

**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,  
2023, 2022 and 2021, and  
Independent Auditors' Report  
Dated February 21, 2024



**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, 2023, 2022 and**  
**2021 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 consolidated financial statements of Orbia Advance Corporation, S.A.B. 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, 2023, 2022 and 2021, and the consolidated statements of profit, the consolidated statements of comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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

### ***Basis for opinion***

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the Code of Ethics issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit issues which should be communicated in our report.

*(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*. 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, 2023, the balances of intangible assets and goodwill recognized in the consolidated financial statements are \$1,702 and \$1,447, 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.

## ***Other Information***

Management is responsible for the other information. The other 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 and recalculate the Other 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 is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.  
Affiliated to a Member of Deloitte Touche Tohmatsu Limited



Erick J. Calvillo Rello

Mexico City, Mexico  
February 21, 2024

**(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, 2023, 2022 and 2021  
(Amounts in millions of U.S. dollars)

| <b>Assets</b>                    | <b>Notes</b> | <b>2023</b>      | <b>2022</b>      | <b>2021</b>      |
|----------------------------------|--------------|------------------|------------------|------------------|
| Current assets:                  |              |                  |                  |                  |
| Cash and cash equivalents        | 7            | \$ 1,456         | \$ 1,546         | \$ 782           |
| Accounts receivable, net         | 8            | 1,461            | 1,659            | 1,595            |
| Due from related parties         | 24           | 2                | 2                | 1                |
| Inventories, net                 | 9            | 1,200            | 1,320            | 1,292            |
| Prepaid expenses                 |              | 50               | 56               | 52               |
|                                  | 11 and       |                  |                  |                  |
| Derivative financial instruments | 12           | <u>1</u>         | <u>1</u>         | <u>2</u>         |
| Total current assets             |              | <u>4,170</u>     | <u>4,584</u>     | <u>3,724</u>     |
| Non-current assets               |              |                  |                  |                  |
| Property, plant, and equipment   | 13           | 3,370            | 3,170            | 3,051            |
| Right-of-use assets              | 14           | 469              | 358              | 346              |
| Equity investment in associates  |              | 75               | 58               | 40               |
| Deferred taxes                   | 26           | 174              | 197              | 174              |
| Employee benefits assets         | 18           | 39               | 28               | 17               |
| Intangible assets                | 16           | 1,702            | 1,627            | 1,617            |
| Goodwill                         | 16           | 1,447            | 1,478            | 1,514            |
| Other assets                     |              | <u>106</u>       | <u>124</u>       | <u>104</u>       |
| Total non-current assets         |              | <u>7,382</u>     | <u>7,040</u>     | <u>6,863</u>     |
| Total assets                     |              | <u>\$ 11,552</u> | <u>\$ 11,624</u> | <u>\$ 10,587</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, 2023, 2022 and 2021  
(Amounts in millions of U.S. dollars)

### **Liabilities and stockholders' equity**

|                                                  | Notes     | 2023         | 2022         | 2021         |
|--------------------------------------------------|-----------|--------------|--------------|--------------|
| Current liabilities:                             |           |              |              |              |
| Bank loans and current portion of long-term debt | 17        | \$ 466       | \$ 760       | \$ 240       |
| Suppliers                                        |           | 847          | 812          | 1,046        |
| Letters of credit                                | 10        | 381          | 467          | 459          |
| Due to related parties                           | 24        | 1            | 1            | 1            |
| Other accounts payable and accrued liabilities   |           | 508          | 651          | 522          |
| Provisions                                       | 19        | 34           | 33           | 29           |
| Employee benefits                                |           | 194          | 234          | 226          |
| Lease liabilities                                | 14        | 106          | 84           | 86           |
| Derivative financial instruments                 | 11 and 12 | -            | 3            | 34           |
| Total current liabilities                        |           | <u>2,537</u> | <u>3,045</u> | <u>2,643</u> |
| Non-current liabilities:                         |           |              |              |              |
| Bank loans and long-term debt                    | 17        | 4,420        | 3,936        | 3,280        |
| Employee benefits                                | 18        | 139          | 137          | 221          |
| Provisions                                       | 19        | 31           | 22           | 17           |
| Other long-term liabilities                      |           | 66           | 75           | 41           |
| Redeemable non-controlling interests             | 12        | 367          | 375          | 316          |
| Derivative financial instruments                 | 11 and 12 | 13           | 1            | 17           |
| Deferred tax liabilities                         | 26        | 359          | 373          | 318          |
| Lease liabilities                                | 14        | 383          | 285          | 281          |
| Income tax                                       | 26        | 19           | 52           | 49           |
| Total non-current liabilities                    |           | <u>5,797</u> | <u>5,256</u> | <u>4,540</u> |
| Total liabilities                                |           | 8,334        | 8,301        | 7,183        |
| Stockholders' equity:                            |           |              |              |              |
| Share capital                                    | 22        | 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 | 2023             | 2022             | 2021             |
|--------------------------------------------|-------|------------------|------------------|------------------|
| Earned capital                             |       |                  |                  |                  |
| Retained earnings                          |       | 604              | 881              | 966              |
| Redeemable non-controlling interests       | 12    | (436)            | (436)            | (241)            |
| Share buyback reserve                      | 22    | 1,239            | 1,090            | 851              |
| Other comprehensive loss                   |       | <u>(548)</u>     | <u>(622)</u>     | <u>(595)</u>     |
|                                            |       | <u>859</u>       | <u>913</u>       | <u>981</u>       |
| Controlling interests                      |       | 2,614            | 2,668            | 2,736            |
| Non-controlling interests                  |       | <u>604</u>       | <u>655</u>       | <u>668</u>       |
| Total stockholders' equity                 |       | <u>3,218</u>     | <u>3,323</u>     | <u>3,404</u>     |
| Total liabilities and stockholders' equity |       | <u>\$ 11,552</u> | <u>\$ 11,624</u> | <u>\$ 10,587</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, 2023, 2022 and 2021**

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

|                                                              | Notes | 2023                 | 2022                 | 2021                 |
|--------------------------------------------------------------|-------|----------------------|----------------------|----------------------|
| Continuing operations:                                       |       |                      |                      |                      |
| Net sales                                                    | 29    | \$ 8,204             | \$ 9,648             | \$ 8,783             |
| Cost of sales                                                | 25    | <u>6,032</u>         | <u>7,079</u>         | <u>6,156</u>         |
| Gross profit                                                 |       | 2,172                | 2,569                | 2,627                |
| Selling and development expenses                             | 25    | 622                  | 582                  | 573                  |
| Administrative expenses                                      | 25    | 681                  | 661                  | 599                  |
| Other (income) expenses, net                                 | 25    | 20                   | (2)                  | 6                    |
| Foreign exchange loss, net                                   |       | 65                   | 13                   | 32                   |
| Interest expense                                             |       | 389                  | 285                  | 248                  |
| Interest income                                              |       | (93)                 | (30)                 | (16)                 |
| Change in fair value of redeemable non-controlling interests | 12    | (6)                  | (119)                | 28                   |
| Monetary position loss                                       | 28    | 11                   | 11                   | 4                    |
| Share of profit in associates                                |       | (2)                  | (3)                  | (1)                  |
| Impairment of goodwill                                       | 16    | <u>-</u>             | <u>136</u>           | <u>-</u>             |
| Profit before income tax                                     |       | 485                  | 1,035                | 1,154                |
| Income taxes                                                 | 26    | <u>329</u>           | <u>369</u>           | <u>381</u>           |
| Profit from continuing operations                            |       | 156                  | 666                  | 773                  |
| Discontinued operations:                                     |       |                      |                      |                      |
| Net loss from discontinued operations                        |       | <u>-</u>             | <u>(1)</u>           | <u>(1)</u>           |
| Consolidated net profit for the year                         |       | <u>156</u>           | <u>665</u>           | <u>772</u>           |
| Consolidated net profit for the year attributable to:        |       |                      |                      |                      |
| Equity holders of the parent                                 |       | \$ 65                | \$ 567               | \$ 657               |
| Non-controlling interest                                     | 20    | <u>91</u>            | <u>98</u>            | <u>115</u>           |
| Total net consolidated profit                                |       | <u>\$ 156</u>        | <u>\$ 665</u>        | <u>\$ 772</u>        |
| Basic and diluted earnings per share                         | 21    | <u>\$ 0.03</u>       | <u>\$ 0.30</u>       | <u>\$ 0.33</u>       |
| Weighted average ordinary shares outstanding                 |       | <u>1,911,707,721</u> | <u>1,918,919,097</u> | <u>1,992,657,096</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, 2023, 2022 and 2021**  
**(Amounts in millions of U.S. dollars)**

|                                                                     | Notes | 2023          | 2022          | 2021          |
|---------------------------------------------------------------------|-------|---------------|---------------|---------------|
| Net consolidated profit                                             |       | \$ 156        | \$ 665        | \$ 772        |
| Other comprehensive income:                                         |       |               |               |               |
| Items that will not be subsequently reclassified to profit or loss: |       |               |               |               |
| Actuarial gains                                                     | 18    | 3             | 53            | 41            |
| Income tax expense                                                  |       | <u>(1)</u>    | <u>(14)</u>   | <u>(10)</u>   |
|                                                                     |       | 2             | 39            | 31            |
| Items that may be reclassified subsequently to profit or loss       |       |               |               |               |
| Foreign currency translation                                        |       | 59            | (83)          | (124)         |
| Unrealized gain (loss) on valuation of financial instruments        |       | 9             | 41            | 38            |
| Income tax expense                                                  |       | <u>-</u>      | <u>(21)</u>   | <u>-</u>      |
|                                                                     |       | <u>68</u>     | <u>(63)</u>   | <u>(86)</u>   |
| Total other comprehensive (loss) income                             | □     | <u>70</u>     | <u>(24)</u>   | <u>(55)</u>   |
| Consolidated comprehensive income for the year                      |       | <u>\$ 226</u> | <u>\$ 641</u> | <u>\$ 717</u> |
| Consolidated comprehensive income attributable to:                  |       |               |               |               |
| Equity holders of the parent                                        |       | \$ 143        | \$ 540        | \$ 605        |
| Non-controlling interests                                           |       | <u>83</u>     | <u>101</u>    | <u>112</u>    |
| Consolidated comprehensive income for the year                      |       | <u>\$ 226</u> | <u>\$ 641</u> | <u>\$ 717</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 Changes in Stockholders’ Equity

For the Years Ended December 31, 2023, 2022 and 2021  
(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, 2021                                      | \$ 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                                    | 256                   | 1,475           | 24                              | 51            | 830               | (436)                                | 1,090                 | (714)                                                            | 92                                                           | 2,668                 | 655                       | 3,323           |
| Dividends declared                                                 | -                     | -               | -                               | -             | (240)             | -                                    | -                     | -                                                                | -                                                            | (240)                 | -                         | (240)           |
| Share buybacks                                                     | -                     | -               | -                               | -             | 4                 | -                                    | 14                    | (4)                                                              | -                                                            | 14                    | -                         | 14              |
| Increase in share buyback reserve                                  | -                     | -               | -                               | -             | (125)             | -                                    | 125                   | -                                                                | -                                                            | -                     | -                         | -               |
| Distribution of capital to non-controlling interests in subsidiary | -                     | -               | -                               | -             | -                 | -                                    | -                     | -                                                                | -                                                            | -                     | (134)                     | (134)           |
| Share-based payments                                               | -                     | -               | -                               | -             | 19                | -                                    | 10                    | -                                                                | -                                                            | 29                    | -                         | 29              |
| Other comprehensive (loss) income for the year                     | -                     | -               | -                               | -             | -                 | -                                    | -                     | 69                                                               | 9                                                            | 78                    | (8)                       | 70              |
| Net profit for the year                                            | -                     | -               | -                               | -             | 65                | -                                    | -                     | -                                                                | -                                                            | 65                    | 91                        | 156             |
| Balance as of December 31, 2023                                    | <u>\$ 256</u>         | <u>\$ 1,475</u> | <u>\$ 24</u>                    | <u>\$ 51</u>  | <u>\$ 553</u>     | <u>\$ (436)</u>                      | <u>\$ 1,239</u>       | <u>\$ (649)</u>                                                  | <u>\$ 101</u>                                                | <u>\$ 2,614</u>       | <u>\$ 604</u>             | <u>\$ 3,218</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, 2023, 2022 and 2021**

**(Amounts in millions of U.S. dollars)**

|                                                                                     | 2023   | 2022   | 2021   |
|-------------------------------------------------------------------------------------|--------|--------|--------|
| Operating activities:                                                               |        |        |        |
| Consolidated net profit for the year                                                | \$ 156 | \$ 665 | \$ 772 |
| Adjustments for:                                                                    |        |        |        |
| Income tax expense                                                                  | 329    | 369    | 381    |
| Loss from discontinued operations                                                   | -      | 1      | -      |
| Employee benefit cost                                                               | 11     | 8      | 7      |
| Depreciation and amortization                                                       | 610    | 581    | 598    |
| (Gain) loss on sale of fixed assets                                                 | (7)    | (2)    | 6      |
| Unrealized foreign exchange loss                                                    | 51     | 11     | 31     |
| Impairment of assets                                                                | 8      | -      | 14     |
| Impairment of goodwill                                                              | -      | 136    | -      |
| Change in fair value of redeemable non-controlling interests                        | (6)    | (119)  | 28     |
| Changes in provisions                                                               | 10     | 15     | 18     |
| Share of profit of associates                                                       | (2)    | (3)    | (1)    |
| Interest income                                                                     | (93)   | (30)   | (16)   |
| Interest expense                                                                    | 389    | 285    | 248    |
| Net Cash Flow generated from operating activities before changes in working capital | 1,456  | 1,917  | 2,086  |
| Working capital adjustments:                                                        |        |        |        |
| (Increase)/decrease in:                                                             |        |        |        |
| Trade receivables                                                                   | 139    | 107    | (318)  |
| Inventories                                                                         | 115    | (33)   | (455)  |
| Other assets                                                                        | 251    | (138)  | (48)   |
| Assets held for sale                                                                | -      | -      | 7      |
| Increase/(decrease) in:                                                             |        |        |        |
| Suppliers                                                                           | (145)  | (204)  | 210    |
| Related parties                                                                     | (1)    | (2)    | 5      |
| Other liabilities                                                                   | (140)  | 98     | (18)   |
| Interest received                                                                   | 93     | 30     | 16     |
| Liabilities associated with assets held for sale                                    | -      | -      | (6)    |
| Income tax paid                                                                     | (371)  | (488)  | (243)  |
| Net cash flows from operating activities                                            | 1,397  | 1,287  | 1,236  |
| Investing activities:                                                               |        |        |        |
| Purchase of machinery and equipment                                                 | (589)  | (470)  | (286)  |
| Investments in other assets and intangible assets                                   | (95)   | (67)   | (27)   |
| Sale of machinery and equipment                                                     | 10     | 11     | 18     |
| Acquisition of equity investment in associates                                      | (14)   | (11)   | -      |
| Acquisition of subsidiaries, net of cash acquired                                   | (8)    | (225)  | (48)   |
| Net cash flows used in investing activities                                         | (696)  | (762)  | (343)  |

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, 2023, 2022 and 2021**

**(Amounts in millions of U.S. dollars)**

|                                                           | 2023            | 2022            | 2021          |
|-----------------------------------------------------------|-----------------|-----------------|---------------|
| Financing activities:                                     |                 |                 |               |
| Proceeds from loans obtained                              | 797             | 1,908           | 1,589         |
| Repayment of loans                                        | (729)           | (773)           | (1,684)       |
| Interest paid                                             | (388)           | (258)           | (271)         |
| Lease payments                                            | (91)            | (92)            | (97)          |
| Dividends paid                                            | (240)           | (299)           | (200)         |
| Distribution to non-controlling interests in subsidiaries | (134)           | (141)           | (135)         |
| Share buybacks                                            | <u>8</u>        | <u>(142)</u>    | <u>(165)</u>  |
| Net cash flows (used in) / from financing activities      | (777)           | 203             | (963)         |
| Adjustment for effects of foreign exchange differences    | <u>(14)</u>     | <u>36</u>       | <u>(23)</u>   |
| Net increase/(decrease) in cash and cash equivalents      | (90)            | 764             | (93)          |
| Cash and cash equivalents at beginning of year            | <u>1,546</u>    | <u>782</u>      | <u>875</u>    |
| Cash and cash equivalents at the end of year              | <u>\$ 1,456</u> | <u>\$ 1,546</u> | <u>\$ 782</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, 2023, 2022 and 2021**

**(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 Fluor & Energy Materials (Koura) operating segments. The five Orbia business groups have a collective focus on expanding access to health and well-being, reinventing the future of cities and homes, ensuring food, water and sanitation security, connecting communities to information and enabling the energy transition with basic and advanced materials, specialty products and innovative solutions. Orbia has a global team of over 24,000 employees, commercial activities in more than 100 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**

### **2023**

**Rebranding:** In December 2023, the Company's business group formerly known as Fluorinated Solutions was rebranded to Fluor & Energy Materials. It will continue to use the commercial brand Koura.

**Joint Venture:** In November 2023, the Company's Fluor & Energy Materials business signed a joint venture agreement with Syensqo (formerly Solvay) to create the largest polyvinylidene fluoride (PVDF) production facilities for battery materials in the North America region with production expected to begin in 2026.

**Issuance of Sustainability Linked Notes:** In August 2023, the Company issued an additional 7.9 billion Mexican Pesos (MXP) and 2.1 billion MXP under the same terms as the first and second offering of short and long-term notes (*certificados bursátiles*) with "sustainability-linked bond" features that were issued in 2022 as described further below.

**Israel and Hamas Conflict:** In October 2023, Israel was attacked by the terrorist organization of Hamas. The Company has manufacturing operations related to its Precision Agriculture business in Israel. This conflict has not had a material impact on the Company's financial condition or results of operations. Continued conflict involving Israel or more broadly in the Middle East could disrupt our production or ability to make and supply certain Precision Agriculture products.

### **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.



**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 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 TIIE (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 Fluor & Energy Materials 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, 2023 and 2022, the Company had no notes outstanding under the program and €101 million outstanding 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 2022 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%.

### 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) as issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods beginning on or after January 1, 2023.

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 IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies.***

The Company has adopted the amendments to IAS 1 that require that significant accounting policies are replaced with material accounting policy information. 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.

#### ***Amendment to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction.***

The Company has adopted the amendment to IAS 12 that requires an entity to recognize deferred tax asset and liabilities for transactions that give rise to equal and offsetting temporary differences, such as the initial recognition of a lease right-of-use asset and related liability, with any related decommission provision. The recognition of any deferred tax asset would also be subject to assessment under the recoverability criteria in IAS 12. The adoption did not have a material effect on the Company’s financial statements.



### **Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules***

The Company has adopted the amendments to IAS 12 that clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD), which include minimum “top-up” taxes to meet the required minimum effective tax rates established by the Pillar 2 rules.

The amendments also introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes. Accordingly, Orbia has disclosed that it has taken the temporary exception in Note 26.

### **Amendments to IAS 8 *Changes in Accounting Policies, Estimates, and Errors – Definition of Accounting Estimate*.**

The group has adopted the amendments to IAS 8 that replace the definition of a change in accounting estimates with a definition of accounting estimates. The definition of a change in accounting estimates was deleted and has defined accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”.

### **New and Revised Accounting Standards Issued but Not Yet Effective**

At the date of authorization of these financial statements, Orbia has not applied the following new and revised IFRS Accounting Standards that have been issued but are 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 apply in situations where 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.

Application of these amendments may have an impact on Orbia’s consolidated financial statements in future periods should such transactions arise.

### **Amendments to IAS 1 *Presentation of Financial Statements—Classification of Liabilities as Current or Non-current and Non-Current Liabilities with Covenants***

The amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on the Company’s rights to defer payments that are in existence at the end of the reporting period, and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The existence of such rights is dependent upon whether applicable covenants are complied with on or before the end of the reporting period. However, if the entity’s right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period.



Such covenant information includes the nature of the covenants and when the entity is required to comply with them, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted.

The Company is assessing the potential impact of adoption that these amendments will have on its consolidated financial statements but does not expect the adoption of these amendments to be material.

***Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements.***

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity’s liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity’s exposure to concentration of liquidity risk.

The term ‘supplier finance arrangements’ is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity’s statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition relief for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after January 1, 2024.

The Company is assessing the potential impact of adoption that these amendments will have on its consolidated financial statements but does not expect the adoption of these amendments to be material.

***Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback***

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenues From Contracts with Customers* to be accounted for as a sale. The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ such that the seller-lessee does not recognize a gain or loss that relates to the right of use asset retained by the seller-lessee after the commencement date. The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease.



The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted with required disclosure. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

The Company is assessing the potential impact of adoption that these amendments will have on its consolidated financial statements but does not expect the adoption of these amendments to be material.

#### 4. Material 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.

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 as 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. The Company recognized the effects of inflation on its operations in Venezuela, Argentina and Turkey. Refer to Note 28 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 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       | 30    |
| Machinery and equipment        | 10-20 |
| Office furniture and equipment | 3-10  |
| Automotive equipment           | 5-25  |

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 *Provisions, Contingent Liabilities and Contingent Assets*. 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 \$75 million, \$58 million and \$40 million as of December 31, 2023, 2022 and 2021, respectively, and the Company's share of profits of associates across its equity investments was \$2 million, \$3 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.

**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, 2023, 2022 and 2021, 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 *Financial Instruments* (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 holds net investment hedges for its investments in euro denominated entities as of December 31, 2023.

***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 consists of current and deferred tax. 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.

**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 Fluor & Energy Materials (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 29.

**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 sell 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. 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 material 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 (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 realized in the future 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 2023, 2022 and 2021, these transactions represented additions to right-of-use assets totaling \$231 million, \$112 million and \$141 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, which did not generate nor consume cash.

In addition, in 2022 the Company acquired debt of \$24 million from business combinations that did not generate nor consume cash.

## 7. Cash and Cash Equivalents

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

|                           | 2023            | 2022<br>(In millions) | 2021          |
|---------------------------|-----------------|-----------------------|---------------|
| Cash and bank papers      | \$ 1,153        | \$ 1,286              | \$ 592        |
| Cash equivalents:         |                 |                       |               |
| Highly liquid investments | 303             | 260                   | 190           |
|                           | <u>\$ 1,456</u> | <u>\$ 1,546</u>       | <u>\$ 782</u> |

## 8. Accounts Receivable

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

|                                                     | 2023            | 2022<br>(In millions) | 2021            |
|-----------------------------------------------------|-----------------|-----------------------|-----------------|
| Trade receivables                                   | \$ 1,178        | \$ 1,309              | \$ 1,452        |
| Less - Allowance for current expected credit losses | (80)            | (80)                  | (82)            |
|                                                     | <u>1,098</u>    | <u>1,229</u>          | <u>1,370</u>    |
| Recoverable taxes and other                         | 363             | 430                   | 225             |
|                                                     | <u>\$ 1,461</u> | <u>\$ 1,659</u>       | <u>\$ 1,595</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, 2023, 2022, 2021 the Company had 5%, 7%, and 7% 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, 2023, 2022 and 2021 were as follows:

|                                      | 2023<br>(In millions) | 2022         | 2021         |
|--------------------------------------|-----------------------|--------------|--------------|
| Beginning balance                    | \$ 80                 | \$ 82        | \$ 66        |
| Charge to profit or loss             | 4                     | 4            | 22           |
| Charges against the allowance        | (4)                   | (4)          | (4)          |
| Foreign currency translation reserve | <u>-</u>              | <u>(2)</u>   | <u>(2)</u>   |
| Ending balance                       | <u>\$ 80</u>          | <u>\$ 80</u> | <u>\$ 82</u> |

## 9. Inventories

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

|                                                           | 2023<br>(In millions) | 2022            | 2021            |
|-----------------------------------------------------------|-----------------------|-----------------|-----------------|
| Finished products                                         | \$ 779                | \$ 900          | \$ 830          |
| Raw materials                                             | 363                   | 375             | 362             |
| Merchandise in transit                                    | 100                   | 81              | 122             |
| Spare parts                                               | <u>51</u>             | <u>47</u>       | <u>45</u>       |
|                                                           | 1,293                 | 1,403           | 1,359           |
| Less - Allowance for obsolete and slow-moving inventories | <u>(93)</u>           | <u>(83)</u>     | <u>(67)</u>     |
|                                                           | <u>\$ 1,200</u>       | <u>\$ 1,320</u> | <u>\$ 1,292</u> |

The movements of the allowance for obsolete and slow-moving inventories for the years ended December 31, 2023, 2022 and 2021 were as follows:

|                                      | 2023<br>(In millions) | 2022         | 2021         |
|--------------------------------------|-----------------------|--------------|--------------|
| Beginning balance on January 1       | \$ 83                 | \$ 67        | \$ 65        |
| Charge to profit or loss             | 26                    | 21           | 8            |
| Charges against the allowance        | (14)                  | (4)          | (4)          |
| Foreign currency translation reserve | <u>(2)</u>            | <u>(1)</u>   | <u>(2)</u>   |
| Ending balance on December 31        | <u>\$ 93</u>          | <u>\$ 83</u> | <u>\$ 67</u> |

As of December 31, 2023, 2022 and 2021 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 an 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. As of December 31, 2023 the Company's loan agreements contain certain affirmative and negative covenants as described further in Note 17.

The net debt ratio as of December 31, 2023, 2022 and 2021 was 2.35, 1.65 and 1.34, respectively. The interest coverage ratio for the years ended December 31, 2023, 2022 and 2021 was 3.81, 7.27 and 9.04, 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) and Secured Overnight Financing Rate (SOFR) that may impact the Company's bank loans and short-term debt. A hypothetical increase of the TIIE 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 SOFR and TIIE 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.

**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, 2023                                         | Weighted average<br>effective interest rate | Less than 1 year | More than one year<br>and less than 3 |                   | 3 years and thereafter | Total |
|-----------------------------------------------------------------|---------------------------------------------|------------------|---------------------------------------|-------------------|------------------------|-------|
|                                                                 | %                                           |                  | (In Millions)                         |                   |                        |       |
| Bank loans and general market                                   | 4.20                                        | \$ 732           | \$ 1,841                              | \$ 5,063          | \$ 7,636               |       |
| Suppliers and letters of credit <sup>(1)</sup>                  | 7.06                                        | 1,228            | -                                     | -                 | 1,228                  |       |
| Other accounts payable and other                                |                                             | 634              | 42                                    | 183               | 859                    |       |
| Redeemable non-controlling interest <sup>(2)</sup>              |                                             | 300              | -                                     | 140               | 440                    |       |
| Lease liabilities                                               | 5.37%                                       | 115              | 69                                    | 348               | 532                    |       |
| Derivative financial instruments (net cash flow) <sup>(3)</sup> |                                             | <u>(7)</u>       | <u>(13)</u>                           | <u>(2)</u>        | <u>(22)</u>            |       |
| Total                                                           |                                             | <u>3,002</u>     | <u>1,939</u>                          | <u>5,732</u>      | <u>10,673</u>          |       |
| Cash and cash equivalents                                       |                                             | 1,456            | -                                     | -                 | 1,456                  |       |
| Trade and other accounts receivable                             |                                             | <u>1,116</u>     | <u>180</u>                            | <u>5</u>          | <u>1,301</u>           |       |
| Total                                                           |                                             | <u>2,572</u>     | <u>180</u>                            | <u>5</u>          | <u>2,757</u>           |       |
| Net                                                             |                                             | <u>\$ (430)</u>  | <u>\$ (1,759)</u>                     | <u>\$ (5,727)</u> | <u>\$ (7,916)</u>      |       |

| As of December 31, 2022                          | Weighted average<br>effective interest rate | Less than 1 year | More than one year<br>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 <sup>(1)</sup>   | 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) | -                                           | <u>3</u>         | <u>-</u>                              | <u>1</u>          | <u>4</u>               |       |
| Total                                            | -                                           | <u>3,187</u>     | <u>906</u>                            | <u>6,361</u>      | <u>10,454</u>          |       |
| Cash and cash equivalents                        | -                                           | 1,546            | -                                     | -                 | 1,546                  |       |
| Trade and other accounts receivable              | -                                           | <u>1,332</u>     | <u>66</u>                             | <u>-</u>          | <u>1,398</u>           |       |
| Total                                            | -                                           | <u>2,878</u>     | <u>66</u>                             | <u>-</u>          | <u>2,944</u>           |       |
| Net                                              | -                                           | <u>\$ (309)</u>  | <u>\$ (840)</u>                       | <u>\$ (6,361)</u> | <u>\$ (7,510)</u>      |       |



| As of December 31, 2021                          | Weighted average<br>effective interest rate<br>% | Less than 1 year | More than one year<br>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 <sup>(1)</sup>   | 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> |

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

(2) Redeemable non-controlling interest includes the earliest period the put option can be called

(3) Includes interest coupon payments earned on outstanding derivative positions

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, 2023, the Company has access to a revolving line of credit with an unused balance of \$850 million that is under negotiation for extension as it is currently set to expire in 2024.

**Foreign exchange risk management** - The Company frequently transacts in currencies other than its functional 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 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 | 2023            | 2022<br>(In millions) | 2021            |
|---------------------|-----------------|-----------------------|-----------------|
| Euro                | \$ (48)         | \$ (52)               | \$ (76)         |
| Mexican pesos       | (143)           | (87)                  | (21)            |
| US Dollar           | -               | (1)                   | (7)             |
| Colombian pesos     | (3)             | 1                     | (5)             |
| Brazilian real      | 9               | 8                     | -               |
| Pounds sterling     | (12)            | (8)                   | -               |
| Others              | <u>5</u>        | <u>4</u>              | <u>-</u>        |
|                     | <u>\$ (192)</u> | <u>\$ (135)</u>       | <u>\$ (109)</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, 2023:

- Swap: Cross Currency Swap, to exchange fixed interest rate in EURO to a fixed interest rate in USD.
- Forwards: Fifty one active forward contracts and six 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, 2023, 2022 and 2021. 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.

### 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)                         | 2023             | Fair value<br>2022<br>(In Millions) | 2021             | Fair value<br>hierarchy | Valuation techniques and input data                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------|------------------|-------------------------------------|------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1) Exchange rate and interest rate swap<br>(see Note 12) | \$ -             | \$ -                                | \$ 1             | 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<br>Note 12)          | (12)             | -                                   | (50)             | Level 2                 | The Company uses the ratio analysis method under the hypothetical derivative 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.        |
| Financial Assets & (Liabilities)                         | 2023             | Fair value<br>2022<br>(In Millions) | 2021             | Fair value<br>hierarchy | Valuation techniques and input data                                                                                                                                                                                                                                                                                                               |
| 3) Forward contracts (see Note 12)                       | <u>-</u><br>(12) | <u>(3)</u><br>(3)                   | <u>-</u><br>(49) | 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. |
| Less - Current portion – Net                             | <u>1</u>         | <u>(2)</u>                          | <u>(32)</u>      |                         |                                                                                                                                                                                                                                                                                                                                                   |
| Total                                                    | <u>\$ (13)</u>   | <u>\$ (1)</u>                       | <u>\$ (17)</u>   |                         |                                                                                                                                                                                                                                                                                                                                                   |

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

|                                                                            | 2023              |                   | 2022              |                   | 2021              |                   |
|----------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                            | Carrying amount   | Fair value        | Carrying amount   | Fair value        | Carrying amount   | Fair value        |
|                                                                            | (In Millions)     |                   |                   |                   |                   |                   |
| <b>Financial assets:</b>                                                   |                   |                   |                   |                   |                   |                   |
| Cash and cash equivalents                                                  | \$ 1,456          | \$ 1,456          | \$ 1,546          | \$ 1,546          | \$ 782            | \$ 782            |
| <b>Loans and receivables:</b>                                              |                   |                   |                   |                   |                   |                   |
| Trade receivables and other current assets                                 | 1,463             | 1,463             | 1,661             | 1,661             | 1,596             | 1,596             |
| Redeemable non-controlling interests                                       | (367)             | (367)             | (375)             | (375)             | (316)             | (316)             |
| Bank loans and current portion of long-term debt                           | (4,886)           | (4,593)           | (4,696)           | (4,273)           | (3,520)           | (3,932)           |
| Other liabilities excluding employee benefits and deferred tax liabilities | <u>(2,389)</u>    | <u>(2,582)</u>    | <u>(2,721)</u>    | <u>(2,721)</u>    | <u>(2,808)</u>    | <u>(2,808)</u>    |
| Total                                                                      | <u>\$ (4,723)</u> | <u>\$ (4,430)</u> | <u>\$ (4,585)</u> | <u>\$ (4,162)</u> | <u>\$ (4,266)</u> | <u>\$ (4,678)</u> |



The fair values shown as of December 31, 2023, 2022 and 2021 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. The Company has no level 3 financial instruments.

## 12. Derivative Financial Instruments

### Foreign currency forwards

During fiscal year 2023, the Company contracted exchange rate Forwards mainly in the following currencies: euro, U.S. dollar (USD), Brazilian real (BRL), Israeli new shekel (INS), Turkish lira (TYL), Australian dollar (AUD), Indian rupee (INR) and South African rand (ZAR) with maturities shorter than one year.

### 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, 2023 and 2022, the fair value of the option was \$44 million and \$115 million respectively, with a corresponding benefit of \$71 million and \$63 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, 2023 and 2022, respectively, to reflect the changes in fair value in those periods.

**“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, 2023, 2022, and 2021, the fair value of the option was \$57 million, \$43 million and \$28 million, respectively, with a corresponding expense of \$14 million, \$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, 2023, 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, 2023, 2022, and 2021, the fair value of the option was \$267 million, \$217 million and \$288 million, respectively, with a corresponding expense of \$50 million, benefit of \$71 million and expense of \$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, 2023, 2022 and 2021, 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 2023, 2022, and 2021 are accounted for as hedging transactions. The fair value of these swaps contracts as of December 31, 2023, 2022 and 2021 was \$12 million, less than a million and \$48 million, respectively. Changes in fair value were recognized in other comprehensive income and as foreign exchange gain/(loss).

In January 2023, the Company entered into a MXP/USD full cross-currency swap on its *certificados bursátiles* fixed rate debt with a notional value of \$397 million. The cross-currency swap was cancelled in July 2023 resulting in the recognition of a \$57 million foreign exchange gain and \$4 million interest income. The remaining amount within other comprehensive income will be amortized over the remaining period of the debt.

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<br>(In millions) | Swap amount<br>(In millions) | Interest rate /<br>exchange rate swap | Interest rate /<br>exchange rate at year<br>end | Fair value as of<br>December 31, 2023<br>(In millions) |
|----------------------------------|-------------------------------------|------------|---------------|----------------------------------|------------------------------|---------------------------------------|-------------------------------------------------|--------------------------------------------------------|
| Principal-Only swap<br>EUR/USD   | Different financial<br>institutions | 08/04/2023 | 08/04/2028    | USD \$ 657.6                     | EUR \$600                    | 1.07% / 1.10                          | 1.30% / 1.10                                    | \$ (12)                                                |
| Forward FX                       | Different financial<br>institutions | 07/25/2023 | 06/07/2024    | USD \$ 64.1                      | ILS \$236.9                  | 3.6968 (USD/ILS)                      | 3.6195 (USD/ILS)                                | 1                                                      |
| Forwards FX                      | Different financial<br>institutions | 04/01/2011 | 03/25/2027    | USD \$ 5                         | -                            | -                                     | 0.0452 (INR/ILS)                                | _____ (1)                                              |
|                                  |                                     |            |               |                                  |                              |                                       |                                                 | <u>\$ _____ (12)</u>                                   |

| Derivative financial instruments | Financial institution               | Start date | Maturity date | Notional amount<br>(In millions) | Swap amount<br>(In millions) | Interest rate /<br>exchange rate swap | Interest rate /<br>exchange rate at year<br>end | Fair value as of<br>December 31, 2022<br>(In millions) |
|----------------------------------|-------------------------------------|------------|---------------|----------------------------------|------------------------------|---------------------------------------|-------------------------------------------------|--------------------------------------------------------|
| Interest Rate Swap               | Wells Fargo                         | 02/05/2008 | 02/05/2023    | USD \$ 4.6                       | USD \$4.6                    | 4.3835% (Libor<br>1M)                 | 4.3835% (Libor<br>1M)                           | \$ -                                                   |
| Exchange rate forward            | Different financial<br>institutions | 08/15/2022 | 11/30/2023    | USD \$ 27                        | EUR \$25                     | 0.9341 (EUR/USD)                      | 0.9341 (EUR/USD)                                | (1)                                                    |
| Exchange rate forward            | Different financial<br>institutions | 02/24/2022 | 12/07/2023    | USD \$ 83                        | ILS \$291                    | 3.5199 (USD/ILS)                      | 3.5199 (USD/ILS)                                | (1)                                                    |
| Exchange rate forward            | Different financial<br>institutions | 04/01/2021 | 03/25/2027    | USD \$ 5                         | -                            | -                                     | 0.0425 (INR/ILS)                                | _____ (1)                                              |
|                                  |                                     |            |               |                                  |                              |                                       |                                                 | <u>\$ _____ (3)</u>                                    |



| Derivative financial instruments | Financial institution            | Start date | Maturity date | Notional amount<br>(In millions) | Swap amount<br>(In millions) | Interest rate /<br>exchange rate swap | Interest rate /<br>exchange rate at<br>year end | Fair value as of<br>December 31, 2021<br>(In millions) |
|----------------------------------|----------------------------------|------------|---------------|----------------------------------|------------------------------|---------------------------------------|-------------------------------------------------|--------------------------------------------------------|
| Principal-Only swap<br>EUR/USD   | Morgan Stanley                   | 06/10/2015 | 03/17/2022    | USD \$97                         | EUR \$100                    | 1.6006% / 0.9672                      | 1.6006% / 1.1369                                | \$ (17)                                                |
| Principal-Only swap<br>EUR/USD   | Santander                        | 06/11/2015 | 03/17/2022    | USD \$97                         | EUR \$101                    | 1.7200% / 0.9639                      | 1.7200% / 1.1369                                | (17)                                                   |
| Principal-Only swap<br>EUR/USD   | Citi Banamex                     | 12/03/2015 | 03/17/2025    | USD \$121                        | EUR \$114                    | 1.7500% / 1.0615                      | 1.7500% / 1.1369                                | (8)                                                    |
| Principal-Only swap<br>EUR/USD   | Barclays                         | 12/03/2015 | 03/17/2025    | USD \$121                        | EUR \$114                    | 1.5500% / 1.0615                      | 1.5500% / 1.1369                                | (7)                                                    |
| Cross Currency Swap<br>USD/MXN   | BBVA                             | 12/13/2021 | 06/13/2022    | USD \$24                         | MXN \$500                    | 0.06% / 21.1790                       | 0.06% / 20.5833                                 | 1                                                      |
| Exchange rate forward            | Different financial institutions | 04/27/2021 | 03/25/2022    | USD \$22                         | INR \$ 1,653                 | 0.0131 (INR/USD)                      | 0.0135 (INR/USD)                                | (1)                                                    |
| Exchange rate forward            | Different financial institutions | 12/29/2021 | 01/05/2022    | USD \$10                         | TRY \$125                    | 0.082 (TRY/USD)                       | 0.0752 (TRY/USD)                                | 1                                                      |
| Exchange rate forward            | Different financial institutions | 08/05/2021 | 08/08/2022    | ILS \$218                        | USD \$69                     | 3.1368 (USD/ILS)                      | 3.1192 (USD/ILS)                                | 1                                                      |
| Exchange rate forward            | Different financial institutions | 04/01/2021 | 03/25/2027    | USD \$5                          | -                            | 0.0416 (INR/ILS)                      | 0.0416 (INR/ILS)                                | (2)                                                    |
|                                  |                                  |            |               |                                  |                              |                                       |                                                 | <u>\$ (49)</u>                                         |

### 13. Property, Plant and Equipment

For the years ended December 31, 2023, 2022 and 2021, the carrying amounts of property, plant and equipment recognized and the movements during those periods were as follows:

|                                   | Balance as of<br>December 31,<br>2022 | Additions     | Reclassifications <sup>1</sup> | Disposals      | Transferred to<br>property, plant<br>and equipment<br>(In millions) | Loss on<br>Impairment | Hyperinflationary<br>restatement effect | Foreign currency<br>translation<br>reserve | Balance as of<br>December 31,<br>2023 |
|-----------------------------------|---------------------------------------|---------------|--------------------------------|----------------|---------------------------------------------------------------------|-----------------------|-----------------------------------------|--------------------------------------------|---------------------------------------|
| Investment:                       |                                       |               |                                |                |                                                                     |                       |                                         |                                            |                                       |
| Land                              | \$ 204                                | \$ 3          | \$ -                           | \$ (4)         | \$ -                                                                | \$ -                  | \$ 2                                    | \$ 1                                       | \$ 212                                |
| Buildings and structures          | 1,069                                 | 39            | -                              | (8)            | 31                                                                  | -                     | 2                                       | 5                                          | 1,138                                 |
| Machinery and equipment           | 6,067                                 | 146           | 3                              | (61)           | 141                                                                 | -                     | 12                                      | 44                                         | 6,352                                 |
| Office furniture and<br>equipment | 181                                   | 6             | 18                             | (5)            | 9                                                                   | -                     | -                                       | 1                                          | 210                                   |
| Automotive equipment              | 43                                    | 1             | -                              | (2)            | -                                                                   | -                     | -                                       | -                                          | 42                                    |
| Projects in process               | 366                                   | 394           | (1)                            | (1)            | (187)                                                               | -                     | (1)                                     | 2                                          | 572                                   |
| Total investment                  | 7,930                                 | 589           | 20                             | (81)           | -                                                                   | -                     | 15                                      | 53                                         | 8,526                                 |
| Depreciation:                     |                                       |               |                                |                |                                                                     |                       |                                         |                                            |                                       |
| Buildings and structures          | \$ 667                                | \$ 42         | \$ -                           | \$ (4)         | \$ -                                                                | \$ -                  | \$ 7                                    | \$ 3                                       | \$ 715                                |
| Machinery and equipment           | 3,913                                 | 321           | 2                              | (54)           | -                                                                   | -                     | 6                                       | 39                                         | 4,227                                 |
| Office furniture and<br>equipment | 149                                   | 17            | 22                             | (7)            | -                                                                   | -                     | -                                       | 1                                          | 182                                   |
| Automotive equipment              | 31                                    | 3             | -                              | (2)            | -                                                                   | -                     | -                                       | -                                          | 32                                    |
| Total accumulated<br>depreciation | 4,760                                 | 383           | 242                            | (67)           | -                                                                   | -                     | 13                                      | 43                                         | 5,156                                 |
| Net investment                    | <u>\$ 3,170</u>                       | <u>\$ 206</u> | <u>\$ (4)</u>                  | <u>\$ (14)</u> | <u>\$ -</u>                                                         | <u>\$ -</u>           | <u>\$ 2</u>                             | <u>\$ 10</u>                               | <u>\$ 3,370</u>                       |



|                                   | Balance as of<br>December 31,<br>2021 | Additions      | Additions<br>through business<br>combinations | Disposals      | Transferred to<br>property, plant<br>and equipment<br>(In millions) | Loss on<br>impairment | Hyperinflationary<br>restatement effect | Foreign currency<br>translation<br>reserve | Balance as of<br>December 31,<br>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<br>equipment | 173                                   | 8              | 6                                             | (1)            | 8                                                                   | -                     | 1                                       | (14)                                       | 181                                   |
| Automotive equipment              | 42                                    | 2              | 1                                             | (3)            | 1                                                                   | -                     | -                                       | -                                          | 43                                    |
| Projects in process               | 215                                   | 310            | 1                                             | -              | (154)                                                               | -                     | -                                       | (6)                                        | 366                                   |
| 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<br>equipment | 143                                   | 15             | 3                                             | (4)            | -                                                                   | -                     | -                                       | (8)                                        | 149                                   |
| Automotive equipment              | 31                                    | 1              | -                                             | (3)            | -                                                                   | -                     | 1                                       | 1                                          | 31                                    |
| Total accumulated<br>depreciation | 4,603                                 | 336            | 56                                            | (102)          | -                                                                   | -                     | 1                                       | (134)                                      | 4,760                                 |
| 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<br>December 31,<br>2020 | Additions      | Additions through<br>business<br>combinations | Disposals      | Transferred to<br>property, plant<br>and equipment<br>(In millions) | Loss on<br>impairment | Hyperinflationary<br>restatement effect | Foreign currency<br>translation<br>reserve | Balance as of<br>December 31,<br>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<br>equipment | 172                                   | 6              | 1                                             | (4)            | 6                                                                   | (1)                   | -                                       | (7)                                        | 173                                   |
| Automotive equipment              | 45                                    | -              | 2                                             | (4)            | -                                                                   | -                     | -                                       | (1)                                        | 42                                    |
| Projects in process               | 174                                   | 204            | 1                                             | -              | (159)                                                               | (2)                   | -                                       | (3)                                        | 215                                   |
| 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<br>equipment | 140                                   | 13             | -                                             | (3)            | -                                                                   | -                     | -                                       | (6)                                        | 144                                   |
| Automotive equipment              | 28                                    | 3              | 2                                             | (1)            | -                                                                   | -                     | -                                       | (1)                                        | 31                                    |
| Total accumulated<br>depreciation | 4,473                                 | 355            | 14                                            | (86)           | -                                                                   | (5)                   | -                                       | (148)                                      | 4,603                                 |
| 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>                       |

1) Represents a gross up of fully depreciated fixed assets and certain assets to intangibles

At each reporting date, Orbia reviews the carrying amounts of its property, plant and equipment assets for potential indicators of impairment. Impairment charges were as follows in the periods presented: nil, nil and \$14 million in the years ended December 31, 2023, 2022 and 2021, 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

|                                | Balance as of<br>December 31, 2022 | Direct additions    | Disposals<br>(In millions) | Foreign currency<br>translation reserve | Balance as of<br>December 31, 2023 |
|--------------------------------|------------------------------------|---------------------|----------------------------|-----------------------------------------|------------------------------------|
| Investment:                    |                                    |                     |                            |                                         |                                    |
| Land                           | \$ 39                              | \$ 6                | \$ -                       | \$ 5                                    | \$ 50                              |
| Building                       | 245                                | 134                 | (11)                       | (2)                                     | 366                                |
| Machinery and equipment        | 144                                | 16                  | (12)                       | 2                                       | 150                                |
| Office furniture and equipment | 3                                  | 4                   | (1)                        | -                                       | 6                                  |
| Automotive equipment           | 240                                | 72                  | (7)                        | (10)                                    | 295                                |
| Total investment               | <u>671</u>                         | <u>232</u>          | <u>(31)</u>                | <u>(5)</u>                              | <u>867</u>                         |
| Land                           | 5                                  | 3                   | 1                          | 1                                       | 10                                 |
| Building                       | 93                                 | 33                  | (7)                        | (1)                                     | 118                                |
| Machinery and equipment        | 59                                 | 23                  | (12)                       | 1                                       | 71                                 |
| Office furniture and equipment | 3                                  | 2                   | (1)                        | -                                       | 4                                  |
| Automotive equipment           | 153                                | 58                  | (5)                        | (11)                                    | 195                                |
| Total accumulated depreciation | <u>313</u>                         | <u>119</u>          | <u>(24)</u>                | <u>(10)</u>                             | <u>398</u>                         |
| Net investment                 | <u>\$ 358</u>                      | <u>\$ 113</u>       | <u>\$ (7)</u>              | <u>\$ 5</u>                             | <u>\$ 469</u>                      |
|                                | Balance as of<br>December 31, 2021 | Direct additions    | Disposals                  | Foreign currency<br>translation reserve | Balance as of<br>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           | 198                                | 57                  | (5)                        | (10)                                    | 240                                |
| Total Investment               | <u>591</u>                         | <u>112</u>          | <u>(22)</u>                | <u>(10)</u>                             | <u>671</u>                         |
| 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           | 115                                | 52                  | (5)                        | (9)                                     | 153                                |
| 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<br>December 31, 2020 | Direct<br>additions | Disposals                  | Foreign currency<br>translation reserve | Balance as of<br>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           | 165                                | 50                  | (8)                        | (9)                                     | 198                                |
| Total Investment               | <u>504</u>                         | <u>141</u>          | <u>(31)</u>                | <u>(23)</u>                             | <u>591</u>                         |



|                                | Balance as of<br>December 31, 2020 | Direct<br>additions | Disposals      | Foreign currency<br>translation reserve | Balance as of<br>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           | 78                                 | 49                  | (5)            | (7)                                     | 115                                |
| 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>                      |

### Lease liability

For the years ended December 31, 2023, 2022 and 2021, the carrying amounts of lease liabilities recognized and the movements during those periods were as follows:

|                                           | Amount<br>(In millions) |
|-------------------------------------------|-------------------------|
| Lease liabilities as of January 1, 2021   | \$ 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                     |
| New lease liabilities                     | 231                     |
| Business combination                      | -                       |
| Disposals                                 | (30)                    |
| Cash outflows from lease payments         | (91)                    |
| Foreign currency translation reserve      | <u>10</u>               |
| Lease liabilities as of December 31, 2023 | 489                     |
| Current lease liability                   | <u>106</u>              |
| Non-current lease liability               | <u>\$ 383</u>           |

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

|                       | 2023          | 2022<br>(In millions) | 2021          |
|-----------------------|---------------|-----------------------|---------------|
| 1 year                | \$ 106        | \$ 84                 | \$ 86         |
| 2 years               | 73            | 63                    | 55            |
| 3 years               | 61            | 45                    | 42            |
| 4 years <sup>1</sup>  | 44            | 44                    | 43            |
| 5 years <sup>1</sup>  | 32            | 133                   | 141           |
| >5 years <sup>1</sup> | <u>173</u>    | <u>-</u>              | <u>-</u>      |
|                       | <u>\$ 489</u> | <u>\$ 369</u>         | <u>\$ 367</u> |



1) Fiscal 2022 and 2021 included four years and greater in the table, broken out to five in 2023.

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, 2023, 2022 and 2021 was \$20 million, \$17 million and \$18 million, respectively.

## 15. Business Combinations

### 2023 Acquisitions:

In fiscal 2023 the Company did not enter into any acquisitions that it deemed to be material.

### 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 discussed in further detail in Note 12.

The purchase accounting for the Vectus acquisition was finalized in fiscal 2023 resulting in an increase of \$12 million in goodwill with a corresponding \$13 million increase to deferred tax liabilities and \$1 million intangible assets.

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

|                                                                                   | USD millions  |
|-----------------------------------------------------------------------------------|---------------|
| <b>Consideration</b>                                                              |               |
| Cash                                                                              | \$ 108        |
| Non-Cash                                                                          | <u>25</u>     |
| Total Consideration Transferred                                                   | <u>\$ 133</u> |
| <b>Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed</b> |               |
| Financial Assets                                                                  | \$ 14         |
| Inventory                                                                         | 28            |
| Property, plant and equipment                                                     | 33            |
| Identifiable intangible assets                                                    | 42            |
| Other assets                                                                      | 12            |
| Liabilities                                                                       | <u>(49)</u>   |
| Total identifiable net assets                                                     | <u>80</u>     |
| <b>Non-controlling interest</b>                                                   | <u>18</u>     |
| Goodwill                                                                          | <u>\$ 71</u>  |

### 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

*Biarri Networks* – In September 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. Purchase accounting for Biarri Networks’ was completed in fiscal 2023.

The purchase accounting for the Bow acquisition was completed in fiscal 2023 resulting in purchase accounting adjustments to increase identifiable intangibles assets of \$31 million, other assets \$6 million, deferred tax liabilities of \$9 million, other liabilities of \$6 million and decrease to goodwill of \$22 million.

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

|                                                                                   | Amount        |
|-----------------------------------------------------------------------------------|---------------|
| <b>Consideration Transferred</b>                                                  |               |
| Cash                                                                              | \$ 114        |
| Total Consideration Transferred                                                   | <u>\$ 114</u> |
| <b>Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed</b> |               |
| Financial Assets                                                                  | \$ 25         |
| Inventory                                                                         | 30            |
| Property, plant and equipment                                                     | 17            |
| Identifiable intangible assets                                                    | 55            |
| Other assets                                                                      | 1             |
| Liabilities                                                                       | <u>(47)</u>   |
| Total identifiable net assets                                                     | <u>81</u>     |
| Goodwill                                                                          | <u>\$ 33</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 2022 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, 2023, 2022 and 2021 follows:

### Intangible assets:

|                       | Useful life (years) | 2023            | 2022<br>(In millions) | 2021            |  |  |
|-----------------------|---------------------|-----------------|-----------------------|-----------------|--|--|
| Customer portfolio    | 25                  | \$ 642          | \$ 656                | \$ 711          |  |  |
| Trademark use         | Indefinite / finite | 594             | 595                   | 599             |  |  |
| Intellectual property | 10                  | 197             | 215                   | 233             |  |  |
| Other                 | 5 - 7               | 269             | 161                   | 74              |  |  |
|                       |                     | <u>\$ 1,702</u> | <u>\$ 1,627</u>       | <u>\$ 1,617</u> |  |  |

  

| Cost                                       | Non-compete<br>agreements | Customer portfolio | Trademark use | Intellectual property<br>(In millions) | Other         | Total           |
|--------------------------------------------|---------------------------|--------------------|---------------|----------------------------------------|---------------|-----------------|
| 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)     | 184                       | 1,217              | 621           | 388                                    | 335           | 2,745           |
| Acquisitions through business combinations | -                         | 31                 | 1             | 3                                      | -             | 35              |
| New developments and investments           | 1                         | -                  | -             | -                                      | 94            | 95              |
| Reclassifications <sup>1</sup>             | -                         | -                  | -             | -                                      | 42            | 42              |
| Foreign currency translation reserve       | -                         | -                  | -             | -                                      | 10            | 10              |
| Balance as of December 31, 2023 (cost)     | <u>\$ 185</u>             | <u>\$ 1,248</u>    | <u>\$ 622</u> | <u>\$ 391</u>                          | <u>\$ 481</u> | <u>\$ 2,927</u> |

  

| Amortization                                               | Non-compete<br>agreements | Customer portfolio | Trademark use | Intellectual property<br>(In millions) | Other         | Total           |
|------------------------------------------------------------|---------------------------|--------------------|---------------|----------------------------------------|---------------|-----------------|
| Balance as of December 31, 2021 (accumulated amortization) | \$ 184                    | \$ 496             | \$ 25         | \$ 153                                 | \$ 149        | \$ 1,007        |
| Amortization expense                                       | -                         | 65                 | 1             | 20                                     | 25            | 111             |
| Balance as of December 31, 2022 (accumulated amortization) | 184                       | 561                | 26            | 173                                    | 174           | 1,118           |
| Amortization expense                                       | -                         | 46                 | 2             | 21                                     | 37            | 107             |
| Balance as of December 31, 2023 (accumulated amortization) | <u>184</u>                | <u>607</u>         | <u>28</u>     | <u>194</u>                             | <u>211</u>    | <u>1,225</u>    |
| Net assets as of December 31, 2023                         | <u>\$ 1</u>               | <u>\$ 641</u>      | <u>\$ 594</u> | <u>\$ 197</u>                          | <u>\$ 270</u> | <u>\$ 1,702</u> |



- 1) The Company reclassified certain assets historically presented in Other assets and Property, plant and equipment to Intangible Assets for the year ended December 31, 2023.

**Goodwill:**

|                                          | 2023            | 2022            | 2021            | CGU                                                  |
|------------------------------------------|-----------------|-----------------|-----------------|------------------------------------------------------|
|                                          | (In millions)   |                 |                 |                                                      |
| Netafim, Ltd.                            | \$ 658          | \$ 652          | \$ 788          | Netafim ( <i>Precision Agriculture</i> )             |
| Dura-Line Holdings, Inc.                 | 189             | 192             | 166             | Duraline ( <i>Connectivity Solutions</i> )           |
| Wavin B.V.                               | 101             | 127             | 29              | Wavin ( <i>Building and Infrastructure</i> )         |
| Mexichem Resinas Vinílicas, S.A. de C.V. | 99              | 111             | 120             | Primex (MRV) y Polycyd ( <i>Polymer Solutions</i> )  |
| Mexichem Amanco Holding, S.A. de C.V.    | 108             | 72              | 80              | 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> )             |
| Fluorita de México, S.A. de C.V          | 46              | 46              | 46              | Fluor Mexico ( <i>Fluor &amp; Energy Materials</i> ) |
| VESTO PVC Holding GmbH                   | 28              | 28              | 29              | Vestolit ( <i>Polymer Solutions</i> )                |
| Others                                   | <u>31</u>       | <u>63</u>       | <u>69</u>       |                                                      |
| Total                                    | <u>\$ 1,447</u> | <u>\$ 1,478</u> | <u>\$ 1,514</u> |                                                      |
| Beginning balance                        | \$ 1,478        | \$ 1,514        | \$ 1,491        |                                                      |
| Business combinations (Note 15)          | (10)            | 99              | 33              |                                                      |
| Accumulated impairment loss              | -               | (136)           | -               |                                                      |
| Foreign exchange loss                    | <u>(21)</u>     | <u>1</u>        | <u>(10)</u>     |                                                      |
| Ending balance                           | <u>\$ 1,447</u> | <u>\$ 1,478</u> | <u>\$ 1,514</u> |                                                      |

As of December 31, 2023, 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. No impairment charges to goodwill were recognized in fiscal 2023.

As of December 31, 2022 and 2023, 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.

At December 31, 2022, a \$136 million difference between Netafim's carrying value and its recoverable amount was 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                                                                   | 2023          | 2022     | 2021     |
|-------------------------------------------------------------------------------|---------------|----------|----------|
|                                                                               | (In millions) |          |          |
| 5.875% International bond due 2044 <sup>(1)</sup>                             | \$ 750        | \$ 750   | \$ 750   |
| 4.00% International bond due 2027 <sup>(3)</sup>                              | 500           | 500      | 500      |
| 5.50% International bond due 2048 <sup>(3)</sup>                              | 500           | 500      | 500      |
| 6.75% International bond due 2042 <sup>(2)</sup>                              | 400           | 400      | 400      |
| 1.875% International bond due 2026 <sup>(4)</sup>                             | 600           | 600      | 600      |
| 2.875% International bond due 2031 <sup>(4)</sup>                             | 500           | 500      | 500      |
| SOFR 1M + 1.05% revolving credit facility <sup>(5)</sup>                      | 150           | 150      | -        |
| 1M Libor + 1.85% Bank Loan due 2024 <sup>(6)</sup>                            | -             | 40       | 50       |
| 1M Libor + 1.95% Bank Loan due 2024 <sup>(7)</sup>                            | -             | 17       | 29       |
| EUR Commercial paper <sup>(8)</sup>                                           | -             | -        | 115      |
| MXN 10.63% Cebures due 2032 <sup>(9)</sup>                                    | 921           | 396      | -        |
| MXN 28-day THIE + 0.40% Cebures due 2025 <sup>(10)</sup>                      | 263           | 121      | -        |
| MXN 28-day THIE + 0.55% ST bank loan due 2023 <sup>(11)</sup>                 | -             | 258      | 49       |
| MXN 28-day THIE + 0.55% ST bank loan due 2023 <sup>(12)</sup>                 | -             | 207      | -        |
| MXN 28-day THIE + 1.5% ST bank loan due 2023 <sup>(13)</sup>                  | -             | 51       | -        |
| Others                                                                        | 344           | 254      | 81       |
| Total                                                                         | 4,928         | 4,744    | 3,574    |
| Less – Total Bank Loans and Current Portion of Long-Term Debt <sup>(14)</sup> | (466)         | (760)    | (240)    |
| Less - Debt Issue Costs                                                       | (42)          | (48)     | (54)     |
| Total long-term debt less debt issue costs                                    | \$ 4,420      | \$ 3,936 | \$ 3,280 |

An analysis of long-term debt maturities, net of related debt issue costs, as of December 31, 2023, is as follows:

| Maturity date | USD millions    |
|---------------|-----------------|
| 2024          | \$ 466          |
| 2025          | 268             |
| 2026          | 600             |
| 2027          | 501             |
| Thereafter    | 3,051           |
|               | <u>\$ 4,886</u> |



- (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 2022, 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 SOFR + 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 SOFR + 1.95%. The loan has quarterly amortizations, and matures in June 2024.
- (8) 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 31, 2023 there is no outstanding balance.
- (9) On December 8, 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 November 2032. In August 2023 the Company issued an additional 7,900 million Mexican pesos under the same terms as the second issuance of 2022.
- (10) On December 8, 2022, the Company issued 3-year Cebures for 2,340 million Mexican pesos, bearing monthly interest at a variable rate of 28-day TIIE + 0.40%. The loan principal is repayable in a single installment upon maturity in December 2025. In August 2023 the Company issued an additional 2,100 million Mexican pesos under the same terms as the first issuance of 2022.
- (11) In 2022, the Company issued Promissory notes for 3,000 million and 2,000 Mexican pesos, bearing monthly interest at an average variable rate of 28-day TIIE + 0.55%, with a single principal installment upon maturity in 2023. The 3,000 million promissory note was paid in January 2023, while the 2,000 million promissory note was extended to December with a new spread of 0.65% which was pre-paid in September 2023.
- (12) In 2022, the Company issued Promissory notes for 4,000 million Mexican pesos, bearing monthly interest at an average variable rate of 28-day TIIE + 0.55%. The note's principal is repayable in a single installment upon maturity in 2023. In 2023, the promissory notes were extended to July 2023 with a new spread of 0.80% which was paid at maturity.
- (13) In 2022, the Company issued Promissory notes for 986 million Mexican pesos, bearing monthly interest at an average variable rate of 28-day TIIE + 1.5%. In 2023 an additional 1 billion Mexican pesos were issued, and in September 2023 the full principal amount was paid.
- (14) The majority of the Current Portion of Long-Term Debt (< 12 months) is included in the (5) "Revolving Credit Facility" and the "Others" captions in the table above.

As of December 31, 2023, 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 as EBITDA divided by Interest expense) above 3.0x and maintain a gearing ratio (calculated as Net debt divided by EBITDA) below 3.0x. The Company is in compliance with all of its financial covenants as of December 31, 2023.



## **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, 2023, 2022 and 2021 are as follows:

|                                                    | 2023            | 2022<br>(In millions) | 2021            |
|----------------------------------------------------|-----------------|-----------------------|-----------------|
| Present value of funded defined benefit obligation | \$ (381)        | \$ (374)              | \$ (565)        |
| Fair value of plan assets                          | <u>295</u>      | <u>271</u>            | <u>388</u>      |
| Net liability from the defined benefit obligation  | (86)            | (103)                 | (177)           |
| Share-based payments and other benefits            | <u>(14)</u>     | <u>(6)</u>            | <u>(27)</u>     |
|                                                    | (100)           | (109)                 | (204)           |
| Employee benefits - assets                         | <u>(39)</u>     | <u>(28)</u>           | <u>(17)</u>     |
| Long-term liabilities for employee benefits        | <u>\$ (139)</u> | <u>\$ (137)</u>       | <u>\$ (221)</u> |



The 2023 net liability remains consistent when compared to 2022 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, 2023<br>(In millions)                    |                      |                                |                                    |                          |                        |                 |
|-------------------------------------------------------|----------------------|--------------------------------|------------------------------------|--------------------------|------------------------|-----------------|
|                                                       | Polymer<br>Solutions | Fluor &<br>Energy<br>Materials | Building and<br>Infrastructur<br>e | Precision<br>Agriculture | Controlling<br>Company | Consolidated    |
| Present value of funded<br>defined benefit obligation | <u>\$ (96)</u>       | <u>\$ (6)</u>                  | <u>\$ (270)</u>                    | <u>\$ (4)</u>            | <u>\$ (5)</u>          | <u>\$ (381)</u> |
| Fair value of plan assets                             | <u>\$ 24</u>         | <u>\$ -</u>                    | <u>\$ 270</u>                      | <u>\$ 1</u>              | <u>\$ -</u>            | <u>\$ 295</u>   |
| December 31, 2022<br>(In millions)                    |                      |                                |                                    |                          |                        |                 |
|                                                       | Polymer<br>Solutions | Fluor &<br>Energy<br>Materials | Building and<br>Infrastructur<br>e | Precision<br>Agriculture | Controlling<br>Company | Consolidated    |
| Present value of funded<br>defined benefit obligation | <u>\$ (87)</u>       | <u>\$ (8)</u>                  | <u>\$ (269)</u>                    | <u>\$ (7)</u>            | <u>\$ (3)</u>          | <u>\$ (374)</u> |
| Fair value of plan assets                             | <u>\$ 19</u>         | <u>\$ -</u>                    | <u>\$ 249</u>                      | <u>\$ 3</u>              | <u>\$ -</u>            | <u>\$ 271</u>   |
| December 31, 2021<br>(In millions)                    |                      |                                |                                    |                          |                        |                 |
|                                                       | Polymer<br>solutions | Fluor &<br>Energy<br>Materials | Building and<br>infrastructur<br>e | Precision<br>agriculture | Controlling<br>Entity  | Consolidated    |
| Present value of funded<br>defined benefit obligation | <u>\$ (111)</u>      | <u>\$ (7)</u>                  | <u>\$ (436)</u>                    | <u>\$ (8)</u>            | <u>\$ (3)</u>          | <u>\$ (565)</u> |
| Fair value of plan assets                             | <u>\$ 19</u>         | <u>\$ -</u>                    | <u>\$ 366</u>                      | <u>\$ 3</u>              | <u>\$ -</u>            | <u>\$ 388</u>   |

Changes in present value of the defined benefit obligation for the years ended December 31, 2023, 2022 and 2021 were as follows:

|                                                                                                                    | 2023          | 2022<br>(In millions) | 2021          |
|--------------------------------------------------------------------------------------------------------------------|---------------|-----------------------|---------------|
| Beginning balance of defined benefit<br>obligation                                                                 | \$ 374        | \$ 565                | \$ 614        |
| Current-year service cost                                                                                          | 4             | 6                     | 6             |
| Interest cost                                                                                                      | 18            | 10                    | 8             |
| Actuarial (gains)/losses arising from<br>changes in demographic assumptions                                        | (7)           | -                     | (23)          |
| Actuarial (gains)/losses arising from<br>changes in financial assumptions                                          | 13            | (163)                 | (7)           |
| Actuarial losses/(gains) arising from<br>past experience adjustments                                               | 4             | 22                    | 8             |
| Past service cost, including gains from<br>curtailments                                                            | -             | -                     | (1)           |
| Exchange rate differences applicable to<br>plans denominated in a currency other<br>than the presentation currency | (4)           | (49)                  | (20)          |
| Benefits paid                                                                                                      | <u>(21)</u>   | <u>(17)</u>           | <u>(20)</u>   |
| Ending balance of defined benefit<br>obligation                                                                    | <u>\$ 381</u> | <u>\$ 374</u>         | <u>\$ 565</u> |



Changes in the present value of plan assets for the years ended December 31, 2023, 2022 and 2021 are as follows:

|                                                                            | 2023          | 2022<br>(In millions) | 2021          |
|----------------------------------------------------------------------------|---------------|-----------------------|---------------|
| Beginning balance of plan assets at fair value                             | \$ 271        | \$ 388                | \$ 366        |
| Interest income                                                            | 13            | 8                     | 5             |
| Return on plan assets (excluding amounts included in net interest expense) | 7             | (88)                  | 21            |
| Employer contributions                                                     | 12            | 12                    | 13            |
| Exchange rate differences on foreign plans                                 | 4             | (37)                  | (3)           |
| Benefits paid                                                              | (11)          | (11)                  | (13)          |
| Administrative expenses                                                    | (1)           | (1)                   | (1)           |
| Ending balance of plan assets at fair value                                | <u>\$ 295</u> | <u>\$ 271</u>         | <u>\$ 388</u> |

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

|                                | 2023  | 2022  | 2021  |
|--------------------------------|-------|-------|-------|
| Discount rate                  | 4.67% | 4.26% | 2.26% |
| Expected salary increase rate  | 1.05% | 2.53% | 3.36% |
| Expected return on plan assets | 1.85% | 2.85% | 1.35% |

In 2023, if the discount rate was 10 basis points higher/(lower), the defined benefit obligation would have decreased/(increased) by approximately \$4 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:

|                                       | 2023          | 2022<br>(In millions) | 2021          |
|---------------------------------------|---------------|-----------------------|---------------|
| Equity investments                    | \$ 16         | \$ 44                 | \$ 87         |
| Debt investments and debt instruments | 279           | 137                   | 192           |
| Investments in funds and other        | <u>-</u>      | <u>90</u>             | <u>109</u>    |
| Total plan assets                     | <u>\$ 295</u> | <u>\$ 271</u>         | <u>\$ 388</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:

|                                  | 2023         | Expected return<br>2022 | 2021         |
|----------------------------------|--------------|-------------------------|--------------|
| Equity instruments               | 0.10%        | 0.47%                   | 0.30%        |
| Debt instruments                 | <u>1.75%</u> | <u>2.38%</u>            | <u>1.05%</u> |
| Weighted average expected return | <u>1.85%</u> | <u>2.85%</u>            | <u>1.35%</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, 2023, 2022 and 2021 are as follows:

|                                                                                | 2023         | 2022<br>(In millions) | 2021           |
|--------------------------------------------------------------------------------|--------------|-----------------------|----------------|
| Service cost:                                                                  |              |                       |                |
| Current-year service cost                                                      | \$ 6         | \$ 6                  | \$ 6           |
| Past service cost and (gain)/loss from settlements                             | 1            | -                     | (1)            |
| Interest expense, net                                                          | <u>4</u>     | <u>2</u>              | <u>2</u>       |
| Defined benefit cost items recognized in profit or loss                        | <u>\$ 11</u> | <u>\$ 8</u>           | <u>\$ 7</u>    |
|                                                                                | 2023         | 2022<br>(In millions) | 2021           |
| Remeasurement of defined benefit obligation, net:                              |              |                       |                |
| Return on plan assets (excluding amounts included in net interest expense)     | \$ (7)       | \$ 88                 | \$ (21)        |
| Actuarial losses/(gains) arising from changes in demographic assumptions       | (7)          | -                     | (22)           |
| Actuarial losses/(gains) arising from changes in financial assumptions         | 13           | (163)                 | (4)            |
| Actuarial losses/(gains) arising from past experience adjustments              | <u>4</u>     | <u>22</u>             | <u>5</u>       |
| Components of defined (benefit) costs recognized in other comprehensive income | <u>3</u>     | <u>(53)</u>           | <u>(42)</u>    |
| Total                                                                          | <u>\$ 14</u> | <u>\$ (45)</u>        | <u>\$ (35)</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, 2023, 2022 and 2021, the carrying amounts of the Company's reserves and the related movements during those periods were as follows:

|                                      | Legal        | Restructurings | Warranties<br>(In millions) | Other        | Total        |
|--------------------------------------|--------------|----------------|-----------------------------|--------------|--------------|
| Balance as of December 31, 2020      | \$ 31        | \$ 7           | \$ 8                        | \$ 8         | \$ 54        |
| 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      | 29           | 14             | 6                           | 6            | 55           |
| Charge/(benefit) to profit or loss   | 3            | 23             | 1                           | 5            | 32           |
| Charges against the provision        | (4)          | (24)           | (1)                         | (1)          | (30)         |
| Business Combinations (Note 15)      | 8            | -              | -                           | -            | 8            |
| Foreign currency translation reserve | -            | -              | -                           | -            | -            |
| Balance as of December 31, 2023      | <u>\$ 36</u> | <u>\$ 13</u>   | <u>\$ 6</u>                 | <u>\$ 10</u> | <u>\$ 65</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 27 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. Non-Controlling Interest

As of December 31, 2023, 2022 and 2021 the Company had a non-controlling interest (NCI) in the following entities:

|                                 | NCI Interest<br>Percentage |      |      | Non-Controlling<br>Interest |        |        |
|---------------------------------|----------------------------|------|------|-----------------------------|--------|--------|
|                                 | 2023                       | 2022 | 2021 | 2023                        | 2022   | 2021   |
|                                 |                            |      |      | (In millions)               |        |        |
| Ingleside Ethylene LLC          | 50%                        | 50%  | 50%  | \$ 510                      | \$ 535 | \$ 565 |
| Netafim Ltd                     | 20%                        | 20%  | 20%  | 46                          | 57     | 62     |
| Shakun Polymers Private Limited | 45%                        | 45%  | 45%  | 34                          | 30     | 16     |
| MPC Poland                      | 49%                        | 49%  | 49%  | 14                          | 16     | 15     |
| Vectus Industries Limited       | 33%                        | 33%  | -    | 5                           | 11     | -      |
| All others                      |                            |      |      | (5)                         | 6      | 10     |
| Total                           |                            |      |      | \$ 604                      | \$ 655 | \$ 668 |

## 21 Earnings Per Share

Earnings per share for the years ended December 31, 2023, 2022 and 2021 were as follows:

### Basic and diluted earnings per share

|                                                                      | 2023          | 2022     | 2021     |
|----------------------------------------------------------------------|---------------|----------|----------|
|                                                                      | (In millions) |          |          |
| Total shares                                                         | \$ 2,010      | \$ 2,010 | \$ 2,100 |
| Minus repurchased shares weighted average                            | (98)          | (91)     | (107)    |
| Weighted average number of ordinary shares                           | 1,912         | 1,919    | 1,993    |
| Net profit attributable to the parent                                | \$ 65         | \$ 567   | \$ 657   |
| Total basic and diluted earnings per share – in dollars <sup>1</sup> | \$ 0.03       | \$ 0.30  | \$ 0.33  |

- 1) 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.



## 22 Stockholder's Equity

### ***Contributed capital:***

As of December 31, 2023 the Company's share capital count was 1,968,000,000 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 March 31, 2023, the shareholders agreed to cancel 42,000,000 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, 2023 is as follows:

| Share capital subscribed | Share Count          | Amount<br>(In millions) |
|--------------------------|----------------------|-------------------------|
| Class I                  | 308,178,735          | \$ 37                   |
| Class II                 | <u>1,659,821,265</u> | <u>111</u>              |
|                          | <u>1,968,000,000</u> | <u>\$ 148</u>           |

As of December 31, 2022 and 2021, the total share capital subscribed was 2,010,000,000 shares as broken out below:

| Share capital subscribed | Share Count          | Amount<br>(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>           |

### ***Share buyback reserve:***

On April 1, 2023, the Company's shareholders approved a share buyback program for an amount up to \$1,242 million until the next shareholders meeting. As of December 31, 2023, 2022, and 2021 the Company had share repurchases totaling \$ (8) million, \$142 million and \$165 million, respectively.

As of December 31, 2023, 2022 and 2021, the Company's treasury shares in retained earnings on the Consolidated Statements of Financial Positions is \$1,242 million, \$1,090 million and \$851 million respectively, and the Company held 61 million 104 million and 57 million of its own shares, respectively.

### ***Earned capital:***

On March 30, 2023, the Company's shareholders' approved the payment of a cash dividend of \$240 million applied to the 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 2023, minus the amount corresponding to the shares of the share buyback program.



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 CUFIN. 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.

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, 2023 the reserve represents 20% of the nominal share capital and its balance is \$51 million and at December 31, 2022 and 2021 the reserve also represents 20% of the nominal share capital and the balance of the reserve was \$51 million.

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

As of December 31, 2023, 2022 and 2021, the Company had \$4,223 million, \$1,776 million and \$1,647 million in the CUCA and \$749 million, \$409 million and \$343 million in the CUFIN, respectively.

## **23. Stock based Compensation Expense**

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. 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 vest. PSUs are also subject to cliff vesting and performance payout is based on the Company's achievement of financial performance targets. RSUs are eligible for dividends declared by the Company, but do not carry voting rights. The Company accounts for share-based payments in accordance with IFRS 2 *Share-based Payments*.

Pursuant to this plan in 2016, the Company began to annually issue phantom stock to certain executive officers and other employees. The phantom stock awards require the Company to pay the intrinsic value of the award to the employee at the date of exercise. Vested phantom stock awards do not have an expiration date and may be exercised at the employee's discretion for their duration of their employment with the Company. Share-based compensation expense for phantom stock awards is determined based on the grant date fair value and adjusted for fluctuations in the fair value each period. The fair value is determined based on the Company's stock price and these awards are recorded as liabilities on the Consolidated Statement of Financial Position.

In 2021, the Company began to issue equity settled awards to plan participants. No cash is payable upon grant or vesting of these awards. No amounts are paid or payable by the recipient on receipt or vesting of the award. Share-based compensation expense for equity settled awards is determined based on the grant date fair value. The fair value is determined based on the Company's stock price. The cost is recognized in expense, together with a corresponding increase in equity, over the period in which the service or performance conditions are fulfilled.



The Company issues both Phantom Stock and equity settled PSU awards. The performance condition is attached to the business reaching internal financial and operational performance targets. The likelihood of meeting these performance targets is evaluated each financial reporting period and the expense is adjusted accordingly.

When the terms of an 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.

### ***Phantom Stock Awards***

The following table shows the phantom RSU activity for the year ended December 31, 2023.

|                                                       | <b>Number of outstanding<br/>and exercisable awards</b> | <b>2023<br/>Weighted Average<br/>Exercise Price</b> |
|-------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------|
| Outstanding balance as of January 1                   | 6,501,863                                               | \$ 1.77                                             |
| Granted                                               | 859,491                                                 | 2.16                                                |
| Exercised                                             | (3,239,934)                                             | 2.20                                                |
| Cancelled                                             | (333,916)                                               | 2.01                                                |
| Outstanding and exercisable balance as of December 31 | <u>3,787,504</u>                                        | <u>2.22</u>                                         |
| Shares vested and exercisable as of December 31       | <u>2,553,489</u>                                        | <u>\$ -</u>                                         |

The following table shows the phantom PSU activity for the year ended December 31, 2023.

|                                                       | <b>Number of outstanding<br/>and exercisable awards</b> | <b>2023<br/>Weighted Average<br/>Exercise Price</b> |
|-------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------|
| Outstanding balance as of January 1                   | 14,430,850                                              | \$ 1.77                                             |
| Granted                                               | 22,167                                                  | 2.17                                                |
| Exercised                                             | (8,616,408)                                             | 2.20                                                |
| Cancelled                                             | (178,024)                                               | 2.14                                                |
| Outstanding and exercisable balance as of December 31 | <u>5,658,585</u>                                        | <u>2.22</u>                                         |
| Shares vested and exercisable as of December 31       | <u>5,575,300</u>                                        | <u>\$ -</u>                                         |

A total of 2,141,769 and 11,059,949 shares were vested for the phantom stock RSUs and PSUs, respectively, for the year ended December 31, 2023. The total liability cost of the phantom stock awards as of December 31, 2023 was approximately \$19.9 million.



### ***Equity Classified Awards***

The following table shows the equity classified RSU activity for the year ended December 31, 2023.

|                                   | Number of shares   | 2023<br>Weighted Average<br>Exercise Price |
|-----------------------------------|--------------------|--------------------------------------------|
| Beginning balance as of January 1 | 15,852,858         | \$ 2.50                                    |
| Granted                           | 13,912,633         | \$ 2.05                                    |
| Vested                            | (6,217,450)        | \$ 2.50                                    |
| Cancelled                         | <u>(1,300,607)</u> | <u>\$ 2.42</u>                             |
| Ending balance as of December 31  | <u>22,247,434</u>  | <u>\$ 2.24</u>                             |

The following table shows the equity classified PSU activity for the year ended December 31, 2023.

|                                   | Number of shares  | 2023<br>Weighted Average<br>Exercise Price |
|-----------------------------------|-------------------|--------------------------------------------|
| Beginning balance as of January 1 | 7,506,475         | \$ 2.50                                    |
| Granted                           | 4,688,081         | 2.04                                       |
| Vested                            | (27,429)          | 2.48                                       |
| Cancelled                         | <u>(782,572)</u>  | <u>2.48</u>                                |
| Ending balance as of December 31  | <u>11,384,555</u> | <u>\$ 2.33</u>                             |

The total amortized cost of the equity classified awards as of December 31, 2023 was \$53.3 million.

## **24. Related party balances and transactions**

The Company recognized revenues from related parties for the years ended 2023, 2022 and 2021 of \$5 million, \$6 million and \$4 million, respectively, and expenses to related parties of \$5 million for each of the years ended 2023, 2022 and 2021. Amounts due to and due from related parties for the years ended 2023, 2022 and 2021 were not material.

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

|                               | 2023         | 2022<br>(In millions) | 2021         |
|-------------------------------|--------------|-----------------------|--------------|
| Short-term incentive benefits | \$ 20        | \$ 19                 | \$ 10        |
| Termination benefits          | <u>2</u>     | <u>-</u>              | <u>9</u>     |
|                               | <u>\$ 22</u> | <u>\$ 19</u>          | <u>\$ 19</u> |



## 25. 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:*

|                                         | 2023            | 2022<br>(In millions) | 2021            |
|-----------------------------------------|-----------------|-----------------------|-----------------|
| Raw material and other consumable goods | \$ 4,116        | \$ 5,179              | \$ 4,374        |
| Labor cost                              | 620             | 560                   | 535             |
| Manufacturing expenses                  | 402             | 423                   | 361             |
| Freight                                 | 454             | 500                   | 459             |
| Depreciation                            | <u>440</u>      | <u>417</u>            | <u>427</u>      |
|                                         | <u>\$ 6,032</u> | <u>\$ 7,079</u>       | <u>\$ 6,156</u> |

### *Selling and development expenses:*

|                                           | 2023          | 2022<br>(In millions) | 2021          |
|-------------------------------------------|---------------|-----------------------|---------------|
| Salaries, wages and other travel expenses | \$ 370        | \$ 321                | \$ 312        |
| Repair and maintenance                    | 8             | 8                     | 7             |
| External services                         | 73            | 67                    | 56            |
| Leases                                    | 12            | 9                     | 9             |
| Advertising and marketing                 | 33            | 34                    | 32            |
| Sales commissions                         | 32            | 38                    | 35            |
| Taxes and fees                            | 3             | 3                     | 3             |
| Insurance                                 | 6             | 6                     | 6             |
| Allowance for doubtful accounts           | 4             | 5                     | 22            |
| Others                                    | 30            | 36                    | 30            |
| Depreciation                              | 23            | 29                    | 30            |
| Amortization                              | <u>28</u>     | <u>26</u>             | <u>31</u>     |
|                                           | <u>\$ 622</u> | <u>\$ 582</u>         | <u>\$ 573</u> |

### *Administrative expenses:*

|                                       | 2023          | 2022<br>(In millions) | 2021          |
|---------------------------------------|---------------|-----------------------|---------------|
| Salaries, wages and other benefits    | \$ 344        | \$ 339                | \$ 316        |
| External services                     | 156           | 151                   | 116           |
| Taxes and fees                        | 16            | 13                    | 10            |
| Repair and maintenance                | 6             | 21                    | 20            |
| Insurance                             | 17            | 12                    | 11            |
| Leases                                | 8             | 7                     | 8             |
| Related-party administrative services | 1             | 2                     | -             |
| Depreciation                          | 24            | 26                    | 29            |
| Amortization                          | 93            | 83                    | 81            |
| Others                                | <u>16</u>     | <u>7</u>              | <u>8</u>      |
|                                       | <u>\$ 681</u> | <u>\$ 661</u>         | <u>\$ 599</u> |



**Other (income) and expenses, net:**

|                                     | 2023         | 2022          | 2021        |
|-------------------------------------|--------------|---------------|-------------|
|                                     |              | (In millions) |             |
| <b>Expenses:</b>                    |              |               |             |
| Legal provisions                    | \$ 4         | \$ 3          | \$ 3        |
| Extraordinary taxes                 | 11           | 5             | 9           |
| Loss on sale of fixed assets        | 5            | -             | 5           |
| Recovery of insurance claims        | 1            | -             | -           |
| Business acquisitions               | -            | 1             | -           |
| Donations                           | 1            | -             | -           |
| Asset impairments                   | 8            | -             | -           |
| Restructuring                       | 3            | -             | -           |
| Others                              | 5            | 11            | 10          |
|                                     | <u>38</u>    | <u>20</u>     | <u>27</u>   |
| <b>Income:</b>                      |              |               |             |
| Gain on sale of waste materials     | \$ (2)       | \$ (2)        | \$ -        |
| Gain on sale of fixed assets        | -            | (2)           | (1)         |
| Recovery of taxes                   | (4)          | (16)          | (20)        |
| Recovery of insurance claims        | (1)          | -             | -           |
| Others                              | (11)         | (2)           | -           |
|                                     | <u>(18)</u>  | <u>(22)</u>   | <u>(21)</u> |
| <b>Other (Income) expenses, net</b> | <u>\$ 20</u> | <u>\$ (2)</u> | <u>\$ 6</u> |

**26. Income tax**

The Company is subject to income tax in Mexico at a statutory corporate income tax rate of 30% for fiscal years 2023, 2022 and 2021, and expect it 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 made the final deferred payment of \$1 million in 2023.

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 2023, 2022 and 2021 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 by 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 2023 in the countries where the Company operates are as follows:

| Country        | %    | Country                  | %   |
|----------------|------|--------------------------|-----|
| Argentina      | **35 | Lithuania                | 15  |
| Australia      | 30   | Mexico                   | 30  |
| Austria        | 24   | Morocco                  | 32  |
| 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  |
| 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                   | 25  |
| 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:

|                                     | 2023          | 2022          | 2021          |
|-------------------------------------|---------------|---------------|---------------|
|                                     |               | (In millions) |               |
| Property, plant and equipment       | \$ 196        | \$ 226        | \$ 260        |
| Liabilities deductible upon payment | (64)          | (60)          | (96)          |
| Tax loss carryforwards              | (160)         | (196)         | (281)         |
| Intangible assets                   | 254           | 248           | 253           |
| Other                               | (41)          | (42)          | 8             |
| Net deferred tax liability          | <u>185</u>    | <u>176</u>    | <u>144</u>    |
| Deferred tax asset                  | <u>\$ 174</u> | <u>\$ 197</u> | <u>\$ 174</u> |
| Deferred tax liability              | <u>\$ 359</u> | <u>\$ 373</u> | <u>\$ 318</u> |



An analysis of changes in the net deferred tax liability for the years ended December 31, 2023, 2022 and 2021 is as follows:

|                                                              | 2023          | 2022<br>(In millions) | 2021          |
|--------------------------------------------------------------|---------------|-----------------------|---------------|
| Beginning balance                                            | \$ 176        | \$ 144                | \$ 114        |
| Income tax provision recognized in profit or loss            | (12)          | (4)                   | 21            |
| Business Combinations                                        | 22            | 8                     | -             |
| Foreign currency translation reserve                         | (2)           | (7)                   | (2)           |
| Effect on equity of components of other comprehensive income | <u>1</u>      | <u>35</u>             | <u>11</u>     |
|                                                              | <u>\$ 185</u> | <u>\$ 176</u>         | <u>\$ 144</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, 2023, 2022 and 2021 and as a percentage of profit before income tax is as follows:

|                                                                            | 2023          | %             | 2022<br>(In millions) | %              | 2021          | %              |
|----------------------------------------------------------------------------|---------------|---------------|-----------------------|----------------|---------------|----------------|
| Profit before income tax                                                   | \$ 485        |               | \$ 1,035              |                | \$ 1,154      |                |
| Income tax at statutory tax rate of 30%                                    | 145           | 30.00%        | 310                   | 30.00%         | 346           | 30.00%         |
| Rate differential:                                                         |               |               |                       |                |               |                |
| Earnings taxed at rates other than Mexico statutory tax rate               | (36)          | (7.47%)       | (43)                  | (4.12%)        | (37)          | (3.21%)        |
| Cumulative annual inflation adjustment                                     | 58            | 11.94%        | 32                    | 3.08%          | 57            | 4.90%          |
| Non-taxable revenue                                                        | (24)          | (5.01%)       | (69)                  | (6.67%)        | (31)          | (2.69%)        |
| Non-deductible expenses                                                    | 18            | 3.65%         | 24                    | 2.31%          | 19            | 1.62%          |
| Assets for tax losses not previously recognized and unrecognized loss, net | 0             | 0.10%         | (19)                  | (1.94%)        | 44            | 3.79%          |
| Effect of changes on statutory tax rate                                    | 0             | 0.01%         | (2)                   | (0.19%)        | 2             | 0.20%          |
| Other taxes                                                                | 6             | 1.18%         | 12                    | 1.15%          | 0             | 0.02%          |
| Non-deductible goodwill impairment                                         |               |               | 41                    | 3.94%          |               |                |
| Dividends from foreign operations                                          | 10            | 1.97%         | 1                     | 0.10%          | 13            | 1.17%          |
| Foreign exchange gain or loss and translation effect, net                  | 134           | 27.66%        | 69                    | 6.68%          | (11)          | (0.95%)        |
| Uncertain tax position                                                     | 14            | 2.84%         | 19                    | 1.88%          | 6             | 0.53%          |
| Others                                                                     | <u>4</u>      | <u>1.00%</u>  | <u>(6)</u>            | <u>(0.57%)</u> | <u>(27)</u>   | <u>(2.34%)</u> |
| Total rate differentials                                                   | <u>184</u>    | <u>37.87%</u> | <u>59</u>             | <u>9.77%</u>   | <u>35</u>     | <u>6.25%</u>   |
| Total income tax                                                           | <u>\$ 329</u> | <u>67.87%</u> | <u>\$ 369</u>         | <u>35.65%</u>  | <u>\$ 381</u> | <u>33.04%</u>  |
| Current income tax                                                         | \$ 341        |               | \$ 372                |                | \$ 360        |                |
| Deferred income tax                                                        | <u>(12)</u>   |               | <u>(3)</u>            |                | <u>21</u>     |                |
| Total income tax                                                           | <u>\$ 329</u> |               | <u>\$ 369</u>         |                | <u>\$ 381</u> |                |



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, 2023 are as follows:

| Year of expiration | Tax loss carryforwards<br>(In millions) |
|--------------------|-----------------------------------------|
| 2024               | \$ 2                                    |
| 2025               | 2                                       |
| 2026               | 157                                     |
| 2027               | 9                                       |
| 2028               | 10                                      |
| 2029               | 15                                      |
| 2030               | 162                                     |
| 2031               | 7                                       |
| 2032               | 17                                      |
| 2033               | 102                                     |
| Long term          | 20                                      |
| No expiration      | <u>370</u>                              |
|                    | <u>\$ 873</u>                           |

As of December 31, 2023, the Company has tax losses of \$302 million for which it did not recognize a deferred tax asset, since it is not probable that future taxable profit will be available for recovery of such tax losses.

Also, beginning in 2021, 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 had unused business interest expense of \$215 million for which it did not recognize a deferred tax asset since it is not probable that these deferred tax assets will be recoverable in the future. As of December 31, 2023, due to an internal reorganization, the Company wrote off both deferred tax asset and valuation allowance related to the unused business interest expense.

In December 2021, the OECD/G20 Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) released Model Global Anti-Base Erosion (GloBE) rules (Model Rules) under Pillar Two. Many aspects of Pillar Two will be effective for tax years beginning in January 2024, with certain remaining impacts to be effective in 2025. These Model Rules set forth the “common approach” for a Global Minimum Tax at 15 percent for multinational enterprises with a turnover of more than EUR750 million. The Pillar Two model rules introduce four new taxing mechanisms under which MNEs would pay a minimum level of tax (the Minimum Tax):

- The Subject to Tax Rule is a tax treaty-based rule that generally proposes a Minimum Tax on certain cross-border intercompany transactions that otherwise are not subject to a minimum level of tax
- The Income Inclusion Rule (IIR)
- The Under Taxed Payments/Profits Rule (UTPR)
- The Qualified Domestic Minimum Top-up Tax (QDMTT)

The new taxing mechanisms can impose a Minimum Tax on the income arising in each jurisdiction in which an MNE operates. The IIR, UTPR and QDMTT do so by imposing a Top-up Tax in a jurisdiction whenever the effective tax rate (ETR) is below 15%, determined on a jurisdictional basis.



In May 2023, the International Accounting Standards Board (IASB) published final amendments to IAS 12 *Income Taxes* related to Pillar Two Minimum Tax. These IAS 12 amendments provide companies with a temporary mandatory relief from deferred tax accounting for the impact of the top-up tax and require them to provide new disclosures. The amendments introduce:

- A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules which the Company has taken and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

As of December 31, 2023, many jurisdictions have adopted key components of Pillar Two with an effective date beginning January 1, 2024. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Company operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbor relief does not apply and the Pillar Two effective tax rate is below 15%. The Company does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

## 27. 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, 2022, 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 2022 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.

### ***Ethylene Matter***

In 2023 Shell Chemicals Europe B.V. ("Shell") made a claim for damages against several companies, including Orbia and its Vestolit GmbH affiliate, in the Dutch courts. Shell is alleging damages in an aggregate amount of 1.1 billion Euros from the various defendants relating to infringements of competition law on the ethylene purchasing market, for which the European Commission imposed fines in July 2020. In connection with the same 2020 European Commission proceeding, Repsol Quimica, S.A. and affiliates also made a claim for unspecified damages in 2023. Orbia and Vestolit reject the allegations, believe that the claim is meritless and intend to vigorously defend their rights in the proceedings.



### ***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, 2021. In late November 2021, 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, 2022, the parties entered into a Memorandum of Understanding (the MOU) which suspended until December 31, 2022, 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.

### ***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.

## **28. 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, and were 65% and 64% in 2023 and 2022 respectively. As of December 31, 2023 and 2022 the official exchange rates of 30 and 19 Turkish lira per U.S. dollar respectively, were used to translate the balances shown in the table below.

| <i>Turkey</i>     | 2023           | 2022<br>(In millions) | 2021        |
|-------------------|----------------|-----------------------|-------------|
| Total assets      | \$ 114         | \$ 122                | \$ 89       |
| Equity            | 28             | 13                    | 18          |
| Net sales         | <u>166</u>     | <u>169</u>            | <u>161</u>  |
| Net profit (loss) | <u>\$ (10)</u> | <u>\$ (1)</u>         | <u>\$ 8</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 211%, 95% and 51% in 2023, 2022, 2021, respectively. As of December 31, 2023, 2022 and 2021, the official exchange rates of 808, 177 and 103 Argentinian pesos per U.S. dollar, respectively, were used to translate the balances shown in the table below.



| <i>Argentina</i> | 2023        | 2022<br>(In millions) | 2021        |
|------------------|-------------|-----------------------|-------------|
| Total assets     | \$ 35       | \$ 42                 | \$ 32       |
| Equity           | 17          | 22                    | 17          |
| Net sales        | <u>52</u>   | <u>79</u>             | <u>61</u>   |
| Net profit       | <u>\$ 1</u> | <u>\$ 3</u>           | <u>\$ 2</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 190%, 165% and 2,594% for the years ended December 31, 2023, 2022 and 2021, respectively, derived from the consumer price index published by the Central Bank of Venezuela. As of December 31, 2023, 2022 and 2021, the Company used an exchange rate of 415 million, 117 million and 48 million Venezuelan bolivar per U.S. dollar, respectively.

The effect of the restatement of the financial statements of the Company's operations in Turkey, Argentina and Venezuela, was expense of \$11 million, \$11 million and \$4 million for 2023, 2022 and 2021, respectively, recorded in the Monetary position loss line of the Consolidated Statements of Profit.

## 29. 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), Fluor & Energy Materials (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 other high density polyethylene (HDPE)
- Precision Agriculture: Precision irrigation (drippers, drip lines, sprinklers, filters), and services and digital farming technologies
- Fluor & Energy Materials: Fluorspar, hydrofluoric acid, aluminum 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, 2023<br>(In millions) |                          |                           |                        |                       |                     |              |              |
|--------------------------------------------------------------|-----------------------------------------------|--------------------------|---------------------------|------------------------|-----------------------|---------------------|--------------|--------------|
|                                                              | Polymer Solutions                             | Fluor & Energy Materials | Building & Infrastructure | Connectivity Solutions | Precision Agriculture | Controlling Company | Eliminations | Consolidated |
| Net sales                                                    | \$ 2,699                                      | \$ 918                   | \$ 2,678                  | \$ 1,125               | \$ 1,063              | \$ 162              | \$ (441)     | \$ 8,204     |
| Cost of sales                                                | <u>2,323</u>                                  | <u>499</u>               | <u>2,028</u>              | <u>688</u>             | <u>764</u>            | <u>-</u>            | <u>(270)</u> | <u>6,032</u> |
| Gross profit                                                 | 376                                           | 419                      | 650                       | 437                    | 299                   | 162                 | (171)        | 2,172        |
| General expenses                                             | 248                                           | 122                      | 508                       | 158                    | 286                   | 239                 | (238)        | 1,323        |
| Royalties                                                    | 42                                            | 8                        | 3                         | 14                     | -                     | (67)                | -            | -            |
| Foreign exchange (gain)/loss, net                            | (29)                                          | (4)                      | (14)                      | (2)                    | 9                     | 105                 | -            | 65           |
| Interest expense                                             | 46                                            | -                        | 46                        | 27                     | 29                    | 311                 | (70)         | 389          |
| Interest income                                              | (4)                                           | (9)                      | (56)                      | (14)                   | 13                    | (93)                | 70           | (93)         |
| Change in fair value of redeemable non-controlling interests | 14                                            | -                        | (70)                      | -                      | -                     | 50                  | -            | (6)          |



| Year Ended December 31, 2023<br>(In millions) |                   |                             |                              |                        |                       |                     |                 |               |
|-----------------------------------------------|-------------------|-----------------------------|------------------------------|------------------------|-----------------------|---------------------|-----------------|---------------|
|                                               | Polymer Solutions | Fluor & Energy<br>Materials | Building &<br>Infrastructure | Connectivity Solutions | Precision Agriculture | Controlling Company | Eliminations    | Consolidated  |
| Monetary position loss                        | -                 | -                           | 12                           | -                      | (1)                   | -                   | -               | 11            |
| Share of gain of subsidiaries and associates  | (3)               | -                           | (56)                         | 57                     | -                     | (353)               | 353             | (2)           |
| Impairment of goodwill                        | -                 | -                           | -                            | -                      | -                     | -                   | -               | -             |
| Profit before income tax                      | 62                | 302                         | 277                          | 197                    | (37)                  | (30)                | (286)           | 485           |
| Income tax                                    | 7                 | 68                          | 54                           | 67                     | 4                     | 127                 | 2               | 329           |
| Profit before discontinued operations         | 55                | 234                         | 223                          | 130                    | (41)                  | (157)               | (288)           | 156           |
| Discontinued operations                       | -                 | -                           | -                            | -                      | -                     | -                   | -               | -             |
| Consolidated net profit                       | <u>\$ 55</u>      | <u>\$ 234</u>               | <u>\$ 223</u>                | <u>\$ 130</u>          | <u>\$ (41)</u>        | <u>\$ (157)</u>     | <u>\$ (288)</u> | <u>\$ 156</u> |

| Year Ended December 31, 2022<br>(In millions)                |                   |                             |                              |                        |                       |                     |                 |               |
|--------------------------------------------------------------|-------------------|-----------------------------|------------------------------|------------------------|-----------------------|---------------------|-----------------|---------------|
|                                                              | Polymer Solutions | Fluor & Energy<br>Materials | Building &<br>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         |
| 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<br>(In millions) |                   |                             |                              |                        |                       |                     |              |              |
|-----------------------------------------------|-------------------|-----------------------------|------------------------------|------------------------|-----------------------|---------------------|--------------|--------------|
|                                               | Polymer Solutions | Fluor & Energy<br>Materials | Building &<br>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                                 | <u>2,344</u>      | <u>473</u>                  | <u>2,183</u>                 | <u>765</u>             | <u>804</u>            | <u>106</u>          | <u>(519)</u> | <u>6,156</u> |
| 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          |

Year Ended December 31, 2021  
(In millions)



|                                                              | Polymer Solutions | Fluor & Energy<br>Materials | Building &<br>Infrastructure | Connectivity Solutions | Precision Agriculture | Controlling Company | Eliminations    | Consolidated  |
|--------------------------------------------------------------|-------------------|-----------------------------|------------------------------|------------------------|-----------------------|---------------------|-----------------|---------------|
| 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> |

**As of December 31,2023**  
**(In millions)**

|                                                  | Polymer Solutions | Fluor & Energy<br>Materials | Building &<br>Infrastructure | Connectivity Solutions | Precision Agriculture | Controlling Company | Eliminations      | Consolidated     |
|--------------------------------------------------|-------------------|-----------------------------|------------------------------|------------------------|-----------------------|---------------------|-------------------|------------------|
| Current assets:                                  |                   |                             |                              |                        |                       |                     |                   |                  |
| Cash and cash equivalents                        | \$ 337            | \$ 191                      | \$ 306                       | \$ 282                 | \$ 66                 | \$ 274              | \$ -              | \$ 1,456         |
| Accounts receivable, net                         | 606               | 347                         | 522                          | 131                    | 299                   | 267                 | (711)             | 1,461            |
| Other current assets                             | 321               | 167                         | 485                          | 65                     | 209                   | 7                   | (1)               | 1,253            |
| Assets held for sale                             | -                 | -                           | -                            | -                      | -                     | -                   | -                 | -                |
| Total current assets                             | 1,264             | 705                         | 1,313                        | 478                    | 574                   | 548                 | (712)             | 4,170            |
| Property, plant and equipment                    | 1,769             | 480                         | 652                          | 252                    | 216                   | 1                   | -                 | 3,370            |
| Other assets                                     | 847               | 295                         | 1,547                        | 640                    | 1,335                 | 7,568               | (8,220)           | 4,012            |
| Total assets                                     | <u>\$ 3,880</u>   | <u>\$ 1,480</u>             | <u>\$ 3,512</u>              | <u>\$ 1,370</u>        | <u>\$ 2,125</u>       | <u>\$ 8,117</u>     | <u>\$ (8,932)</u> | <u>\$ 11,552</u> |
| Current liabilities:                             |                   |                             |                              |                        |                       |                     |                   |                  |
| Bank loans and current portion of long-term debt | \$ -              | \$ -                        | \$ -                         | \$ -                   | \$ 248                | \$ 396              | \$ (283)          | \$ 466           |
| Suppliers and letters of credit                  | 642               | 76                          | 277                          | 115                    | 112                   | 7                   | (1)               | 1,228            |
| Other current liabilities                        | 171               | 130                         | 459                          | 82                     | 237                   | 78                  | (314)             | 843              |
| Total current liabilities                        | 813               | 206                         | 841                          | 197                    | 597                   | 481                 | (598)             | 2,537            |
| Bank loans and long-term debt                    | 2                 | -                           | 9                            | -                      | 16                    | 4,393               | -                 | 4,420            |
| Other long-term liabilities                      | 654               | 119                         | 423                          | 438                    | 233                   | 499                 | (989)             | 1,377            |
| Total liabilities                                | 1,469             | 325                         | 1,273                        | 635                    | 846                   | 5,373               | (1,587)           | 8,334            |
| Total equity                                     | <u>\$ 2,411</u>   | <u>\$ 1,155</u>             | <u>\$ 2,239</u>              | <u>\$ 735</u>          | <u>\$ 1,279</u>       | <u>\$ 2,744</u>     | <u>\$ (7,345)</u> | <u>\$ 3,218</u>  |



| As of December 31,2022<br>(In millions)          |                   |                             |                              |                        |                       |                     |                   |                  |
|--------------------------------------------------|-------------------|-----------------------------|------------------------------|------------------------|-----------------------|---------------------|-------------------|------------------|
|                                                  | Polymer Solutions | Fluor & Energy<br>Materials | Building &<br>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<br>(In millions)         |                   |                             |                              |                        |                       |                     |                   |                  |
|--------------------------------------------------|-------------------|-----------------------------|------------------------------|------------------------|-----------------------|---------------------|-------------------|------------------|
|                                                  | Polymer Solutions | Fluor & Energy<br>Materials | Building &<br>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                                     | <u>\$ 4,048</u>   | <u>\$ 1,070</u>             | <u>\$ 3,111</u>              | <u>\$ 998</u>          | <u>\$ 2,260</u>       | <u>\$ 6,966</u>     | <u>\$ (7,866)</u> | <u>\$ 10,587</u> |
| Current liabilities:                             |                   |                             |                              |                        |                       |                     |                   |                  |
| Bank loans and current portion of long-term debt | \$ 5              | \$ -                        | \$ 13                        | \$ -                   | \$ -                  | \$ 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            |



|                               | As of December 31, 2021<br>(In millions) |                             |                              |                        |                       |                     |                   |                 |
|-------------------------------|------------------------------------------|-----------------------------|------------------------------|------------------------|-----------------------|---------------------|-------------------|-----------------|
|                               | Polymer Solutions                        | Fluor & Energy<br>Materials | Building &<br>Infrastructure | Connectivity Solutions | Precision Agriculture | Controlling Company | Eliminations      | Consolidated    |
| Bank loans and long-term debt | -                                        | -                           | -                            | -                      | 82                    | 3,198               | -                 | 3,280           |
| Other long-term liabilities   | <u>753</u>                               | <u>173</u>                  | <u>243</u>                   | <u>320</u>             | <u>221</u>            | <u>322</u>          | <u>(772)</u>      | <u>1,260</u>    |
| Total liabilities             | <u>1,763</u>                             | <u>329</u>                  | <u>1,095</u>                 | <u>606</u>             | <u>720</u>            | <u>4,205</u>        | <u>(1,535)</u>    | <u>7,183</u>    |
| Total equity                  | <u>\$ 2,285</u>                          | <u>\$ 741</u>               | <u>\$ 2,016</u>              | <u>\$ 392</u>          | <u>\$ 1,540</u>       | <u>\$ 2,761</u>     | <u>\$ (6,331)</u> | <u>\$ 3,404</u> |

Additional Company segment information for the years ended December 31, 2023, 2022 and 2021 is presented below.

|                           | Direct additions to property, plant and equipment |               |               | Depreciation and amortization |               |               |
|---------------------------|---------------------------------------------------|---------------|---------------|-------------------------------|---------------|---------------|
|                           | 2023                                              | 2022          | 2021          | 2023                          | 2022          | 2021          |
|                           |                                                   | (In millions) |               |                               | (In millions) |               |
| Polymer Solutions         | \$ 155                                            | \$ 102        | \$ 93         | \$ 253                        | \$ 255        | \$ 259        |
| Fluor & Energy Materials  | 178                                               | 143           | 63            | 57                            | 57            | 62            |
| Building & Infrastructure | 85                                                | 108           | 76            | 142                           | 128           | 142           |
| Connectivity Solutions    | 125                                               | 57            | 31            | 48                            | 36            | 31            |
| Precision Agriculture     | 46                                                | 60            | 40            | 105                           | 100           | 99            |
| Controlling Company       | <u>-</u>                                          | <u>-</u>      | <u>-</u>      | <u>5</u>                      | <u>5</u>      | <u>5</u>      |
|                           | <u>\$ 589</u>                                     | <u>\$ 470</u> | <u>\$ 303</u> | <u>\$ 610</u>                 | <u>\$ 581</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, 2023, 2022 and 2021 is as follows:

| Country or regional where customers are located | 2023            | 2022            | 2021            |
|-------------------------------------------------|-----------------|-----------------|-----------------|
| U.S.A.                                          | \$ 2,092        | \$ 2,420        | \$ 1,838        |
| Northwest Europe                                | 1,176           | 1,539           | 1,462           |
| Southwest Europe                                | 889             | 1,160           | 1,148           |
| Mexico                                          | 877             | 996             | 971             |
| Africa, Middle East and Asia                    | 896             | 791             | 645             |
| Brazil                                          | 609             | 711             | 653             |
| Colombia                                        | 307             | 416             | 441             |
| Central and Eastern Europe                      | 268             | 351             | 395             |
| Central America                                 | 238             | 267             | 277             |
| Canada                                          | 205             | 192             | 96              |
| Peru                                            | 171             | 217             | 231             |
| Southeast Europe                                | 154             | 166             | 172             |
| Ecuador                                         | 109             | 135             | 139             |
| Argentina                                       | 55              | 87              | 81              |
| Chile                                           | 44              | 58              | 86              |
| Israel                                          | 33              | 37              | 46              |
| Other rest of the world countries               | <u>81</u>       | <u>105</u>      | <u>102</u>      |
| Total                                           | <u>\$ 8,204</u> | <u>\$ 9,648</u> | <u>\$ 8,783</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 | 2023            | 2022            | 2021            |
|--------------------------------------------|-----------------|-----------------|-----------------|
|                                            | (In millions)   |                 |                 |
| Mexico                                     | \$ 1,458        | \$ 1,355        | \$ 1,284        |
| U.S.A.                                     | 2,012           | 1,824           | 1,880           |
| Northwest Europe                           | 914             | 881             | 782             |
| Southwest Europe                           | 331             | 312             | 309             |
| Colombia                                   | 257             | 248             | 260             |
| Africa, Middle East and Asia               | 227             | 228             | 104             |
| Brazil                                     | 106             | 79              | 66              |
| Central and Eastern Europe                 | 108             | 107             | 114             |
| Southeast Europe                           | 8               | 8               | 7               |
| Central America                            | 60              | 58              | 58              |
| Israel                                     | 1,335           | 1,381           | 1,539           |
| Peru                                       | 60              | 67              | 61              |
| Ecuador                                    | 23              | 27              | 31              |
| Other                                      | 89              | 57              | 32              |
| Total                                      | <u>\$ 6,988</u> | <u>\$ 6,632</u> | <u>\$ 6,527</u> |

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

## 30. Approval of Issuance of the Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2023, were approved by the Audit Committee and Board of Directors at meetings held on February 20 and 21, 2024, respectively, and do not reflect events that might have occurred after February, 21, 2024.

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