u>\$ 19</u>	<u>\$ 12</u>

22. Cost of sales and operating expenses

A breakdown of the Company's expenses for the years ended December 31 are shown in the tables below:

Cost of sales:

	2022	2021 (In millions)	2020
Raw material and other consumable goods	\$ 5,179	\$ 4,374	\$ 3,042
Labor cost	560	535	494
Manufacturing expenses	423	361	349
Freight	500	459	373
Depreciation	<u>417</u>	<u>427</u>	<u>393</u>
	<u>\$ 7,079</u>	<u>\$ 6,156</u>	<u>\$ 4,651</u>



Selling and development expenses:

	2022	2021	2020
		(In millions)	
Salaries, wages and other travel expenses	\$ 321	\$ 312	\$ 261
Repair and maintenance	8	7	4
External services	67	56	58
Leases	9	9	8
Advertising and marketing	34	32	23
Sales commissions	38	35	31
Taxes and fees	3	3	2
Insurance	6	6	5
Allowance for doubtful accounts	5	22	20
Others	36	30	35
Depreciation	29	30	37
Amortization	26	31	23
	<u>\$ 582</u>	<u>\$ 573</u>	<u>\$ 507</u>

Administrative expenses:

	2022	2021	2020
		(In millions)	
Salaries, wages and other benefits	\$ 339	\$ 316	\$ 211
External services	151	116	96
Taxes and fees	13	10	9
Telephone service	7	8	8
Repair and maintenance	21	20	20
Insurance	12	11	8
Leases	7	8	7
Related-party administrative services	2	-	4
Depreciation	26	29	25
Amortization	83	81	120
	<u>\$ 661</u>	<u>\$ 599</u>	<u>\$ 508</u>

Other (income) and expenses, net:

	2022	2021	2020
		(In millions)	
Expenses:			
Legal provisions	\$ 3	\$ 3	\$ 6
Extraordinary taxes	5	9	-
Loss on sale of fixed assets	-	5	9
Business acquisitions	1	-	-
Donations	-	-	1
Others	11	10	21
	<u>20</u>	<u>27</u>	<u>37</u>
Income:			
Gain on sale of waste materials	\$ (2)	\$ -	\$ -
Gain on sale of fixed assets	(2)	(1)	-



	2022	2021 (In millions)	2020
Recovery of taxes	(16)	(20)	(2)
Recovery of insurance claims	-	-	(2)
Others	(2)	-	-
	<u>(22)</u>	<u>(21)</u>	<u>(4)</u>
Other (Income) expenses, net	\$ <u>(2)</u>	\$ <u>6</u>	\$ <u>33</u>

23. Income tax

The Company is subject to income tax in Mexico at a statutory corporate income tax rate of 30% for fiscal years 2022, 2021 and 2020, and will remain the same in subsequent years.

Beginning with the 2014 Tax Reform in Mexico, the tax consolidation regime was eliminated. As a result of the deconsolidation, the Company is required to remit income tax that was previously deferred over a ten-year period. The Company has made the ninth deferred payment of \$1 million in 2022, with the remaining deferred liability of \$1 million to be paid in the following year.

Subsequent to the changes in the tax consolidation regime, the Mexico Income Tax Law (MILT) provided an alternate tax consolidation regime that allows companies the option to pay income tax under a tax incorporation regime. This new tax incorporation regime allows companies to benefit from a three-year deferral of income tax remittances, adjusted for inflation.

The Company and its subsidiaries in Mexico opted to follow to this new incorporation regime, and as a result they have calculated income tax payable for 2022, 2021 and 2020 on a joint basis. The deferred income tax liability under the incorporation regime is presented as part of the Income tax line included in Non-Current liabilities on the Consolidated Statements of Financial Position.

Income tax is based on taxable profit, which differs from the profit reported in the Consolidated Statements of Profits, primarily due to non-deductible expenses, non-taxable income, and other reconciling items pursuant to applicable tax laws. The Company's liability for current income tax payable is calculated using the tax rates enacted or substantially enacted at the end of the reporting period in the countries in which the Company and its subsidiaries operate.

Income tax rates:

The statutory income tax rates applicable in 2022 in the countries where the Company operates are as follows:

Country	%	Country	%
Argentina	**30	Lithuania	15
Australia	30	Mexico	30
Austria	25	Morocco	31
Belgium	25	Nicaragua	30
Brazil	34	Norway	22
Canada	*27	Oman	15
Chile	27	Panama	25
China	25	Peru	30
Colombia	35	Poland	19
Costa Rica	30	Republic of Serbia	15



Country	%	Country	%
Czech Republic	19	Romania	16
Denmark	22	Russia	20
Ecuador	25	Rwanda	30
El Salvador	30	Singapore	17
Estonia	20	Slovakia	21
Finland	20	South Africa	28
France	25	Spain	25
Germany	*34	Sweden	21
Greece	22	Switzerland	*21
Guatemala	25	Taiwan	20
Honduras	25	Thailand	20
Hungary	9	The Netherlands	26
India	**25	Turkey	23
Indonesia	22	Ukraine	18
Ireland	13	United Kingdom	19
Israel	23	United States of America	21
Italy	24	Uruguay	25
Japan	31	Venezuela	34
Kenya	30	Vietnam	20

* Tax rate is a blended effective tax rate comprised of both a federal tax and a local tax. The actual blended rate can vary depending upon the particular municipality, province, or canton, with each having differing tax rates within the particular country.

** Tax rate is based upon progressive rates. The actual effective rate can vary depending upon the amount of taxable income and the corresponding tax brackets that apply.

Deferred taxes:

The main items that give rise to the deferred income tax liability as of December 31, are as follows:

	2022	2021	2020
		(In millions)	
Property, plant and equipment	\$ 349	\$ 395	\$ 454
Inventories		-	-
Liabilities deductible upon payment	(60)	(96)	(64)
Tax loss carryforwards	(196)	(281)	(365)
Intangible assets	125	118	101
	2022	2021	2020
		(In millions)	
Other	(42)	8	(12)
Net deferred tax liability	176	144	114
Deferred tax asset	\$ 197	\$ 174	\$ 200
Deferred tax liability	\$ 373	\$ 318	\$ 314



An analysis of changes in the deferred tax liability for the years ended December 31, 2022, 2021 and 2020 is as follows:

	2022	2021	2020
	(In millions)		
Beginning balance	\$ 144	\$ 114	\$ 210
Income tax provision recognized in profit or loss	(4)	21	(95)
Business Combinations	8	-	-
Foreign currency translation reserve	(7)	(2)	15
Discontinued operations	-	-	-
Effect on equity of components of other comprehensive income	35	11	(16)
	<u>\$ 176</u>	<u>\$ 144</u>	<u>\$ 114</u>

Reconciliation of tax rates:

A reconciliation of the statutory income tax rate to the effective income tax rate expressed in amounts for the years ended December 31, 2022, 2021 and 2020 and as a percentage of profit before income tax is as follows:

	2022	%	2021 (In millions)	%	2020	%
Profit before income tax	\$ 1,035	25.88%	\$ 1,154	26.79%	\$ 479	25.89%
Permanent items:						
Cumulative annual inflation adjustment	123	3.08%	211	4.90%	128	6.92%
Non-taxable revenue	(267)	(6.67%)	(116)	(2.69%)	(139)	(7.55%)
Non-deductible expenses	92	2.31%	70	1.62%	44	2.40%
Assets for tax losses not previously recognized and unrecognized loss, net	(78)	(1.94%)	163	3.79%	132	7.14%
Effect of changes on statutory tax rate	(8)	(0.19%)	9	0.20%	4	0.19%
Other taxes	46	1.15%	1	0.02%	28	1.53%
Non-deductible goodwill impairment	136	3.94%				
Dividends from foreign operations	4	0.10%	50	1.17%	89	4.82%
Foreign exchange gain or loss and translation effect, net	267	6.68%	(41)	(0.95%)	(129)	(7.01%)
Others	52	1.31%	(78)	(1.81%)	(53)	(2.86%)
Total permanent items	367	9.77%	269	6.25%	104	5.58%
Taxable profit	<u>\$ 1,402</u>	<u>35.65%</u>	<u>\$ 1,423</u>	<u>33.04%</u>	<u>\$ 583</u>	<u>31.47%</u>

	2022	%	2021 (In millions)	%	2020	%
Current income tax	372		\$ 360		\$ 246	
Deferred income tax	<u>(3)</u>		<u>21</u>		<u>(95)</u>	
Total income tax	<u>\$ 369</u>		<u>\$ 381</u>		<u>\$ 151</u>	
Effective income tax rate	35.65%		33.04%		31.47%	
Statutory income tax rate - Simple average based on the theoretical income tax expense as a % of income before tax.	25.88%		26.79%		25.89%	



The Company has net operating tax losses for which it has recognized the corresponding deferred tax asset. Such losses may be carried forward and used against taxable profit of future years if certain requirements are met. The expiration dates of these net operating tax losses as of December 31, 2022 are as follows:

Year of expiration	Tax loss carryforwards (In millions)
2023	\$ 6
2024	1
2026	389
2029	12
2030	150
2031	5
2032	19
Long term	28
No expiration	<u>305</u>
	<u>\$ 915</u>

As of December 31, 2022, the Company has tax losses of \$222 million for which it did not recognize a deferred tax asset, since management is uncertain that these deferred tax assets will materialize in the future.

Also, beginning in 2020, Mexican tax reform limited the annual deduction of interest expense. Interest expense that is not deductible due to these limitations may be carried forward for 10 years. As of December 31, 2022 the Company has unutilized interest expense of \$215 million for which it did not recognize a deferred tax asset since management is uncertain that these deferred tax assets will materialize in the future.

24. Contingencies

From time to time the Company, is party to certain legal matters, including those discussed further below.

Natural Gas Distribution Matter

On April 20, 2021, Dura-Line Corporation's natural gas distribution business paused shipment and sales of small diameter, defined as 1.5 inch and smaller, natural gas distribution (NGD) pipe sold for use primarily in the United States, in order to investigate a potential quality issue. This issue does not impact Dura-Line's Datacom conduit products.

The natural gas distribution business, now operated through PolyPipe LLC ("PolyPipe"), conducted an analysis and determined that the issue occurred intermittently and estimates it impacted less than 1% of the small diameter NGD pipe produced by Dura-Line at its plant in Gainesville, Texas. Based on the analysis to date, management believes it is highly unlikely that any possibly affected pipe poses a risk of a near-term performance issue.

Polypipe has resumed shipping and sale of small diameter NGD pipe at its plant in Erwin, Tennessee with enhanced monitoring, production, and quality processes. PolyPipe has received demands for compensation from certain direct and indirect customers for costs associated with addressing the issue, including removing and replacing potentially impacted installed pipe. In September 2021 Southern California Gas Company and San Diego Gas & Electric Company filed a complaint against Dura-Line in the California Superior Court of San Diego (subsequently transferred to the Superior Court of Los Angeles), asserting various claims based on allegations that they may have purchased non-conforming pipe manufactured by Dura-Line and seeking unspecified damages. Dura-Line denies liability and intends to vigorously defend the matter. PolyPipe may receive additional demands for compensation in the future that may result in litigation and could give rise to potential material liabilities.



Wolkaite Project

Netafim Ltd. is currently engaged in a government irrigation project in the Tigray region of Ethiopia called (the Wolkaite project), which is in an advanced stage. The customer is the Ethiopian Sugar Corporation (the ESC). Due to civil unrest, a state of emergency has been in effect in the region since November 4, 2020. In late November 2020, Netafim notified the ESC, the Lender, insurers, and other concerned parties that an event of force majeure had occurred as a result of the ongoing civil unrest, suspending Netafim's obligations under the project agreement.

Under the original project agreement, if the force majeure conditions were to continue for an extended period, each of the parties would have the right to terminate said agreement. On July 1, 2021, the parties entered into a Memorandum of Understanding (the MOU) which suspended until December 31, 2021, the right to cancel the project agreement due to an ongoing force majeure event. The MOU also establishes a period for the parties to assess the condition of the project and to try to reach an agreement to resume the project. At present, all parties are cooperating and monitoring the situation. In addition to potential costs arising from delays to the project and possible damage to the existing project, it is possible that Netafim could incur additional liabilities under certain scenarios.

Jain Anti-Trust Claim

In 2018, Irrigation Inc., Irrigation Design & Construction LLC. (IDC) and Agri Valley Irrigation LLC. (AVI) ("Jain Parties"), brought antitrust claims in a US Federal and State court in California claiming that Orbia's Netafim business, jointly with other manufacturers and distributors participated in a group boycott against the Jain Parties in alleged violation of State and Federal anti-trust laws. Jain withdrew its Federal case in June 2019, but continued to pursue its State antitrust claims. The parties entered into a mutual settlement agreement and this matter was settled and the respective claims withdrawn and released in the fourth quarter of 2022. In connection with the settlement, Netafim paid an immaterial amount.

Other Matters

In addition to the matters discussed above, the Company is part to litigation that it considers to be routine and incidental to the business. The Company does not expect the results of any of these litigation matters to have a material effect on the Company's business, results of operations, financial condition or cash flows.

25. Hyperinflationary Economies

As discussed in Note 4, the Company adjusts its results for its subsidiaries that operate in hyperinflationary economies in accordance with IAS 29.

Turkey was classified as a hyperinflationary economy effective June 30, 2022. The Company's operations in Turkey were restated using the inflation rates derived from the consumer price index published by the Turkish Statistical Institute. As of December 31, 2022 the official exchange rate of 18.70 Turkish lira per U.S. dollar was used to translate these balances.

<i>Turkey</i>	2022	2021 (In millions)	2020
Total assets	\$ 122	\$ 89	\$ 92
Equity	13	18	11
Net sales	<u>169</u>	<u>161</u>	<u>111</u>
Net profit	<u>\$ (1)</u>	<u>\$ 8</u>	<u>\$ 4</u>



Argentina has been classified as a hyperinflationary economy since July 1, 2018. The Company’s operations in Argentina were restated using the inflation rates derived from the consumer price index published by the National Institute of Statistics and Censuses of the Argentine Republic (INDEC), and were 94.8%, 50.9% and 36.1% in 2022, 2021, 2020, respectively. As of December 31, 2022, 2021, and 2020, the official exchange rates of 177.16, 102.72, and 84.15 Argentinian pesos per U.S. dollar, respectively, were used to translate these balances.

<i>Argentina</i>	2022	2021 (In millions)	2020
Total assets	\$ 42	\$ 32	\$ 22
Equity	22	17	12
Net sales	<u>79</u>	<u>61</u>	<u>31</u>
Net profit	\$ <u>3</u>	\$ <u>2</u>	\$ <u>(1)</u>

Venezuela has been classified as a hyperinflationary economy since December 31, 2017. The Company’s operations in Venezuela have been restated using the annual inflation rates of 165%, 2,594% and 2,960% for the years ended December 31, 2022, 2021 and 2020, respectively, derived from the consumer price index published by the Central Bank of Venezuela. As of December 31, 2022, and 2021, the Company used an exchange rate of 116.7 million and 47.8 million Venezuelan bolivar per U.S. dollar, respectively. As of December 31, 2020, the Company determined a theoretical exchange rate correlated to the effects of inflation, whereby the amounts would have been converted at an exchange rate of 5.6 million Venezuelan bolivar per U.S. dollar.

The effect of the restatement of the financial statements of the Company’s operations in Turkey, Argentina and Venezuela, was expense of \$11 million, \$4 million and \$1 million for 2022, 2021 and 2020, respectively, recorded in the Monetary position loss line of the Consolidated Statements of Profit.

26. Segment Information

The Company has determined its reportable segments as described in Note 4. As described in Note 1, the Company's reportable segments are its five business groups: Building & Infrastructure (Wavin), Connectivity Solutions (Dura-Line), Precision Agriculture (Netafim), Fluorinated Solutions (Koura) and Polymer Solutions (Vestolit and Alphagary).

The main products of each of the segments are:

- Building and Infrastructure: Pipes and fittings
- Connectivity Solutions: Telecommunications conduit, cable-in-conduit, and otherhigh density polyethylene (HDPE)
- Precision Agriculture: Precision irrigation (drippers, drip lines, sprinklers, filters), and services and digital farming technologies
- Fluorinated Solutions: Fluospar, hydrofluoric acid, aluminium fluoride, medical propellants refrigerants, and energy storage
- Polymer Solutions: Polyvinyl chloride (PVC) general resins, specialty resins, compounds and additives for vinyl compounds

Below is a summary of the consolidated financial statements for each reportable segment:

	Year Ended December 31, 2022 (In millions)							
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Connectivity Solutions	Precision Agriculture	Controlling Company	Eliminations	Consolidated
Net sales	\$ 3,696	\$ 852	\$ 2,926	\$ 1,370	\$ 1,085	\$ 121	\$ (402)	\$ 9,648
Cost of sales	<u>2,925</u>	<u>506</u>	<u>2,279</u>	<u>869</u>	<u>790</u>	<u>(1)</u>	<u>(289)</u>	<u>7,079</u>
Gross profit	771	346	647	501	295	122	(113)	2,569



Year Ended December 31, 2022 (In millions)								
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Connectivity Solutions	Precision Agriculture	Controlling Company	Eliminations	Consolidated
General expenses	222	99	454	180	276	138	(128)	1,241
Royalties	61	7	3	17	-	(88)	-	-
Foreign exchange (gain)/loss, net	16	(16)	(4)	3	10	4	-	13
Interest expense	34	2	36	24	37	191	(39)	285
Interest income	(4)	(3)	(35)	(4)	(2)	(21)	39	(30)
Change in fair value of redeemable non-controlling interests	15	-	(71)	-	-	(63)	-	(119)
Monetary position loss	-	-	11	-	-	-	-	11
Share of gain of subsidiaries and associates	(41)	(4)	3	-	5	(822)	856	(3)
Impairment of goodwill	-	-	-	-	136	-	-	136
Profit before income tax	468	261	250	281	(167)	783	(841)	1,035
Income tax	104	52	59	65	(4)	89	4	369
Profit before discontinued operations	364	209	191	216	(163)	694	(845)	666
Discontinued operations	(1)	-	-	-	-	-	-	(1)
Consolidated net profit	<u>\$ 363</u>	<u>\$ 209</u>	<u>\$ 191</u>	<u>\$ 216</u>	<u>\$ (163)</u>	<u>\$ 694</u>	<u>\$ (845)</u>	<u>\$ 665</u>
Year Ended December 31, 2021 (In millions)								
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Connectivity Solutions	Precision Agriculture	Controlling Company	Eliminations	Consolidated
Net sales	\$ 3,438	\$ 744	\$ 2,922	\$ 994	\$ 1,126	\$ 215	\$ (656)	\$ 8,783
Cost of sales	2,344	473	2,183	765	804	106	(519)	6,156
Gross profit	1,094	271	739	229	322	109	(137)	2,627
General expenses	218	88	456	127	275	133	(119)	1,178
Other related party expenses/(income)	-	-	-	-	-	-	-	-
Royalties	48	8	3	12	-	(71)	-	-
Foreign exchange (gain)/loss, net	12	1	6	1	17	(5)	-	32
Interest expense	41	2	14	15	20	196	(40)	248
Interest income	(1)	(4)	(25)	(1)	(1)	(24)	40	(16)
Change in fair value of redeemable non-controlling interests	14	-	-	-	-	14	-	28
Monetary position loss	-	-	4	-	-	-	-	4
Share of gain of subsidiaries and associates	(6)	(3)	(1)	(1)	4	(848)	854	(1)
Profit before income tax	768	179	282	76	7	714	(872)	1,154
Income tax	208	35	65	21	7	50	(5)	381
Profit before discontinued operations	560	144	217	55	-	664	(867)	773
Discontinued operations	(1)	-	-	-	-	-	-	(1)
Consolidated net profit	<u>\$ 559</u>	<u>\$ 144</u>	<u>\$ 217</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ 664</u>	<u>\$ (867)</u>	<u>\$ 772</u>
Year Ended December 31, 2020 (In millions)								
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Connectivity Solutions	Precision Agriculture	Controlling Company	Eliminations	Consolidated
Net sales	\$ 2,171	\$ 698	\$ 2,071	\$ 732	\$ 972	\$ 184	\$ (408)	\$ 6,420
Cost of sales	1,764	407	1,565	497	643	109	(334)	4,651
Gross profit	407	291	506	235	329	75	(74)	1,769



Year Ended December 31, 2020 (In millions)								
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Connectivity Solutions	Precision Agriculture	Controlling Company	Eliminations	Consolidated
General expenses	183	98	380	94	240	128	(74)	1,049
Other related party expenses/(income)	-	-	-	-	-	-	-	-
Royalties	27	8	2	8	-	(45)	-	-
Foreign exchange (gain)/loss, net	(4)	(14)	12		12	(4)	-	2
Interest expense	29	2	13	17	16	193	(31)	239
Interest income	(2)	(7)	(17)	(1)	(1)	(13)	31	(10)
Change in fair value of redeemable non-controlling interests	-	-	-	-	-	10	-	10
Monetary position loss	-	-	1	-	-	-	-	1
Share of gain of subsidiaries and associates	(2)	(6)	(6)	5	3	(315)	320	(1)
Profit before income tax	176	210	121	112	59	121	(320)	479
Income tax	54	76	40	29	13	(61)	-	151
Profit before discontinued operations	122	134	81	83	46	182	(320)	328
Discontinued operations	(8)	-	-	(1)	-	-	-	(9)
Consolidated net profit	<u>\$ 114</u>	<u>\$ 134</u>	<u>\$ 81</u>	<u>\$ 82</u>	<u>\$ 46</u>	<u>\$ 182</u>	<u>\$ (320)</u>	<u>\$ 319</u>

As of December 31, 2022 (In millions)								
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Connectivity Solutions	Precision Agriculture	Controlling Company	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	\$ 375	\$ 131	\$ 225	\$ 298	\$ 68	\$ 449	\$ -	\$ 1,546
Accounts receivable, net	519	186	336	231	230	9	148	1,659
Other current assets	445	220	674	175	261	188	(586)	1,377
Assets held for sale	-	-	2	-	-	-	-	2
Total current assets	1,339	537	1,237	704	559	646	(438)	4,584
Property, plant and equipment	1,774	434	613	150	197	2	-	3,170
Other assets	792	260	1,340	424	1,376	7,161	(7,483)	3,870
Total assets	<u>\$ 3,905</u>	<u>\$ 1,231</u>	<u>\$ 3,190</u>	<u>\$ 1,278</u>	<u>\$ 2,132</u>	<u>\$ 7,809</u>	<u>\$ (7,921)</u>	<u>\$ 11,624</u>
Current liabilities:								
Bank loans and current portion of long-term debt	\$ 1	\$ -	\$ 69	\$ -	\$ 174	\$ 516	\$ -	\$ 760
Suppliers and letters of credit	605	58	300	202	107	7	-	1,279
Other current liabilities	211	106	451	164	190	319	(435)	1,006
Total current liabilities	817	164	820	366	471	842	(435)	3,045
Bank loans and long-term debt	2	-	10	-	55	3,869	-	3,936
Other long-term liabilities	666	162	426	314	260	230	(738)	1,320
Total liabilities	1,485	326	1,256	680	786	4,941	(1,173)	8,301
Total equity	<u>\$ 2,420</u>	<u>\$ 905</u>	<u>\$ 1,934</u>	<u>\$ 598</u>	<u>\$ 1,346</u>	<u>\$ 2,868</u>	<u>\$ (6,748)</u>	<u>\$ 3,323</u>



As of December 31, 2021 (In millions)								
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Connectivity Solutions	Precision Agriculture	Controlling Company	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	\$ 239	\$ 85	\$ 178	\$ 98	\$ 91	\$ 91	\$ -	\$ 782
Accounts receivable, net	595	203	354	191	260	38	(46)	1,595
Other current assets	543	199	736	214	241	146	(734)	1,345
Assets held for sale	-	-	2	-	-	-	-	2
Total current assets	1,377	487	1,270	503	592	275	(780)	3,724
Property, plant and equipment	1,867	335	564	116	167	2	-	3,051
Other assets	804	248	1,277	379	1,501	6,689	(7,086)	3,812
Total assets	\$ 4,048	\$ 1,070	\$ 3,111	\$ 998	\$ 2,260	\$ 6,966	\$ (7,866)	\$ 10,587
Current liabilities:								
Bank loans and current portion of long-term debt	\$ 5	\$ -	\$ 13	\$ -	\$ 59	\$ 163	\$ -	\$ 240
Suppliers and letters of credit	726	67	391	165	150	6	-	1,505
Other current liabilities	279	89	448	121	208	516	(763)	898
Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total current liabilities	1,010	156	852	286	417	685	(763)	2,643
Bank loans and long-term debt	-	-	-	-	82	3,198	-	3,280
Other long-term liabilities	753	173	243	320	221	322	(772)	1,260
Total liabilities	1,763	329	1,095	606	720	4,205	(1,535)	7,183
Total equity	\$ 2,285	\$ 741	\$ 2,016	\$ 392	\$ 1,540	\$ 2,761	\$ (6,331)	\$ 3,404

As of December 31, 2020 (In millions)								
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Connectivity Solutions	Precision Agriculture	Controlling Company	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	\$ 232	\$ 122	\$ 289	\$ 63	\$ 135	\$ 34	\$ -	\$ 875
Accounts receivable, net	405	212	316	117	282	46	(53)	1,325
Other current assets	263	450	409	133	190	229	(728)	946
Assets held for sale	1	4	3	2	-	-	-	10
Total current assets	901	788	1,017	315	607	309	(781)	3,156
Property, plant and equipment	1,991	302	622	115	151	5	-	3,186
Other assets	760	226	1,337	416	1,535	6,617	(7,022)	3,869
Total assets	\$ 3,652	\$ 1,316	\$ 2,976	\$ 846	\$ 2,293	\$ 6,931	\$ (7,803)	\$ 10,211
Current liabilities:								
Bank loans and current portion of long-term debt	\$ 8	\$ 7	\$ 7	\$ -	\$ 64	\$ 409	\$ -	\$ 495
Suppliers and letters of credit	703	47	334	98	112	32	-	1,326
Other current liabilities	250	63	426	56	191	554	(780)	760
Liabilities associated with assets held for sale	-	6	-	-	-	-	-	6
Total current liabilities	961	123	767	154	367	995	(780)	2,587



	As of December 31, 2020							
	(In millions)							
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Connectivity Solutions	Precision Agriculture	Controlling Company	Eliminations	Consolidated
Bank loans and long-term debt	-	-	-	-	119	3,012	-	3,131
Other long-term liabilities	<u>807</u>	<u>179</u>	<u>301</u>	<u>320</u>	<u>231</u>	<u>388</u>	<u>(913)</u>	<u>1,313</u>
Total liabilities	<u>1,768</u>	<u>302</u>	<u>1,068</u>	<u>474</u>	<u>717</u>	<u>4,395</u>	<u>(1,693)</u>	<u>7,031</u>
Total equity	<u>\$ 1,884</u>	<u>\$ 1,014</u>	<u>\$ 1,908</u>	<u>\$ 372</u>	<u>\$ 1,576</u>	<u>\$ 2,536</u>	<u>\$ (6,110)</u>	<u>\$ 3,180</u>

Additional Company segment information for the years ended December 31, 2022, 2021 and 2020 is presented below.

	Direct additions to property, plant and equipment			Depreciation and amortization		
	2022	2021	2020	2022	2021	2020
	(In millions)			(In millions)		
Polymer Solutions	\$ 102	\$ 93	\$ 69	\$ 255	\$ 259	\$ 238
Fluorinated Solutions	143	63	40	57	62	61
Building & Infrastructure	108	76	64	128	142	134
Connectivity Solutions	57	31	11	36	31	33
Precision Agriculture	60	40	20	100	99	92
Controlling Company	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>	<u>40</u>
	<u>\$ 470</u>	<u>\$ 303</u>	<u>\$ 204</u>	<u>\$ 581</u>	<u>\$ 598</u>	<u>\$ 598</u>

Sales by geographical region:

Sales by country or regional area where customers are located is presented for the years ended December 31, 2022, 2021 and 2020 is as follows:

Country or regional where customers are located	2022	2021	2020
U.S.A.	\$ 2,420	\$ 1,838	\$ 1,382
Northwest Europe	1,539	1,462	1,040
Southwest Europe	1,160	1,148	839
Mexico	996	971	633
Africa, Middle East and Asia	791	645	703
Brazil	711	653	455
Colombia	416	441	271
Central and Eastern Europe	351	395	286
Central America	267	277	190
Peru	217	231	136
Canada	192	96	65
Southeast Europe	166	172	122
Ecuador	135	139	91
Argentina	87	81	45
Chile	58	86	51
Israel	37	46	40
Other rest of the world countries	<u>105</u>	<u>102</u>	<u>71</u>
Total	<u>\$ 9,648</u>	<u>\$ 8,783</u>	<u>\$ 6,420</u>



Long-lived Assets

Long lived assets by country or regional area where assets are located as of December 31 for each of the periods presented is as follows:

Country or region where assets are located	2022	2021 (In millions)	2020
Mexico	\$ 1,355	\$ 1,284	\$ 1,254
Northwest Europe	881	782	862
U.S.A.	1,824	1,880	1,950
Southwest Europe	312	309	151
Colombia	248	260	269
Africa, Middle East and Asia	228	104	66
Brazil	79	66	71
Central and Eastern Europe	107	114	115
Southeast Europe	8	7	158
Central America	58	58	62
Israel	1,381	1,539	1,662
Peru	67	61	59
Ecuador	27	31	35
Other	<u>57</u>	<u>32</u>	<u>21</u>
Total	<u>\$ 6,632</u>	<u>\$ 6,527</u>	<u>\$ 6,735</u>

Long-lived assets include right-of-use assets; property, plant and equipment; intangible assets and goodwill

27. Approval of Issuance of the Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2022, were approved by the Audit Committee and Board of Directors at meetings held on February 21 and 22, 2023, respectively, and do not reflect events that might have occurred after February 22, 2023.

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