

**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,
2021, 2020 and 2019, and
Independent Auditors' Report
Dated February 23, 2021

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

**Independent Auditor's Report
and Consolidated Financial Statements for the
Years Ended December 31, 2021, 2020 and
2019**

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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 thousands of U.S. dollars)

Opinion

We have audited the accompanying consolidated financial statements of Orbia Advance Corporation, S.A. de C.V. and subsidiaries (herein referred to as "Orbia" or the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2021, 2020 and 2019, and the consolidated statements of income and other comprehensive income, the 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 significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Orbia Advance Corporation, S.A.B. de C.V. and its subsidiaries as of December 31, 2021, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows, for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) and with the ethical requirements that are relevant to our audit of the consolidated financial statements in accordance with the *Código de Ética Profesional* (Code of Ethics) issued by the Mexican Institute of Public Accountants A.C. (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(continued)

i) *Goodwill and Intangible Assets (Notes 4 and 15)*

The Entity has identified several cash-generating units for which an annual impairment analysis focused on tangible and intangible assets is performed. Accordingly, the Entity determines the recoverable value in accordance with IAS 36, *Impairment of Assets*, which is calculated using the discounted cash flow method under the income approach. Under this approach, Management is required to make significant judgments and estimates for future revenue, cash flows and operating margins, and to select an appropriate discount rate to determine the existence of impairment on its long-lived assets. The assumptions used by Management to determine future cash flows and the applicable discount rates are sensitive to current and foreseeable future market conditions. As of December 31, 2020, the balances of intangible assets and goodwill recognized in the consolidated financial statements are \$1,616,693 and \$1,513,744, respectively.

How the Key Audit Matter was addressed in our audit:

Our audit procedures included, among others, the following:

- i) We involved our expert specialists so as to:
 - Assess the methodology used by Management to calculate the value-in-use of cash generating units and ensure its compliance with IAS 36.
 - Perform a technical analysis of the reasonableness of the Entity's valuation models used to estimate the value-in-use of its cash generating units, including the discount rate.
 - Assess whether the valuation assumptions used 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.
 - Review the value-in-use calculation and impairment tests performed by the Entity for its cash generating units.
 - Perform a sensitivity analysis on significant assumptions.
- ii) We tested the design and implementation of the Entity's internal controls for impairment, including the estimates used.
- iii) We performed substantive audit procedures to test the completeness and accuracy of the inputs into the Entity's financial models.

ii) *Income Taxes, Deferred Tax Asset Realization – Determination of Future Taxable Profit - see Note 22*

Deferred taxes are recognized on all temporary differences between the book and tax value of assets and liabilities included in the financial statements and the respective tax values of assets and liabilities and where applicable, they include unused tax loss carryforwards and tax credits. The Entity recognizes a deferred tax asset to the extent that it is probable that the Entity will use such temporary differences against future tax profits. As of December 31, 2021, the deferred tax asset related to tax losses and other tax credits is approximately \$280,979.

Due to the nature of these assets and the extent to which their recoverability depends on significant Management estimates and assumptions, there is a possible risk in the recognition of deferred income tax assets. These tax net operating losses relate primarily from the Entity's operations in three countries: Mexico, representing 79% of the balance; Brazil, representing 6% of the balance; and the USA, representing 11% of the balance. The assessment of future recoverability of these deferred tax assets is based on management judgments that are sensitive to different variables. Such variables include: a) the significant inputs used in the calculation of future taxable income as well as the accuracy of such calculations; b) consideration of future taxable transactions that will occur outside the normal course of business; and c) the use of a reasonable period for the use of these assets before they expire.

How the Key Audit Matter was addressed in our audit:

Our audit procedures included, among others, the following:

- i) Involving our internal tax specialists to:
 - Understanding the tax laws of these three countries.
 - Review the future taxable transactions that will generate taxable income used for the realization of the deferred tax asset.
 - Review the reasonableness of the calculations, including tax balances and the recovery periods allowed by the applicable tax laws.
- ii) We assessed the reasonableness of Management's estimates used in the determination of future taxable income and whether such taxable income will be sufficient to use these deferred tax assets before they expire.
- iii) We assessed the reasonableness of the Entity's operating and tax strategies and their impact on future taxable income projections used to recover the Entity's deferred tax assets.

Other Matter

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

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

Management is responsible for the additional information. The additional information is composed of: i) the Annual Report, ii) the information that will be included in the Annual Report, which the Entity 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) other additional information, which is not specifically required by IFRS and has been included to provide an additional explanation for investors and the main users of the Entity's consolidated financial statements regarding its level of indebtedness, net debt and borrowing costs in relation to its Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). This information is presented in Note 10. **(continued)**
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and reasonable presentation of the accompanying consolidated financial statements under 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, deceit, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate under the circumstances, but not for expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a Going Concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a Going Concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a way that constitutes fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit group. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Erick J. Calvillo Rello

Mexico City, Mexico
February 23, 2022

(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, 2021, 2020 and 2019

(Amounts in thousands of U.S. dollars)

Assets	Notes	2021	2020	2019
Current assets:				
Cash and cash equivalents	7	\$ 781,552	\$ 875,185	\$ 586,409
Accounts receivable	8	1,594,762	1,324,738	1,352,028
Due from related parties	20a	1,059	5,445	4,757
Inventories	9	1,291,778	861,122	834,438
Prepaid expenses		50,280	60,423	65,280
Derivative financial instruments	11 and 12	2,527	19,589	107
Assets classified as held for sale		<u>2,518</u>	<u>9,650</u>	<u>9,096</u>
Total current assets		<u>3,724,476</u>	<u>3,156,152</u>	<u>2,852,115</u>
Non-current assets				
Property, machinery, and equipment	13	3,051,128	3,186,497	3,348,821
Right-of-use assets	14	345,778	323,355	336,890
Equity investment in associates	4l	40,335	38,585	33,843
Other assets, Net		104,132	69,246	88,760
Deferred taxes	22a	173,898	199,701	125,649
Employee benefits asset	17	16,573	12,649	13,781
Intangible assets, Net	15a	1,616,693	1,733,531	1,765,538
Goodwill	15b	<u>1,513,744</u>	<u>1,491,395</u>	<u>1,491,684</u>
Total non-current assets		<u>6,862,281</u>	<u>7,054,959</u>	<u>7,204,966</u>
Total assets		<u>\$ 10,586,757</u>	<u>\$ 10,211,111</u>	<u>\$ 10,057,081</u>

The accompanying notes are part of these consolidated financial statements.

Liabilities and stockholders' equity	Notes	2021	2020	2019
Current liabilities:				
Bank loans and current portion of long-term debt	16	\$ 239,770	\$ 495,306	\$ 322,346
Suppliers		1,046,096	787,734	679,080
Letters of credit		459,269	538,372	584,522
Due to related parties	20a	912	671	100,533
Other accounts payable and accrued liabilities		521,389	467,261	478,448
Dividends payable		620	3,120	134,482
Provisions	18	29,033	33,148	52,391
Employee benefits		225,657	159,615	128,451
Lease liabilities	14a	86,023	82,426	78,149
Derivative financial instruments	11 and 12	34,094	13,762	12,716
Liabilities associated with assets held for sale		<u>89</u>	<u>6,221</u>	<u>6,243</u>
Total current liabilities		<u>2,642,952</u>	<u>2,587,636</u>	<u>2,577,361</u>
Non-current liabilities:				
Bank loans and long-term debt	16	3,279,755	3,130,706	3,128,620
Employee benefits	17	220,597	273,951	229,253
Provisions	18	16,729	20,674	22,813
Other long-term liabilities		40,985	31,207	36,110
Redeemable non-controlling interests	12b	315,872	274,000	264,287
Derivative financial instruments	11 and 12	16,792	94,573	66,781
Deferred tax liabilities	22a	318,001	313,778	335,490
Lease liabilities	14a	281,125	262,539	267,380
Income tax	22	<u>49,488</u>	<u>42,475</u>	<u>34,575</u>
Total non-current liabilities		<u>4,539,344</u>	<u>4,443,903</u>	<u>4,385,309</u>
Total liabilities		7,182,296	7,031,539	6,962,670
Stockholders' equity:				
Paid-in capital -				
Nominal	19a	256,482	256,482	256,482
Additional paid-in capital		1,474,827	1,474,827	1,474,827
Cumulative inflation adjustment		<u>23,948</u>	<u>23,948</u>	<u>23,948</u>
Earned capital		1,755,257	1,755,257	1,755,257
Retained earnings		965,888	1,107,754	1,058,949
Redeemable non-controlling interests	12b	(241,214)	(227,205)	(227,205)
Share buyback reserve	19b	850,631	400,000	295,530
Other comprehensive loss		<u>(593,974)</u>	<u>(542,896)</u>	<u>(507,537)</u>
Controlling interests		<u>981,331</u>	<u>737,653</u>	<u>619,737</u>
Non-controlling interests		2,736,588	2,492,910	2,374,994
Total stockholders' equity		<u>667,873</u>	<u>686,662</u>	<u>719,417</u>
Total liabilities and stockholders' equity		<u>3,404,461</u>	<u>3,179,572</u>	<u>3,094,411</u>
Total liabilities and stockholders' equity		<u>\$ 10,586,757</u>	<u>\$ 10,211,111</u>	<u>\$ 10,057,081</u>

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

Consolidated Statements of Income and Other Comprehensive Income

For the Years Ended December 31, 2021, 2020 and 2019

(Amounts in thousands of U.S. dollars, except for basic earnings per share expressed in U.S. dollars)

	Notes	2021	2020	2019
Continuing operations:				
Net sales		\$ 8,782,900	\$ 6,419,770	\$ 6,987,182
Cost of sales	21a	<u>6,155,611</u>	<u>4,651,146</u>	<u>5,114,243</u>
Gross profit		2,627,289	1,768,624	1,872,939
Selling and development expenses	21b	573,101	507,378	539,377
Administrative expenses	21c	599,518	507,860	467,834
Other expenses, net	21d	5,759	32,916	42,707
Foreign exchange gain		(77,910)	(101,623)	(49,384)
Foreign exchange loss		110,187	104,001	67,781
Interest expense		248,019	238,681	272,073
Interest income		(15,636)	(10,119)	(14,195)
Change in fair value of redeemable non-controlling interests		27,864	9,713	18,488
Monetary position loss/(gain)		4,051	1,436	(151)
Share of profit in associates	4l	<u>(1,463)</u>	<u>(867)</u>	<u>(4,142)</u>
Profit before income tax		1,153,799	479,248	532,551
Income taxes	22c	<u>381,256</u>	<u>150,811</u>	<u>205,542</u>
Profit from continuing operations		772,543	328,437	327,009
Discontinued operations:				
Net loss from discontinued operations	23b	<u>(376)</u>	<u>(9,657)</u>	<u>(107)</u>
Consolidated net profit for the year		<u>772,167</u>	<u>318,780</u>	<u>326,902</u>
Other comprehensive income:				
Items that will not be subsequently reclassified to profit or loss:				
Actuarial gain or (loss)		41,919	(37,393)	(19,971)
Income taxes		<u>(10,427)</u>	<u>9,488</u>	<u>6,700</u>
		31,492	(27,905)	(13,271)

(continued)

	Notes	2021	2020	2019
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation		(124,448)	4,876	(41,685)
Unrealized (loss)/gain on valuation of financial instruments		38,672	(22,653)	34,956
Income taxes		(205)	6,790	(10,694)
		<u>(85,981)</u>	<u>(10,987)</u>	<u>(17,423)</u>
Total other comprehensive loss		<u>(54,489)</u>	<u>(38,892)</u>	<u>(30,694)</u>
Consolidated comprehensive income for the year		<u>\$ 717,678</u>	<u>\$ 279,888</u>	<u>\$ 296,208</u>
Consolidated net profit for the year attributable to:				
Equity holders of the parent		\$ 657,146	\$ 194,702	\$ 206,731
Non-controlling interest		<u>115,021</u>	<u>124,078</u>	<u>120,171</u>
		<u>\$ 772,167</u>	<u>\$ 318,780</u>	<u>\$ 326,902</u>
Consolidated comprehensive income attributable to:				
Equity holders of the parent		\$ 606,068	\$ 159,343	\$ 187,084
Non-controlling interests		<u>111,610</u>	<u>120,545</u>	<u>109,124</u>
		<u>\$ 717,678</u>	<u>\$ 279,888</u>	<u>\$ 296,208</u>
Basic and diluted earnings per share:				
From continuing operations		<u>\$ 0.33</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
From discontinued operations		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Total basic and diluted earnings per share		<u>\$ 0.33</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
Weighted average ordinary shares outstanding		<u>1,992,657,096</u>	<u>2,024,791,839</u>	<u>2,067,362,601</u>

(Concludes)

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 Changes in Stockholders’ Equity

For the Years Ended December 31, 2021, 2020 and 2019
(Amounts in thousands 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, 2019	256,482	1,474,827	23,948	51,298	1,001,248	(227,205)	328,920	(526,394)	25,232	2,408,356	761,484	3,169,840
Dividends declared	-	-	-	-	(180,000)	-	-	-	-	(180,000)	-	(180,000)
Share buybacks	-	-	-	-	(8,357)	-	(32,090)	-	-	(40,447)	-	(40,447)
Partial reversal of share buyback reserve	-	-	-	-	335,379	-	(335,379)	-	-	-	-	-
Increase in share buyback reserve	-	-	-	-	(334,079)	-	334,079	-	-	-	-	-
Distribution of capital to non-controlling interests in subsidiary	-	-	-	-	-	-	-	-	-	-	(151,191)	(151,191)
Other comprehensive (loss) income for the year	-	-	-	-	(13,271)	-	-	(30,775)	24,400	(19,646)	(11,047)	(30,693)
Net profit for the year	-	-	-	-	206,731	-	-	-	-	206,731	120,171	326,902
Balance as of December 31, 2019	256,482	1,474,827	23,948	51,298	1,007,651	(227,205)	295,530	(557,169)	49,632	2,374,994	719,417	3,094,411
Share buybacks	-	-	-	-	-	-	(42,207)	-	-	(42,207)	-	(42,207)
Increase in share buyback reserve	-	-	-	-	(146,677)	-	146,677	-	-	-	-	-
Distribution of capital to non-controlling interests in subsidiary	-	-	-	-	-	-	-	-	-	-	(153,300)	(153,300)
Share-based payments	-	-	-	-	780	-	-	-	-	780	-	780
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(19,496)	(15,863)	(35,359)	(3,533)	(38,892)
Net profit for the year	-	-	-	-	194,702	-	-	-	-	194,702	124,078	318,780
Balance as of December 31, 2020	256,482	1,474,827	23,948	51,298	1,056,456	(227,205)	400,000	(576,665)	33,769	2,492,910	686,662	3,179,572
Dividends declared	-	-	-	-	(196,893)	-	-	-	-	(196,893)	-	(196,893)
Share buybacks	-	-	-	-	2,910	-	(168,620)	-	-	(165,710)	-	(165,710)
Increase in share buyback reserve	-	-	-	-	(619,251)	-	619,251	-	-	-	-	-
Distribution of capital to non-controlling interests in subsidiary	-	-	-	-	-	-	-	-	-	-	(144,399)	(144,399)
Redeemable non-controlling interests	-	-	-	-	-	(14,009)	-	-	-	(14,009)	-	(14,009)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	14,000	14,000
Share-based payments	-	-	-	-	14,222	-	-	-	-	14,222	-	14,222
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(89,545)	38,467	(51,078)	(3,411)	(54,489)
Net profit for the year	-	-	-	-	657,146	-	-	-	-	657,146	115,021	772,167
Balance as of December 31, 2021	<u>\$ 256,482</u>	<u>\$ 1,474,827</u>	<u>\$ 23,948</u>	<u>\$ 51,298</u>	<u>\$ 914,590</u>	<u>\$ (241,214)</u>	<u>\$ 850,631</u>	<u>\$ (666,210)</u>	<u>\$ 72,236</u>	<u>\$ 2,736,588</u>	<u>\$ 667,873</u>	<u>\$ 3,404,461</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, 2021, 2020 and 2019

(Amounts in thousands of U.S. dollars)

	2021	2020	2019
Operating activities:			
Consolidated net profit for the year	\$ 772,167	\$ 318,780	\$ 326,902
Adjustments for:			
Income tax expense	381,256	150,811	205,542
Loss from discontinued operations	376	9,657	107
Labor cost	6,882	11,702	14,020
Depreciation and amortization	598,051	597,787	542,183
Loss on sale of fixed assets	5,731	467	1,739
Unrealized foreign exchange loss	31,081	2,378	18,396
Impairment of fixed assets	13,575	8,092	-
Change in fair value of redeemable non-controlling interests	27,864	9,713	18,488
Changes in provisions	17,843	9,120	(1,076)
Share of profit of associates	(1,463)	(867)	(4,142)
Interest income	(15,636)	(10,119)	(14,195)
Interest expense	<u>248,019</u>	<u>238,681</u>	<u>272,073</u>
	2,085,746	1,346,202	1,380,037
Working capital adjustments:			
(Increase)/decrease in:			
Trade receivables	(318,271)	56,992	(35,074)
Inventories	(455,256)	(27,867)	33,032
Other assets	(48,220)	(63,701)	(16,948)
Assets held for sale	7,132	(554)	1,181
Increase/(decrease) in:			
Suppliers	210,206	62,504	(133,769)
Related parties	4,627	(1,841)	(15,949)
Other liabilities	(17,979)	(7,751)	90,216
Interest received	15,636	10,119	14,195
Liabilities associated with assets held for sale	(6,132)	(22)	(780)
Income tax paid	<u>(242,584)</u>	<u>(280,637)</u>	<u>(233,240)</u>
Net cash flows from operating activities	1,234,905	1,093,443	1,082,901
Investing activities:			
Purchase of machinery and equipment	(286,404)	(204,474)	(261,000)
Investments in other assets and intangible assets	(27,012)	(31,303)	(35,631)
Sale of machinery and equipment	17,557	20,846	23,045
Acquisition of equity investment in associates	-	(3,672)	-
Acquisition of subsidiaries, net of cash acquired	<u>(48,227)</u>	<u>-</u>	<u>-</u>
Net cash flows used in investing activities	(344,086)	(218,603)	(273,586)
Financing activities:			
Proceeds from loans obtained	1,589,495	1,467,628	83,130
Repayment of loans repaid	(1,683,843)	(1,294,569)	(200,105)

Interest paid	(270,660)	(231,494)	(275,767)
Lease payments	(96,938)	(89,304)	(91,570)
Dividends paid	(199,943)	(229,912)	(218,000)
Distribution to non-controlling interests in subsidiaries	(134,800)	(142,110)	(151,191)
Share buybacks	<u>(165,710)</u>	<u>(42,207)</u>	<u>(40,447)</u>
Net cash flows used in financing activities	(962,399)	(561,968)	(893,950)
Adjustment for effects of foreign exchange differences	<u>(22,053)</u>	<u>(24,096)</u>	<u>(28,834)</u>
Net increase/(decrease) in cash and cash equivalents	(93,633)	288,776	(113,469)
Cash and cash equivalents at beginning of year	<u>875,185</u>	<u>586,409</u>	<u>699,878</u>
Cash and cash equivalents at the end of year	<u>\$ 781,552</u>	<u>\$ 875,185</u>	<u>\$ 586,409</u>

(Concludes)

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.)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021, 2020 and 2019
(Amounts in thousands of U.S. dollars)

1. Nature of Operations

Orbia Advance Corporation, S.A.B. de C.V. and subsidiaries (the Entity, the Company, or Orbia), whose main address and place of business is located at Paseo de la Reforma No. 483 Piso 47, Cuauhtémoc, 06500 Mexico City, is a community of businesses united by a shared purpose: to advance life around the world. The Orbia businesses and affiliated commercial brands have a collective focus on ensuring food security, reducing water scarcity, connecting communities to data infrastructure, reinventing the future of cities and homes and expanding access to health and wellness with basic and advanced materials. Orbia operates in the Precision Agriculture, Data Communications, Building & Infrastructure, Fluorinated Solutions and Polymer Solutions sectors. The Company has commercial activities in more than 110 countries and operations in over 50, with global headquarters in Mexico City, Boston, Amsterdam and Tel Aviv. It is one of the largest manufacturers of pipes, connectors and plastic irrigation drippers, as well as fluorite, worldwide.

Orbia's operating segments are included in five business groups: i) Building & Infrastructure through the Wavin brand ii) Data Communications through the Dura-Line brand, iii) Precision Agriculture through the Netafim brand iv) Fluorinated Solutions through the Koura brand and v) Polymer Solutions through the Vestolit and Alphagary brands. The main products of these segments are polyvinyl chloride (PVC) pipes, connections and compounds, polyethylene (PE) and polypropylene (PP), high density polyethylene (HDPE), irrigation drippers and geosynthetics; as well as fluorite, fluorocomposites, hydrofluoric acid, refrigerant gases and medical propellants, and resins, among others.

2. Significant Events

- a. In 2020, the World Health Organization (WHO) declared the Coronavirus (COVID-19) outbreak a global pandemic. Orbia has taken comprehensive measures to protect employees, customers, and the communities in which it operates from risks associated with the COVID-19 pandemic.

The Entity has not experienced any material operational or financial disruptions due to COVID-19 in 2021. Additionally, Orbia continues to focus on its medium- and long-term business strategy, as well as its ability to adapt to market conditions. Based on the resilience of its core businesses and the rapid recovery shown during 2020 and 2021, however, there is still uncertainty around the future potential impact of COVID-19 on Orbia's operations and results.

Despite the challenging global economic conditions during 2021, Orbia reported strong profitability and high levels of free cash flow during the year, as well as a sequential top-line sales improvement. This solid performance demonstrates the resilience of Orbia's end markets and the Entity's strong focus on the execution of its strategy.

Orbia has full confidence that the continuous execution of its strategic plans, focused on organic growth and selective bolt-on acquisitions, will generate sustained and profitable growth. The Entity's view assumes the absence of material supply chain or end-market disruptions that could affect Orbia's business.

As the challenges related to the pandemic continue, the Entity remains focused on the health and safety of its people and has positioned itself to adapt quickly to the changing environment.

Businesses acquisitions – During 2021, the Entity acquired the following businesses for approximately \$64,000 in aggregate. Other disclosures required by IFRS 3 were considered immaterial.

- i. **Silatronix** – On November 1, Orbia’s Fluorinated Solutions business acquired Silatronix, a Madison, Wisconsin-based Company. Silatronix has expertise in fluorosilane additives for Lithium-ion batteries and has an industry-wide reputation for developing innovative solutions that deliver improved battery safety and performance in a range of applications, from electric vehicles to stationary, grid-scale storage.
 - ii. **Shakun Polymers Private Limited** – On June 22, Orbia’s Polymer Solution business acquired the majority of the outstanding shares of Shakun Polymers Private Limited (Shakun), a privately held and family-owned market leader in the production of compounds for the wire and cable markets in the Indian subcontinent, the Middle East, Southeast Asia and Africa. With its investment, Polymer Solution is expanding its product and regional footprints as Shakun will continue to provide next-generation materials designed to meet the high safety and performance standards in the Asian and African markets. There is a put /call option related this acquisition under the shareholders’ agreement with the minority or non-controlling shareholders who retained a portion of the share capital (redeemable non-controlling interest) of Shakun (see Note 12b and Note 4gg).
 - iii. **Gakon Horticultural Projects** – On April 1, Orbia’s Precision Agriculture business, Netafim, acquired Dutch greenhouse company Gakon Horticultural Projects (Gakon). The acquisition is synergistic, combining Netafim’s global presence and agriculture expertise with Gakon’s advanced greenhouse technology that will enable Netafim to expand its global customer offerings.
- b. **Debt Management** – In 2021 the Entity successfully extended the maturity of its financial debt at then historically low interest rates. Below are the steps executed throughout the year:
 - i. **Bond Issuance** – On May 6, the Entity announced the successful closing of its inaugural Sustainability-linked bond offering. Orbia issued \$600 million in 1.875% senior notes due in 2026, and \$500 million in 2.875% senior notes due in 2031 (collectively, the “Bonds”). This issuance received credit ratings of Baa3 from Moody’s, BBB- from S&P and BBB from Fitch Ratings.
 - ii. **Prepayment of U.K. Commercial Paper** – On May 18, the proceeds from the issuance of Sustainability-linked bonds were used to prepay the outstanding balance of the Entity’s commercial paper program in the United Kingdom totaling £300 million with a discount rate of 0.60%.
 - iii. **Partial Prepayment of Senior Note** – On May 26, the Entity prepaid \$328 million of its \$750 million Senior Note initially due to mature on September 19, 2022. The Senior Note bears interest at 4.875% payable semi-annually.
 - iv. **Euro Commercial Paper Program** - On June 2, the Entity established a Euro Commercial Paper Program of up to €750 million (seven hundred and fifty million euros) by issuing unlisted notes due in less than one year. As of December 31, 2021, the Entity has issued notes for €101 million due in March 2022 under the program.
 - v. **Early Settlement of Structured Note** - On June 10, the Entity prepaid the Ps. 3,000 million 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.
 - vi. **Remaining prepayment of Senior Note** - On September 21, the Entity completed its prepayment of the remaining outstanding balance of its \$750 million Senior Notes by prepaying 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.

As a result of the settlement of the Notes, the Entity extended the average maturity of its debt from 12.6 to 14.1 years and reduced the average cost of its debt from 4.6% to 4.2%, thus extending the Entity’s next relevant maturity to 2026.
- c. On March 5, 2020, the Entity notified its banks with which it had entered into a Revolving Line of Credit agreement on June 21, 2019, that the line of credit originally signed in the amount of \$1.5 billion would be reduced by \$500 million, leaving a balance available to the Entity of \$1 billion. This \$1.5 billion syndicated revolving line of credit bears monthly interest at the London Interbank Offered Rate (LIBOR) plus 1.05%. The loan principal is repayable in a single installment upon maturity on June 21, 2024. On

March 27, 2020, the Entity drew down the full amount of the available line of credit, which was repaid during 2020 as follows: on September 30, the Entity repaid \$400 million; on October 30, the Entity repaid \$350 million; on November 30, the Entity repaid \$175 million; and on December 31, the Entity repaid \$ 75 million.

- d. On September 16, 2020, the Entity established a Trade Paper Program for £300 million through the issue of promissory notes with the Bank of England and Her Majesty's Treasury (HM Treasury) under the Covid Corporate Financing Facility. These promissory notes expired on May 18, 2021; the annual cost of the equivalent line in US dollars was 0.74%, and they were not listed on any stock exchange. The Entity gained access to this financing option offered by the Bank of England in the context of the COVID-19 pandemic due to its operations and its important presence in the United Kingdom. This trade paper program reduced the overall cost of financing and the uncertainty caused by the pandemic.

3. Basis of Presentation

- a. *Application of new and revised International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) that are mandatorily effective for 2021*

The Entity has applied the below amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after January 1, 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Interest Rate Benchmark Reform– Phase 2

Interbank benchmark offered rates (IBOR) such as LIBOR, EURIBOR and TIBOR, which represent the cost of obtaining unsecured funds, have been challenged for their viability as long-term financing benchmarks. Interest Rate Benchmark Reform – Phase 1, addressed issues that could affect financial reporting in the period before the replacement of an existing interest rate benchmark, whereas Phase 2 addresses issues that affect financial reporting when an existing benchmark rate is replaced. Phase 2 amends IFRS 9, *Financial Instruments* (IFRS 9), IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39), IFRS 7, *Financial Instruments: Disclosures* (IFRS 7), IFRS 4, *Insurance Contracts* (IFRS 4) and IFRS 16, *Leases* (IFRS 16). These amendments are effective as of January 1, 2021, with retrospective application, without the need to restate the comparative periods.

Phase 2 of IBOR reform impacts the Entity as follows:

Modification of a financial asset or a financial liability: IBOR reform generally results in a change in the basis for determining the contractual cash flows of that financial asset or financial liability. As a practical expedient, a company may account for this change by updating the effective interest rate of the financial asset or financial liability defined in the contract, without it being necessary to recognize a modification in the valuation of the financial instrument. The Entity elected to utilize the practical expedient and therefore it did not recognize any effect due to this amendment.

Modification of a lease: For lessee modifications that are required by IBOR reform, companies may use a revised discount rate that reflects the change in interest rate to account for the lease modification. The Entity does not have any leases that reference IBOR rates and therefore these amendments had no impact in the Entity's consolidated financial statements.

Hedging relationships: When a company ceases to apply the IBOR Phase 1 amendments to a hedging relationship, it will apply the following exceptions to the hedging relationship:

- The Entity will amend the formal designation of a hedging relationship to reflect the changes that are required by the reform. This change needs to be made by the end of the reporting period and will not result in a discontinuation of the hedge or designation of a new hedging relationship.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

A similar exception is also provided for a discontinued cash flow hedging relationship.

- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, a company will allocate the hedged items to subgroups based on the benchmark rate being hedged and designate the benchmark rate for each sub-group as the hedged risk. A company will assess each sub-group separately to determine whether the sub-group is eligible to be a hedged item. If any subgroup is not eligible to be a hedged item, the hedging relationship is discontinued prospectively in its entirety. In addition, all other hedge requirements, including the requirements for hedge ineffectiveness, are applied to the hedging relationship in its entirety.
- If a company reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it can designate the rate as a non-contractually specified risk component even if it is not separately identifiable at the designation date. This is applied on a rate-by-rate basis and also applicable to a new hedging relationship.
- When performing a retrospective hedge effectiveness assessment under IAS 39, a company may reset the cumulative fair value changes of the hedged item and hedging instrument to zero immediately after ceasing to apply the Phase 1 relief on a hedge-by-hedge basis

New Disclosures: To enable users of financial statements to understand the effect of IBOR reform on a company's financial instruments and risk management strategy, a company will need to provide additional disclosures as follows:

- How the Entity has managed its transition to alternative benchmark rates, including information on the risks to which it is exposed arising from financial instruments because of the transition and its transition progress at the reporting date
- Quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, disaggregated by significant interest rate benchmark and showing non-derivative financial assets, non-derivative liabilities and derivatives separately, and
- The extent to which changes to a company's risk management strategy have occurred due to the risks identified in the transition.

Orbia adopted IBOR Reform - Phase 2 on January 1, 2021 to reflect the impact of the transition from the Interbank Offered Rate (IBOR) to an alternative reference interest rate (also known as the risk-free rate or RFR) The Entity did not have material impacts related to this amendment. The application of the IBOR Reform – Phase 2 resulted in no material impact to the Entity's consolidated financial statements. The Entity currently has active loans that reference the LIBOR rate, which will continue to be used while the markets adopt a new reference rate.

Amendments to IFRS 16- Rent Concessions related to COVID-19 beyond June 30, 2021

In May 2020, the IASB issued COVID-19-Related Rent Concessions (the 2020 amendments), which amended IFRS 16 *Leases*. The 2020 amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications, instead accounting for them in accordance with other applicable guidance.

The practical expedient introduced in the 2020 amendments only applies to rent concessions for which any reduction in lease payments solely affects payments originally due on or before June 30, 2021. However, since the economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated, lessors and lessees are negotiating rent concessions that extend beyond June 30, 2021 and therefore the IASB has extended the practical expedient by 12 months .

This amendment had no effect on the Entity's consolidated financial statements since the Entity has had no lease concessions as a result of COVID-19.

b. *New and revised IFRS Standards issued but not yet effective*

At the date of issuance of these consolidated financial statements, the Entity has not applied the following revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 16	<i>Property, Plant and Equipment- Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to IAS 8	<i>Accounting Estimates Definition</i>
Amendments to IAS 12	<i>Income Taxes</i>
Amendments to IFRS 9	<i>Financial Instruments</i>

The Entity has evaluated the potential impact of adoption of each of the IFRS Standards as discussed further below.

Amendments to IAS 16 — *Property, Plant and Equipment- Proceeds before Intended Use*

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

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Entity does not anticipate a material impact from the adoption of these amendments on its consolidated financial statements.

Amendments to IAS 37 — *Onerous Contracts*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs such as, the costs of direct labor and materials, and an allocation of costs directly related to contract activities, such as depreciation of equipment used to fulfill the contract as well as costs of contract management and supervision. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments which is the date of initial application. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Entity does not expect to have material impacts for the adoption of these amendments on its consolidated financial statements.

Amendments to IFRS 3 — *Reference to the Conceptual Framework*

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

the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references, published together with the updated Conceptual Framework, at the same time or earlier.

The Entity will apply the amendments to IFRS 3 to business combinations entered into as of the effective date of January 1, 2022 or thereafter.

Amendments to IFRS 9 — *Financial Instruments*

The amendment clarifies the costs that an entity includes when assessing whether refinancing a financial liability qualifies as an extinguishment or a modification, clarifying that an entity includes only costs paid or received between the borrower and the lender, including costs paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

An entity applies the amendment for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

The Entity does not anticipate that the adoption of these amendments will have a material impact on its consolidated financial statements.

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

These amendments to IAS 1 affect the presentation of liabilities on the statement of financial position and are intended to promote consistency in the application of accounting principles by clarifying the requirements to determine whether debt or borrowings or other liabilities with an uncertain settlement date should be classified as current or non-current in the statement of financial position.

The amendments clarify that the classification of liabilities as short-term or long-term should be made based on the borrower's rights to defer payment that are in existence at the end of the reporting period, not the expectations of management, explain that the rights exist if there are agreements to be fulfilled at the end of the reporting period, and introduce a definition of 'arrangement' to make it clear that the agreement refers to the transfer of counterparty cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on or after January 1, 2023, when the Entity will adopt the presentation requirements.

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

The amendment to IAS 1 requires companies to disclose their *material* accounting policies rather than their *significant* accounting policies, clarifies that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed, and clarifies that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements”. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Entity is currently evaluating the impact that the adoption of these amendments will have on its consolidated statements but does not expect the impact to be material.

Amendments to IAS 8 — *Accounting Estimates Definition*

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

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

Developing an accounting estimate includes both selecting a measurement technique such as estimation or valuation and choosing the inputs to be used when applying the chosen measurement technique.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates and are not the correction of an error.

The definition of accounting policies remains unchanged.

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

Amendments to IAS 12 — *Income Taxes*

The amendments to IAS 12 clarify how companies should account for deferred tax on certain transactions such as right-of-use lease assets and lease liabilities that are generated by single contracts, as well as any related decommissioning obligations, by narrowing the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. Accordingly, companies must recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease right-of-use asset and related liability and any related decommission provision.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, however, for leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date.

The Entity is currently evaluating the potential impact of the adoption of these amendments will have on its consolidated financial statements.

4. Significant Accounting Policies

- a. ***Compliance statement*** - The accompanying consolidated financial statements as of December 31, 2021, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).
- b. ***Basis of preparation*** - The consolidated financial statements have been prepared on a historical cost basis, except for certain long-term assets and financial instruments, which are measured at their fair values at the end of each reporting period, as explained in the accompanying notes.
 - i. Historical cost

Historical cost is generally equal to the fair value of the consideration paid for goods and services.

ii. Fair value

Fair value is the price that would be received when and if the asset is sold 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 liability, the Entity takes into account the characteristics of the asset or liability being measured that market participants would take into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, lease transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.
- 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).

Going concern

The consolidated financial statements have been prepared by Management assuming that the Entity will continue as a going concern.

In early 2020, an infectious disease (COVID-19) caused by the coronavirus was declared a world-wide pandemic by the World Health Organization (WHO) on March 11, 2020. The Mexican authorities and the various governments where the Entity operates have taken containment measures to prevent mass spread of the virus. Due to the uncertainty and duration of this pandemic, the Entity analyzed its ability to continue as a going concern and concluded that it has adequate resources to continue in operational existence.

Despite the challenging global economic conditions, during 2021 the Entity reported strong profitability and free cash flow, as well as a sequential top-line sales improvement. This solid performance demonstrates the resilience of a diversified portfolio.

The Entity has full confidence that the continuous execution of its strategic plans focused on organic growth and selective bolt-on acquisitions will generate sustained and profitable growth, assuming an absence of material disruptions, pandemic-related or otherwise. Orbia remains confident in its mid- and long-term strategy as well as in its ability to adapt to market conditions based on the resiliency of its businesses and the quick recovery shown during the pandemic.

As the challenges related to the pandemic continue, the Entity remains focused on the health and safety of its people and has positioned itself to adapt with precision and speed to the changing environment.

c. ***Basis of consolidation of financial statements*** - The Entity's consolidated financial statements include

those of the Entity and its subsidiaries. Control is obtained when the Entity has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Entity has less than a majority of the voting, or similar, rights of an investee, it has power over the investee when the voting rights grant it the practical ability to direct the investee's activities unilaterally. The Entity considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the investor, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statements of Income and Other Comprehensive Income from the date the Entity gains control until the date the Entity ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Entity and to the non-controlling interests, even if this results in a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Entity's accounting policies.

All intercompany balances and transactions are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Entity's equity. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. After 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. Total comprehensive income is attributed to the non-controlling interests even if this results in a deficit balance.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Entity's most relevant shareholding interest in its subsidiaries as of December 31, 2021, 2020 and 2019 per business group is as follows:

Group	Country	% equity interest
Polymer Solutions (Vestolit and Alphagary):		
Mexichem Derivados, S.A. de C.V.	Mexico	100%
Mexichem Compuestos, S.A. de C.V.	Mexico	100%
Mexichem Resinas Vinílicas, S.A. de C.V.	Mexico	100%
Vestolit GmbH	Germany	100%
Mexichem Specialty Compounds, Inc.	USA	100%
Mexichem Specialty Compounds, Ltd.	United Kingdom	100%
Mexichem Resinas Colombia, S.A.S.	Colombia	100%
Mexichem Speciality Resins, Inc.	USA	100%
C.I. Mexichem Compuestos Colombia, S.A.S.	Colombia	100%
Petroquímica Mexicana de Vinilo, S.A. de C.V.	Mexico	100%
Ingleside Ethylene LLC	USA	50%
Sylvin Technologies Inc.	USA	100%
Fluorinated Solutions (Koura):		
Mexichem Flúor, S.A. de C.V.	Mexico	100%
Mexichem Flúor Comercial, S.A. de C.V.	Mexico	100%
Fluorita de México, S.A. de C.V.	Mexico	100%
Mexichem Flúor Inc.	USA	100%
Mexichem Flúor Canadá Inc.	Canada	100%
Mexichem UK Ltd.	United Kingdom	100%
Mexichem Flúor Japan Ltd.	Japan	100%
Mexichem Flúor Taiwan Ltd.	Taiwan	100%
Building and Infrastructure (Wavin):		
Mexichem Amanco Holding, S.A. de C.V.	Mexico	100%
Mexichem Soluciones Integrales, S.A. de C.V.	Mexico	100%
Mexichem Guatemala, S.A.	Guatemala	100%
Mexichem Honduras, S.A.	Honduras	100%
Mexichem El Salvador, S.A.	El Salvador	100%
Mexichem Nicaragua, S.A.	Nicaragua	100%
Mexichem Costa Rica, S.A.	Costa Rica	100%
Mexichem Panamá, S.A.	Panama	100%
Mexichem Colombia, S.A.S.	Colombia	100%
Pavco de Venezuela, S.A.	Venezuela	100%
Mexichem Ecuador, S.A.	Ecuador	95%
Mexichem del Perú, S.A.	Peru	100%
Mexichem Argentina, S.A.	Argentina	100%
Mexichem Brasil Industria de Transformação Plástica, Ltda.	Brazil	100%
Wavin Nederland B.V.	Netherlands	100%

Group	Country	% equity interest
Wavin Belgium N.V.	Belgium	100%
Wavin (Foshan) Piping Systems Co. Ltd.	China	100%
Nordisk Wavin A/S	Denmark	100%
Norsk Wavin A/S	Norway	100%
Wavin France S.A.S.	France	100%
Wavin GmbH	Germany	100%
Wavin Hungary Kft.	Hungary	100%
Wavin Ireland Ltd.	Ireland	100%
Wavin Italia SpA	Italy	100%
UAB Wavin Baltic	Lithuania	100%
Wavin Romania s.r.l.	Romania	100%
OOO Wavin Rus	Russia	100%
AB Svenska Wavin	Sweden	100%
Wavin TR Plastik Sanayi Anonim Sirketi	Turkey	100%
Wavin Ltd.	United Kingdom	100%
Warmafl oor (GB) Ltd.	United Kingdom	100%

Data Communications (Dura-Line):

Dura-Line Holdings, Inc.	USA	100%
Mexichem Canada Limited	Canada	100%

Precision Agriculture (Netafim):

Netafim, LTD.	Israel	80%
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Holdings:

Mexichem Soluciones Integrales Holding, S.A. de C.V.	Mexico	100%
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Changes in ownership interests of existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. When the proportion of the equity held by non-controlling interests' changes, the Entity adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiaries. The Entity recognize in equity any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, and attribute it to the owners of the Entity.

When the Entity loses control over a subsidiary, the gain or loss on the disposal of the shares is calculated as the difference between (i) the sum of the fair value of the consideration received and the fair value of any retained interest, and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary prior to the loss of control and any non-controlling interests. Amounts corresponding to the equity investment in the subsidiary that were previously recognized in Other Comprehensive Income are recognized based on the accounting treatment applicable to the disposal of the related assets and liabilities meaning that they are reclassified to profit or loss or recognized directly in other components of equity, as permitted under the applicable IFRS. The fair value of any investment retained in the subsidiary subsequent to the loss of control shall be the fair value of such investment for purposes of initial recognition under IAS 39, or the cost of the initial recognition of an equity investment in an

associate or joint arrangement.

- d. **Recognition of the effects of inflation** - The Entity recognizes the effect of inflation for entities that operate in highly inflationary economies, which is when inflation over the preceding three years is greater than 100%. In 2021, 2020 and 2019, the Entity recognized the effects of inflation on its operations in Venezuela and Argentina.
- e. **Foreign currency transactions** - The financial statements of each subsidiary are presented in the currency of the economic environment in which the subsidiary operates (functional currency). To consolidate the financial statements of foreign subsidiaries, the financial statements are translated from the functional currency into U.S. dollars, which is the reporting currency, using the following methodology:

Foreign operations whose functional currency is not the same as the currency in which transactions are recorded translate their financial statements using the following exchange rates: i) the closing exchange rate in effect at the balance sheet date for assets and liabilities, ii) historical exchange rates for equity, and iii) monthly average exchange rates for revenue, costs, and expenses. 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 the net foreign investment 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. Non-monetary items carried at historical cost in foreign currency are not retranslated.

For foreign entities that operate in a hyperinflationary economy, their financial statements are first restated in purchasing power currency as of the date of the consolidated statement of financial position, using the consumer price index of the country of origin of the functional currency, and the financial statements are subsequently translated using the official closing exchange rate for all items. The Entity's operations in Venezuela have been restated using the annual inflation rates of 2,594%, 2,960% and 12,903% for the years ended December 31, 2021, 2020 and 2019, respectively. To translate these amounts as of December 31, 2020 and 2019, the Entity determined a theoretical exchange rate correlated to the effects of inflation, whereby the amounts would have been converted at an exchange rate of 5,639,363,645 and 284,052,162 bolivars per U.S. dollar, respectively. Due to the currency reconversion result of hyperinflation, during 2021, Venezuelan bolivar dropped six zeros to the exchange rate. Consequently, the Entity translated the balances as of December 31, 2021 using an exchange rate of 47,824.89; A summary of the main financial statement captions related to this operation is as follows:

Venezuela

	2021	2020	2019
Total assets	\$ 623	\$ 656	\$ 771
Equity	\$ (48)	\$ 599	\$ 26
Net sales	\$ 117	\$ 148	\$ 147
Net profit	\$ (932)	\$ 514	\$ 2,107

In 2018, the Argentinian operation became a hyperinflationary economy given that the country's compound inflation for the last three years was greater than 100%; therefore, the amounts have been restated using the official annual inflation rates of 50.9%, 36.1% and 53.8% in 2021, 2020 and 2019, respectively. As of December 31, 2021, 2020, and 2019, the official exchange rates of 102.72, 84.15 and 59.89 Argentinian pesos per US dollar, respectively, were used to translate these balances. A summary of the main financial statement captions related to this operation is as follows:

Argentina

	2021	2020	2019
Total assets	\$ 31,525	\$ 22,442	\$ 20,755
Equity	\$ 16,665	\$ 11,773	\$ 13,796
Net sales	\$ 60,938	\$ 30,968	\$ 32,315
Net profit	\$ 2,164	\$ (1,483)	\$ (2,316)

Exchange rate differences are recognized in profit or loss in the period in which they arise, except for exchange differences on foreign currency denominated loans relating to assets under construction qualifying for capitalization of interest, which are included in the cost of those assets when such differences are regarded as an adjustment to interest costs on those foreign currency denominated loans.

Goodwill and fair value adjustments arising from identifiable acquired assets and assumed liabilities generated in the acquisition of an overseas transaction are considered to be assets and liabilities for that transaction and are translated at the spot rate of exchange in effect at the reporting period. The resulting differences are recognized in other comprehensive income.

Transactions in foreign currency are initially translated using the prevailing exchange rate on the day of the initial transactions. Foreign currency denominated assets and liabilities are translated to functional currency using the exchange rate in effect at the reporting date. Exchange differences are recognized in profit or loss.

When there are several exchange rates available, the rate in which the future cash flows can be settled is used.

The most representative subsidiaries with functional currency different to the U.S. dollar are as follows:

Entity	Functional currency	Country	Business Group
VESTO PVC Holding GmbH, Marl	Euro	Germany	Polymer Solutions
Mexichem Specialty Compounds	Pound sterling	United Kingdom	Polymer Solutions
Vinyl Compounds Holdings	Pound sterling	United Kingdom	Polymer Solutions
Mexichem UK	Pound sterling	United Kingdom	Fluorinated Solutions
Mexichem Fluor Japan	Japanese yen	Japan	Fluorinated Solutions
Mexichem Soluciones Integrales	Mexican peso	Mexico	Building & Infrastructure
Mexichem Canada Holding	Canadian dollar	Canada	Data Communications
Mexichem Guatemala	Guatemalan quetzal	Guatemala	Building & Infrastructure
Mexichem Honduras	Honduran lempira	Honduras	Building & Infrastructure
Mexichem Nicaragua	Nicaraguan cordoba	Nicaragua	Building & Infrastructure
Mexichem Costa Rica	Costa Rican colon	Costa Rica	Building & Infrastructure
Mexichem Panamá	Panamanian balboa	Panama	Building & Infrastructure
Mexichem Colombia	Colombian peso	Colombia	Building & Infrastructure
Pavco de Venezuela	Venezuelan bolivar	Venezuela	Building & Infrastructure
Mexichem Argentina	Argentinian peso	Argentina	Building & Infrastructure
Mexichem Brasil Industria de Transformação Plástica	Brazilian real	Brazil	Building & Infrastructure
Wavin N.V. and subsidiaries	Euro (primarily)	Europe	Building & Infrastructure
Handelsonderneming Revaho B.V.(Netherlands)	Euro	Europe	Precision Agriculture
Netafim Irrigation India Pvt.	Indian rupee	India	Precision Agriculture
Netafim Turkey	Turkish lira	Turkey	Precision Agriculture
Netafim Brasil	Brazilian real	Brazil	Precision Agriculture

- f. **Cash and cash equivalents** - Cash and cash equivalents primarily consist of bank deposits in checking accounts and highly liquid, short-term investments that are easily convertible into cash. Cash is stated at nominal value, while cash equivalents are stated at fair value.
- g. **Inventories** - Inventories are valued at the lower of cost or net realizable value (estimated selling price less all estimated costs necessary to make the sale). Costs, including direct materials and an appropriate portion of fixed and variable overhead expenses that have been incurred in bringing the inventories to their present location and condition, are valued using the average cost method. The Entity recognizes an allowance for inventories for impairment in the value of its inventories and for slow moving or obsolete inventories.
- h. **Assets held for sale** - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

When the Entity is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Entity then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The Entity discontinues the use of the equity method at the time of disposal when the disposal results in the Entity losing significant influence over the associate or joint venture (see Note 4-1).

After the disposal takes place, the Entity accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Entity uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

- i. **Property, plant, and equipment** - Property, plant and equipment are initially measured at cost, less accumulated depreciation or accumulated impairment losses, if any.

Borrowing costs directly attributable to the construction and installation of qualifying items of property, plant, and equipment, are capitalized.

Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss.

Construction in process is stated at cost, net of accumulated impairment losses, if any. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Entity's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

The depreciation of property, plant and equipment is recognized over the assets' useful lives using the straight-line method. 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 estimated useful lives of the property, plant and equipment are as follows:

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

j. **Leases** - Entity as a lessee

The Entity assesses whether a contract is or contains a lease, at inception of the contract. The Entity recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases, defined as leases with a lease term of 12 months or less, and leases of low value assets such as tablets and personal computers, small items of office furniture and telephones. For these leases, the Entity recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Entity uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, including in-substance fixed payments, less lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, using the effective interest method, and by reducing the carrying amount to reflect the lease payments made.

The Entity remeasures the lease liability, and makes a corresponding adjustment to the related right-of-use asset, whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the

modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Entity did not make any such adjustments during the periods presented since it opted to retrospectively recognize the cumulative effect.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Entity applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rent that does not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included as leases in profit or loss (see Note 21b).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Entity has elected to not use this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Entity allocates the consideration in the contract to each lease component on the basis of the relative stand-alone selling price of the lease component and the aggregate stand-alone price of the non-lease components.

- k. ***Borrowing costs*** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.
- l. ***Equity investment in associates and others*** - An associate is an entity over which the Entity has significant influence and is initially recognized at the fair value of the entity's identifiable assets and liabilities at the incorporation or acquisition date. The Entity tests its equity investments in associates for impairment whenever indicators for impairment are present.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control over those policies or decisions.

After initial recognition, the comprehensive income of the associates, as well as any distribution of

profits or capital reimbursements, are recorded in the Entity's consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. When the Entity's share of losses of an associate exceeds the Entity's interest in that associate, the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of its associate.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On the date of acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity'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 profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment, including goodwill, is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount, which is the higher of value in use and fair value less costs of disposal, with its carrying amount. Any impairment loss recognized forms part of the carrying amount 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.

The Entity 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. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of an interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in Other Comprehensive Income with regards to the equity investment in associate on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in Other Comprehensive Income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss as a reclassification adjustment when the equity investment in the associate or joint venture is disposed of.

The most material equity investment in associates in 2021, 2020 and 2019, respectively, is comprised of: 40% of GF Wavin AG (Switzerland); 25% of Salzg. Westfalen GmbH (Germany); and 51% of Netafim Agricultural Financing Agency Ltd. (NAFA). The combined total investment in other entities equals \$40,335, \$38,585 and \$33,843 in 2021, 2020 and 2019, respectively, and the Entity's share of profit or (loss) of associates was \$1,463, \$867, and \$4,142, respectively during these periods.

Interests in joint operations -

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Entity recognizes the following with regards to its joint operations:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

The Entity accounts for the assets, liabilities, revenue, and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to the specific assets, liabilities, revenue and expenses of that venture.

When the Entity transacts with a joint operation for which the Entity is a joint operator, for example in the sale or contribution of assets, the Entity is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Entity's consolidated financial statements only to the extent of other parties' interests in the joint operation. Additionally, for the purchase of assets from the joint operation, the Entity does not recognize its share of the gains and losses until it resells those assets to a third party.

- m. **Intangible assets** - The Entity's intangible assets comprise non-compete agreements, trademark use agreements, intellectual property and customer portfolios. Intangible assets with finite useful lives are amortized on a straight-line basis over the estimated useful lives of the assets. Intangible assets with an indefinite useful life are not amortized, but are tested for impairment 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, on the same basis as intangible assets that are acquired separately.

- n. **Government grants** - Government grants are not recognized until there is reasonable assurance that the Entity will comply with the conditions attached to them and that the grants will be received.

Government grants whose primary condition is that the Entity should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

- o. **Goodwill** - Goodwill arising from business combinations is recognized at the cost determined on the acquisition date of the business, net of any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Entity's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Goodwill impairment charges are directly recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Entity's policy for goodwill arising on the acquisition of an associate is described in Note 4l.

- p. **Impairment of tangible and intangible assets excluding goodwill** - At each reporting date, the Entity reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. When the asset does not generate cash flows that are independent from other assets, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and

consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. 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.

The recoverable amount of an asset is deemed to be the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount. Impairment losses are recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, or cash-generating unit, in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

- q. **Business combinations** - Under a business combination, an entity acquires the assets and assumes the liabilities of another entity. Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, as are the assets acquired and liabilities assumed. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value in accordance with IFRS 3 at the acquisition date, except that:

- i. deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Tax* and IAS 19 *Employee benefits*, respectively
- ii. liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2
- iii. assets (or disposal groups) that are classified as held for sale which are measured in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree, if any, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date fair value amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Entity in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and 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 are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period', which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its 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 a business combination is achieved in stages, the Entity's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Entity 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.

- r. **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 profit or loss.
- s. **Financial assets** - All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- 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 principal amount outstanding

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
- 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 principal amount outstanding

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets that are assets that are credit-impaired on initial recognition, the effective interest rate is the rate that exactly discounts estimated future cash receipts, including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk of the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included in the "Interest Income" line item in the Consolidated Statement of Income and Other Comprehensive Income.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Dividends of equity instruments recorded at FVTOCI are initially measured at fair value plus transaction costs. In subsequent periods, the amounts are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment revaluation reserve. On disposal of the equity instruments, the cumulative gain or loss from changes in fair value is transferred to retained earnings instead of being reclassified to profit or loss.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency, referred to an ‘accounting mismatch’, that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Entity has not designated any debt instruments as FVTPL.

Financial assets at FVTOCI are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate in effect at the end of each reporting period.

Impairment of financial assets

The Entity recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity’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 the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

i. Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the prospects of the industries in which the Entity’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity’s core operations.

In particular, the following information is considered when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating

- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost
- Existing or forecasted adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- An actual or expected significant deterioration in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

ii. *Definition of default*

The Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full, without taking into account any collateral held by the Entity.

Irrespective of the above analysis, the Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

iii. *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties

iv. *Write-off policy*

The Entity 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 over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Entity's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

v. *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guaranteed contracts, the exposure includes the amount drawn down at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Derecognition of financial assets

The Entity 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 Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity 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 and receivable is recognized in profit or loss.

On partial derecognition of a financial asset, such as when the Entity retains an option to repurchase a portion of a transferred asset, the Entity allocates the carrying amount previously recognized for the financial asset between the portion it will continue to recognize and the portion being derecognized, based on the relative fair values of those portions on the date of the transfer. The difference between the carrying amount allocated to the derecognized portion and the consideration received for the derecognized portion that was recognized in OCI shall be recognized in profit or loss. Cumulative gains and losses recognized in OCI shall be allocated between the portion that continues to be recognized and the portion that is no longer recognized on the basis of the fair values of each portion.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination in accordance with IFRS 3, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the

- grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9: *Financial Instruments: Recognition and Measurement* permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in 'Other Comprehensive Income' in the Consolidated Income Statement. Fair value is determined in the manner described in Note 11.

Other financial liabilities

Other financial liabilities, including loans and trade and other payables, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, when appropriate, a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity'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.

- t. ***Derivative financial instruments*** - Due to the Entity's national and international operations, it is exposed to the risk of fluctuations in the prices of raw materials in the chemical industry, it is also exposed to foreign currency risk given its position in certain foreign currencies, as well as interest rate risk related to the financing of its projects.

The Entity's policy is to use certain hedges to mitigate the volatility of the prices of certain raw materials, as well as interest rate and foreign exchange rate risks in its financial operations, all of which are related to its business.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Entity designates certain hedging instruments as fair value of recognized assets or liabilities or firm commitments as fair value hedges, hedges of highly probable forecasted transactions or hedges of foreign exchange risk on firm commitments as cash flow hedges, or hedges of net investment in a foreign business.

Embedded derivatives

The Entity reviews all executed contracts to identify embedded derivatives that must be separated from the host contract for purposes of their accounting valuation and recognition.

Embedded derivatives identified in other financial instruments or in other contracts (host contracts) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, and the host contract itself is not designated at FVTPL.

- u. ***Hedge accounting*** - The Entity designates certain derivatives as hedging instruments in respect of foreign currency risk, interest rate risk and commodities risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for

undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item.

Note 12 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The Entity recognizes all the assets and liabilities arising from transactions with derivative financial instruments at fair value in the consolidated statement of financial position, irrespective of the intended use of the derivative. The fair value is determined based on recognized market prices and when not listed on a market, based on valuation techniques accepted in the financial markets. The decision to contract hedges is based on market conditions and expectations in domestic and international economic environments.

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 profit or loss and is included in the 'Other Income' line item in the Consolidated Income Statements.

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 Entity discontinues hedge accounting only 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 and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is reclassified immediately to profit or loss.

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 statement of profit or loss line item relating to the hedged item.

Hedge accounting is discontinued when the Entity 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.

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 and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the “Other Income” line item in the Consolidated Statements of Income.

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.

- v. **Provisions** - Provisions are recognized when the Entity has a present obligation, legal or constructive, as a result of a past event, it is probable that the Entity 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. When a provision is measured using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows when the effect of the time value of money is material.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

- w. **Restructuring** - A restructuring provision is recognized when the Entity 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 starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those costs required to carry out the restructuring plan and do not include those costs associated with the ongoing activities of the entity.
- x. **Contingent liabilities acquired in a business combination** - Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount recognized initially less the cumulative amount of income recognized in accordance with the principles of IAS 18 *Revenue*.
- y. **Short-term employee benefits** - All employee benefits are expected to be settled within 12 months after the end of the annual reporting period, in which employees provide services, related to:
- (a) Wages and salaries and social security contributions;
 - (b) Rights related to paid time off and sick leave;
 - (c) Employee profit sharing and incentives; and
 - (d) Non-monetary benefits to current employees
- z. **Share buy-back reserve** - Purchases and sales of shares are recognized directly in the share buyback reserve at their acquisition cost. Any gain or loss is recognized as part of retained earnings.
- aa. **Taxes** - Income tax expense is the aggregate amount of current tax and deferred tax.
- i. Current income tax - Current income tax is the Entity’s income tax expense for the year, and it is recognized in profit or loss.
 - ii. Deferred taxes - Deferred taxes are recognized on all temporary differences between financial reporting and tax values of assets and liabilities in the consolidated financial statements and the

tax bases used in the calculation of taxable profit, the rates that have been enacted at the reporting date and where applicable, they include the carryforward of unused tax losses and tax credits. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except when the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

- bb. ***Employee benefits*** - 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.

For defined benefit plans, including 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, the effect of the asset ceiling, if applicable), and the return on plan assets, excluding interest, are recognized immediately in the Consolidated Statement of Financial Position with a charge or credit 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 the plan amendment or curtailment occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

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.

The Entity presents the first two components of defined benefit costs as an expense or income depending on the item. Gains and losses from curtailments are recognized as part of past service costs.

The retirement benefit obligation recognized in the Consolidated Statement of Financial Position represents the deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

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 accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services, such as when e.g. 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 (asset).
- Contributions linked to services reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 for the related gross benefits.

cc. ***Share-based payments***

The Entity has established a Long-Term Incentive Plan (LTIP) for a group of executives to align their compensation with shareholder interests. Under the plan, the Entity annually awards a specific number of shares per beneficiary. Depending on the award year and country where the personnel is based, the executives are awarded with phantom shares and actual shares. As established by IFRS 2, phantom shares are presented as a liability on the consolidated financial statements while actual shares are classified as equity settled.

Restricted stock units (RSUs): RSUs vest in three equal annual installments, only if the beneficiary is an active employee at the time of the grant.

Performance stock units (PSUs): PSUs cliff vest after three years based on the Entity's achieved financial performance against the plan's performance targets.

For both RSUs and PSUs, expense is accrued as the employees render service over the vesting period. Payments are made only to employees active in payroll.

Compensation under both RSUs and PSUs is measured in accordance with IFRS 2.

The LTIP balances in the Consolidated Statements of Financial Position for all periods presented are as follows:

	LTIP Short term	LTIP Long term	Total
Balance as of January 1, 2019	\$ 9,266	\$ 17,024	\$ 26,290
Charge (benefit) on liability balance	4,424	(11,320)	(6,896)
Balance as of December 31, 2019	13,690	5,704	19,394
Charge on liability balance	4,550	3,975	8,525
Balance as of December 31, 2020	18,240	9,679	27,919
Charge on liability balance	10,904	13,714	24,618
Charge on equity balance	7,660	6,475	14,135
Balance as of December 31, 2021	\$ 36,804	\$ 29,868	\$ 66,672

- dd. **Earnings per share** - (i) Basic earnings per common share is calculated by dividing the consolidated net profit or loss attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year. (ii) Basic earnings (losses) per common share from discontinued operations is calculated by dividing the net profit from discontinued operations by the weighted average number of common shares outstanding during the year. Given the small number of potentially dilutive instruments that are outstanding for each of the three years ended December 31, diluted earnings per share are the same as basic earnings per share.

Earnings amounts per share are as follows:

Basic and diluted earnings per share

	2021	2020	2019
Total shares at the beginning of the year	2,100,000,000	2,100,000,000	2,100,000,000
Minus repurchased shares weighted average	(107,342,904)	(75,208,161)	(32,637,399)
Weighted average number of ordinary shares	1,992,657,096	2,024,791,839	2,067,362,601
Majority net income – in dollars	\$ 657,146,000	\$ 194,702,000	\$ 206,731,000
Total basic and diluted earnings per share – in dollars	\$ 0.33	\$ 0.10	\$ 0.10

- ee. **Reclassifications** - Certain figures in the comparative periods have been reclassified to conform with the presentation used in 2021.

- ff. **Revenue recognition** - Revenue from ordinary activities is recognized when the Entity transfers control of the good or service to a customer at an amount that reflects the consideration that the Entity expects to be entitled to in exchange for transferring goods or services to a customer.

Sales-related warranties cannot be purchased separately, and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Entity accounts for warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

1) **Sales of goods**

The Entity derives its revenue from contracts with customers for the transfer of goods and services over time or at a point in time in the following major product lines:

- i. **Polymer Solutions (Vestolit and Alphagary brands):** This business group consists of six manufacturing processes: (i) basic chemicals including ethylene, chlorine, caustic soda and their derivatives, VCM, EDC and specialty chemicals; (ii) phosphates used in food and beverages, soaps and detergents, fertilizers and food supplements; (iii) the vinyl process, which produces general resins used for pipes and fittings, cable, flexible and rigid films, bottles, etc.(iv) specialty resins used for flooring, wallpaper, coatings, among others; (v) the plasticizer process that produces phthalic anhydride and a wide variety of plasticizers used in the processing of plastic resins; and (vi) the compound process, which produces plastic resins used to produce products with different applications, such as medical products, industrial and consumer products, products for the construction industry, among others. The product is a calcium-zinc stabilizer used in processing of PVC.
- ii. **Building and Infrastructure (Wavin brand):** This business group is the global leader in Europe and Latin America in the production and distribution of plastic piping systems, fittings and accessories for safe and efficient conduction of the water supply, better sanitation and hygiene, climate-resilient cities and better building performance. Wavin is focused on the residential and commercial construction and infrastructure markets. In Latin America, it mainly offers technical solutions with geosynthetics, such as woven and non-woven geotextiles, fabrics, geomembranes and geogrids aimed at the execution of civil, environmental and infrastructure works, as well as other products for construction sector and other industries such as mining. In Europe, the Entity is one of the leading suppliers of plastic piping systems and water supply solutions, offering innovative products through a global network of distributors, plumbing dealers, civil contractors, housing developers, large installers, utilities and municipalities. It also offers water transport and handling systems, as well as systems in buildings for "Soil and Waste" and for heating and cooling systems including surface heating and cooling.
- iii. **Precision Agriculture (Netafim brand):** This business group is the world leader in the production and sale of intelligent precision irrigation (drip irrigation) solutions, with 29 subsidiaries and 17 plants located in Israel, Turkey, the Netherlands, Spain, South Africa, Mexico, Brazil, Peru, Chile, China, Colombia, Australia, India and the United States, serving more than 110 countries. Netafim offers solutions in agricultural, civil and project engineering, related to the management, use and control of water in the agricultural, livestock and aquaculture areas.
- iv. **Data Communications (Dura-Line brand):** Through the Data Communications (Dura-Line) business, primarily in the US/Canada and AMEA regions, the Entity has positioned itself as a leader in the production and distribution of pipelines and accessories and solutions for cable and fiber optics for voice and data conduction, as well as pipelines for natural gas conduction and distribution.
- v. **Fluorinated Solutions (Koura brand):** Koura is the world's largest integrated producer

of fluorite and hydrofluoric acid (HF), except for China. In addition, the Entity is one of the world's largest producers of HF, considering the operations in Mexico and the largest supplier in the U.S. Spot Market. The process of this business group is divided into 3 stages: (i) the fluorite process, which consists of the extraction of fluoride, used for the production of hydrofluoric acid, in the cement, steel, ceramic and glass industries; (ii) the hydrofluoric acid and aluminum fluoride process, used for the production of refrigerant gases, downstream and in the aluminum industry; and (iii) the refrigerant and propellant gases process, used in air conditioning and medical applications.

2) ***Variable consideration***

In all the business groups described above, the amount of the consideration may vary due to discounts, reimbursements, etc., which are recognized based on an appropriate estimate using all available customer information. Based on such estimates, the net sales line item reflects the actual consideration expected to be received from customers.

Under the Entity's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for those products expected to be returned. The Entity uses its accumulated historical experience to estimate the number of returns using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent level of returns over previous years.

3) ***Net sales***

The table below shows a breakdown of net sales revenue per business group, which has been grouped based on the vertical integration of its raw materials. The Entity uses this breakdown to make operating decisions to allocate resources and evaluate the performance of each business group:

	Business Group	2021	2020	2019
PVC paste and resin, compounds, chloride and caustic soda	Polymer Solutions (Vestolit and Alphagary)	\$ 3,438,063	\$ 2,170,679	\$ 2,333,796
Pipelines, natural gas and high-pressure water pipelines	Building and Infrastructure (Wavin)	2,921,595	2,071,265	2,238,757
Agriculture and irrigation	Precision Agriculture (Netafim)	1,125,656	972,015	1,063,447
Telecommunications/ datacom	Data Communications (Dura-Line)	993,971	732,154	749,108
Fluorite, fluorocarbons and hydrofluoric acid	Fluorinated Solutions (Koura)	743,731	697,951	805,187
Service revenue (i)	Holding	215,420	183,720	96,919
Eliminations and other	Other	(655,536)	(408,014)	(300,032)
		<u>\$ 8,782,900</u>	<u>\$ 6,419,770</u>	<u>\$ 6,987,182</u>

- (i) Consists primarily of revenue from the provision of services, property leases and royalty income related to products and technologies.

gg. **Written put options over non-controlling interest** - When the Entity acquires less than 100% of the shares of a subsidiary and it enters into a written put option with the seller that permits the seller to put its remaining interest in the subsidiary at a specified price; these put options are recognized as a financial liability and presented as *Redeemable non-controlling* interest in the consolidated statement of financial position. The redeemable non-controlling interest is initially measured at an amount equal to the present value of the amount that could 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 acquirer could be required to pay are always recognized in profit or loss. The liability is initially recognized against the non-controlling interest within equity in the consolidated statement of changes in equity.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Entity's accounting policies, Entity management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be 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.

Critical accounting judgments 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.

- a. For impairment testing purposes, the Entity is required to estimate the value in use of its property, plant and equipment, and, in the case of certain assets, of its cash generating units. The value in use calculations require the Entity to determine the future cash flows expected to be derived from its cash-generating units and an appropriate discount rate to calculate their present value. The Entity uses cash flow projections of revenue using estimates of market conditions, pricing, and production and sales volumes.
- b. The Entity uses estimates to determine the net realizable value of its inventories and its allowance for doubtful accounts. The factors that the Entity considers for the net realizable value of its inventory are production and sales volumes, and changes in demand for certain products, including the expected sales prices and costs. The factors that the Entity considers determining the allowance for doubtful accounts are primarily the client's risk related to its financial situation, unsecured accounts and considerable delays in collection considering established credit limits
- c. The Entity periodically evaluates the estimates of its ore reserves (fluorite and salt), which represent the Entity's estimate with respect to 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 Entity updates the estimate for ore reserves at the beginning of each year.
- d. To determine the carrying amount of the Entity's defined benefits obligation, the Entity must estimate an appropriate discount rate. The Entity's defined benefits obligation is discounted using market yields on high-quality government and corporate bonds at the end of the reporting period. Professional judgment 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 issue of the government and corporate bonds, their rating and the identification of the atypical bonds that have been excluded.

- e. The Entity is subject to transactions or events upon which it uses professional judgment in the development of estimates of probability of occurrence. The factors that are considered in these estimates are the current legal situation at the date of the estimate and the opinion of its legal advisors.
- f. As discussed further in Note 4c, the Entity consolidates Ingleside Ethylene LLC for which it owns a 50% equity interest as a subsidiary. The Entity 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.
- g. The Entity prepares financial projections for each legal entity in which it has control in order to determine whether the tax assets may be used in the future, particularly against available tax loss carryforwards. Based on these projections, tax losses are utilized or reserved in each jurisdiction where the Entity operates.
- h. The Entity evaluates its assets subject to leasing and identifies leases of low-value assets. Leases for which a right-of-use asset must be recognized are assessed to determine their contractual terms and renewal options based on economic benefits, rental payment projections and the discount rates used for each type of asset, in order to determine the amount to be recognized.

6. Transactions which did not generate or require Cash Flows

The Entity has made strategic investments in adherence with the terms and conditions of leases agreements. In 2021, 2020 and 2019, these transactions represent additions to right-of-use assets totaling \$141,333, \$82,699, and \$313,498 respectively.

In connection with the acquisitions of 2021 as discussed in Note 2b, the Entity recognized Redeemable non-controlling interest for \$14,009 and an increase to non-controlling interest for \$14,000 which did not require or generate cash.

7. Cash and Cash Equivalents

An analysis of cash and cash equivalents as of December 31, 2021, 2020 and 2019 is as follows:

	2021	2020	2019
Cash	\$ 461,537	\$ 623,097	\$ 361,577
Cash equivalents:			
Cash held in bank deposit accounts	129,792	78,283	34,516
Highly liquid investments	190,223	173,805	190,316
	<u>\$ 781,552</u>	<u>\$ 875,185</u>	<u>\$ 586,409</u>

8. Accounts Receivable

An analysis of accounts receivable as of December 31, 2021, 2020 and 2019 is as follows:

	2021	2020	2019
Trade receivables	\$ 1,451,958	\$ 1,160,257	\$ 1,217,249
Less - Allowance for doubtful accounts	(82,363)	(66,852)	(58,915)
	<u>1,369,595</u>	<u>1,093,405</u>	<u>1,158,334</u>
Recoverable taxes and other	225,167	231,333	193,694
	<u>\$ 1,594,762</u>	<u>\$ 1,324,738</u>	<u>\$ 1,352,028</u>

The average credit term sale for the sale of goods is 66 days as of December 31, 2021. No interest is charged on accounts receivable unless a payment restructuring agreement is executed. The Entity has recognized an allowance for expected credit losses that represents 5.7% of its total trade receivables, determined based on the Entity's historical credit loss experience.

Before accepting any new customer, the Entity 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 Entity 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 Entity's accounts receivable that are neither past due nor impaired are due from customers with the maximum credit rating determined by the Entity's credit rating system. No single customer represents more than 4% of the Entity's trade receivable balance.

Accounts receivable disclosed in the preceding paragraphs include amounts that are past due at the reporting date for which the Entity has recorded an estimate considering: i) its potential exposure; ii) whether the account receivable is secured; and iii) whether it maintains any collateral or other credit enhancements on those balances since it does not have the legal right to offset them against any amount owed by the Entity to the counterparty. An analysis of the accounts receivable balances more than 60 days past due is included below for all periods presented:

	2021	2020	2019
60-90 days	\$ 12,244	\$ 16,063	\$ 23,050
More than 91 days	<u>89,662</u>	<u>82,578</u>	<u>64,154</u>
Total	<u>\$ 101,906</u>	<u>\$ 98,641</u>	<u>\$ 87,204</u>
Average age (days)	<u>66</u>	<u>58</u>	<u>53</u>

An analysis of the allowance for doubtful accounts for all periods presented is as follows:

	2021	2020	2019
Beginning balance	\$ 66,852	\$ 58,915	\$ 58,320
Charge to profit or loss	21,574	20,403	11,442
Charges against the allowance	(3,714)	(10,512)	(8,533)
Foreign currency translation	(2,349)	(1,954)	(2,314)
Ending balance	<u>\$ 82,363</u>	<u>\$ 66,852</u>	<u>\$ 58,915</u>

In determining the recoverability of an account receivable, the Entity considers changes in the credit quality of each account from the time the credit was granted until the end of the reporting period. The Entity's concentration of credit risk is low, as its customer base is large and diverse.

9. Inventories

An analysis of the Entity's inventories as of December 31, 2021, 2020 and 2019 is as follows:

	2021	2020	2019
Finished products	\$ 830,156	\$ 594,909	\$ 596,175
Raw materials	361,862	194,310	203,548
Merchandise in transit	122,217	93,758	57,473
Spare parts	44,381	42,652	40,566
	<u>1,358,616</u>	<u>925,629</u>	<u>897,762</u>
Less - Allowance for obsolete and slow-moving inventories	<u>(66,838)</u>	<u>(64,507)</u>	<u>(63,324)</u>
	<u>\$ 1,291,778</u>	<u>\$ 861,122</u>	<u>\$ 834,438</u>

For the years ended December 31, 2021, 2020 and 2019, inventories recognized Cost of sales in the Consolidated Statements of Income and Other Comprehensive Income was \$4,686 million, \$4,165 million and \$4,655 million, respectively. During 2021, 2020 and 2019, there were no write-downs of inventory to their net realizable value.

An analysis of the allowance for obsolete and slow-moving inventories for all periods presented is as follows:

	2021	2020	2019
Beginning balance	\$ 64,507	\$ 63,324	\$ 64,995
Charge to profit or loss	8,491	2,657	2,706
Charges against the allowance	(4,438)	(1,716)	(4,202)
Business combinations	249	-	-
Foreign currency translation reserve	(1,971)	242	(175)
Ending balance	<u>\$ 66,838</u>	<u>\$ 64,507</u>	<u>\$ 63,324</u>

10. Financial Instruments

The Entity is exposed to market risks, operating risks and financial risks arising from the use of financial instruments involving interest rates risk, credit risk, liquidity risk and foreign exchange rate risk, which are centrally managed. The Board of Directors establishes and monitors the policies and procedures to measure and manage those risks, which are described below.

- a. **Capital risk management** - The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return on the investment of its shareholders by optimizing its debt and equity mix. The Entity's capital structure is not exposed to any capital requirements.

Entity management reviews, on a monthly basis, its net debt position and borrowing costs and their relationship with Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), and presents its financial projections as part of its business plan to the Board of Directors and shareholders.

The Entity's net debt cost includes \$50 in 2019, related to letters of credit and supplier accounts payable more than 180 days old, which, for financial restriction purposes, are considered as financial debt. During 2021 and 2020 the entity did not have any such costs.

An analysis of the debt ratio for each period presented follows:

Unaudited amounts:	2021	2020	2019
Net cost-bearing debt	2,737,973	2,750,827	2,864,557
EBITDA	2,046,962	1,318,257	1,365,204
Net Debt ratio	1.34	2.09	2.10
EBITDA (unaudited)	2,046,962	1,318,257	1,365,204
Total interest expense	226,447	210,725	224,232
Interest coverage ratio	9.04	6.26	6.09

- b. **Interest rate risk management** - The Entity is exposed to interest rate risk because it borrowed funds at floating interest rates. The Entity's hedging activities are evaluated regularly to assess whether they align with the interest rates and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The Entity's exposures to interest-rate risk are mainly related to changes in the Mexican Interbank Weighted Rate (TIIE) and London Interbank Offered Rate (LIBOR) with respect to the Entity's financial liabilities. The Entity prepares sensitivity analyses based on its exposure to interest rates on its variable-rate debt with financial institutions that is not hedged. An analysis is prepared assuming that the ending balance at year end has been outstanding during the whole year. The Entity internally reports to the Board of Directors about its interest rate risks.

If the TIIE and LIBOR rates had increased 100 basis points at each reporting period, with all other variables held constant, the Entity's profit before income tax in 2021, 2020 and 2019 would have decreased by \$1 million, \$2 million and \$4 million, respectively. This is primarily because the Entity's exposure to the LIBOR and TIIE rates on its long-term loans is not significant, because most of its bank loans and long-term debt bear interest at fixed rates.

- c. **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 for the Entity.

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. The maximum exposure to credit risk is primarily represented by the balance of financial assets in the trade accounts receivable. The Entity sells products to customers in different economic environments; primarily in Mexico, South America, Europe and the United States of America, that demonstrates its economic solvency.

The total accounts receivable from all business segments are comprised of more than 30,000 customers, and such customers do not represent individual concentrations of credit risk. However, the accounts receivable balance represents the maximum credit risk exposure to the Entity. The Entity periodically evaluates the financial condition of its customers and purchases collection insurance for export sales, while domestic sales generally require a guarantee. The Entity 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 doubtful accounts, which represents its best estimate of impairment losses on trade receivables.

- d. Liquidity risk management - Ultimate responsibility for liquidity risk management rests with Entity management, which has established appropriate policies for the control of such risk through the monitoring of working capital, allowing management of the Entity's short-, medium-, and long-term funding requirements. The Entity maintains cash reserves and available lines of credit, continuously monitoring projected and actual cash flows, and reconciling the maturity profiles of financial assets and financial liabilities.

The table below details the remaining contractual maturities of the Entity's financial assets and financial liabilities, based on contractual repayment periods. The table has been designed based on un-discounted projected cash flows of financial assets and liabilities based on the date on which the Entity must make payments and expects to receive collections. 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 floating 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 Entity may be required to pay.

As of December 31, 2021	Weighted average effective interest rate	3 months	6 months	1 year	More than one year and less than 3	3 years and thereafter	Total
Bank loans and general market	4.14%	\$ 208,106	\$ 84,135	\$ 80,784	\$ 318,747	\$ 4,991,490	\$ 5,683,262
Suppliers and letters of credit (1)	1.95%	1,159,744	333,296	12,325	-	-	1,505,365
Other accounts payable and other		448,939	104,741	75,854	55,191	312,861	997,586
Redeemable non-controlling interest		-	-	-	288,000	27,872	315,872
Lease liabilities	5.13%	30,985	20,437	44,075	165,741	147,310	408,548
Derivative financial instruments (net cash flow)		17,330	-	16,764	15,195	1,597	50,886
Total		1,865,104	542,609	229,802	842,874	5,481,130	8,961,519
Cash and cash equivalents		781,343	209	-	-	-	781,552
Trade and other accounts receivable		1,267,418	126,799	99,833	-	-	1,494,050
Total		2,048,761	127,008	99,833	-	-	2,275,602
Net		\$ 183,657	\$ (415,601)	\$ (129,969)	\$ (842,874)	\$ (5,481,130)	\$ (6,685,917)

As of December 31, 2020	Weighted average effective interest rate	3 months	6 months	1 year	More than one year and less than 3	3 years and thereafter	Total
Bank loans and general market	4.55%	\$ 113,774	\$ 438,339	\$ 86,030	\$ 1,106,281	\$ 4,025,385	\$ 5,769,809
Suppliers and letters of credit (1)	1.00%	896,324	418,607	11,168	7	-	1,326,106
Other accounts payable and other		486,872	101,549	48,203	51,276	296,621	984,521
Redeemable non-controlling interest		-	-	-	-	274,000	274,000
Lease liabilities	4.67%	23,968	22,137	46,068	129,594	167,901	389,668
Derivative financial instruments (net cash flow)		13,762	-	-	94,573	-	108,335
Total		1,534,700	980,632	191,469	1,381,731	4,763,907	8,852,439
Cash and cash equivalents		875,185	-	-	-	-	875,185
Trade and other accounts receivable		1,097,617	135,408	86,268	-	-	1,319,293
Total		1,972,802	135,408	86,268	-	-	2,194,478
Net		\$ 438,102	\$ (845,224)	\$ (105,201)	\$ (1,381,731)	\$ (4,763,907)	\$ (6,657,961)

As of December 31, 2019	Weighted average effective interest rate	3 months	6 months	1 year	More than one year and less than 3	3 years and thereafter	Total
Bank loans and general market	5.55%	\$ 271,631	\$ 107,165	\$ 87,598	\$ 1,218,983	\$ 4,035,130	\$ 5,720,507
Suppliers and letters of credit (1)	1.00%	849,874	400,612	13,116	-	-	1,263,602
Other accounts payable and other		400,722	296,592	150,843	55,694	244,244	1,148,095
Redeemable non-controlling interest		-	-	-	-	264,287	264,287
Lease liabilities	4.61%	25,885	31,550	29,548	133,335	173,269	393,587
Derivative financial instruments (net cash flow)		6,019	-	6,697	26,788	39,993	79,497
Total		1,554,131	835,919	287,802	1,434,800	4,756,923	8,869,575
Cash and cash equivalents		586,279	130	-	-	-	586,409
Trade and other accounts receivable		1,138,000	132,529	86,256	-	-	1,356,785
Total		1,724,279	132,659	86,256	-	-	1,943,194
Net		\$ 170,148	\$ (703,260)	\$ (201,546)	\$ (1,434,800)	\$ (4,756,923)	\$ (6,926,381)

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

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

The Entity 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, 2021, the Entity has access to a revolving line of credit with an unused balance of \$1,000 million.

- c. **Foreign exchange risk management** - The Entity carries out transactions denominated in foreign currency; consequently, it is exposed to exchange rate fluctuations, which are managed within the parameters of the approved policies, using, where appropriate, forward exchange rate contracts, when considered effective.

The carrying amounts of monetary assets and monetary liabilities denominated in foreign currency at the end of the reporting date are as follows (foreign currency expressed in thousands):

	Assets			Liabilities		
	2021	2020	2019	2021	2020	2019
Euros	217,175	196,722	150,338	1,301,256	1,154,200	1,359,928
Brazilian real	622,986	752,300	408,219	357,777	415,685	242,631
Mexican pesos	2,789,280	2,029,405	1,816,540	6,560,438	6,347,175	6,854,320
Colombian pesos	365,372,404	288,536,207	230,940,505	475,322,349	219,561,071	186,265,520
Pounds sterling	78,950	92,996	107,706	114,388	126,888	156,948

- Foreign currency sensitivity analysis

The following table details the Entity's sensitivity to a 10% decrease in the functional currency value for the foreign currencies of the most material subsidiaries. The 10% reduced rate represents the sensitivity rate used internally by the key member of management and represents management's best assessment of a reasonably possible change in the foreign exchange rates.

As of December 31, 2021 the most representative functional currency exchange rates, different than U.S. dollar; in the subsidiaries where the Entity operates were as follows:

Closing Exchange Rate	2021	2020	2019
Euro	0.88	0.81	0.89
Brazilian real	5.58	5.20	4.03
Mexican pesos	20.58	19.95	18.85
Colombian pesos	3,981.16	3,432.50	3,277.14
Pounds sterling	0.74	0.73	0.76

The sensitivity analysis includes only monetary items denominated in foreign currency and adjusts their translation with a 10% fluctuation at the end of the period. The sensitivity analysis includes all loans regardless if it's contracted with an external entity or a subsidiary. A negative or positive figure, respectively, as shown in the following table, indicates an increase or (decrease) in the exchange gain (loss) which would be computed in profit or loss or other comprehensive income statements derived from a 10% weakening of the subsidiaries' functional currency versus monetary net assets denominated in a foreign currency:

Functional currency	2021	2020	2019
Euro	\$ (75,527)	\$ 107,046	\$ 123,152
Mexican pesos	(20,719)	19,677	24,302
US Dollar	(6,869)		
Colombian pesos	(5,304)	(1,827)	(1,239)
Chines yuan	(89)		
Panamanian balboa	(27)		
Brazilian real		(5,889)	(3,735)
Pounds sterling	6	4,198	(5,879)
Others	(14)		
	<u>\$ (108,543)</u>	<u>\$ 123,205</u>	<u>\$ 136,601</u>

The sensitivity analysis is not representative of the inherent foreign exchange risk, which may not necessarily reflect the exposure during the year.

- i. **Financial risk management objectives** - The Entity's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets and it monitors and manages the financial risk related to the Entity'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 and other price risk, credit risk, and liquidity risk.

The Entity 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 Entity's policies approved by the Board of Directors, which provide written principles 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 Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

- ii. **Market risk** - The Entity's activities expose it primarily to the financial risks of fluctuations in foreign currency exchange rates (see subsection e. of this Note) and interest rates (see subsection b. of this Note). The Entity enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

Market risk exposures are measured using a sensitivity analysis.

There has been no change to the Entity's exposure to market risks or the manner in which these risks are managed and measured.

Principal Only- Swaps - Under the Principal Only-Swaps, the Entity agrees to exchange Dollar-Euro cash flows on the principal and a fixed rate in dollars, as established in such contracts, which enable the Entity to mitigate the risk of the exchange rate fluctuations due to the exposure arising from its investment in Euros for the acquisition of its subsidiaries in Europe, Wavin and Vestolit.

Cross-currency swaps - Under the cross-currency swap contracts, the Entity agrees to exchange Mexican Peso-Dollar cash flows calculated on the notional amounts and interest rates established in such contracts to hedge bank debt exposure in Mexican pesos.

Interest rate swap agreements - Under the interest rate swap agreements, which hedge bank debt, the Entity agrees to exchange a variable interest rate for a fixed interest rate.

Exchange rate forwards and options - The Entity enters into exchange rate forwards in currencies other than its functional currency to hedge the exchange rate exposure in balance sheet and statement of profit or loss line items. The hedged line items in currencies other than the Entity's functional currency are mainly denominated in: EUR, GBP, ILS, INR, ZAR and TRY, among others. These contracts are for terms less than one year.

The following financial instruments have been formally designated as hedging transactions for accounting purposes, as follows:

Swaps:

- 5 Principal Only-Swaps U.S dollar-Euro, designated as hedging relationships on a net investment for subsidiaries in Europe.
- 1 Cross Currency Swap U.S dollar- MXN, to hedge bank debt exposure in Mexican pesos.
- 1 Interest Rate Swap in U.S dollar, to exchange variable interest rate for a fixed interest rate.

Forwards:

- As of December 31, 2021, the Entity has 107 active forward contracts.

The Entity has evaluated and measured the hedging effectiveness and concluded that its hedge strategy is highly effective as of December 31, 2021, 2020 and 2019. The Entity 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 fair value of the financial instruments that are presented in the financial statements has been determined by the Entity 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 Entity 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.

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 Entity considers 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 Entity's long-term debt is recognized at amortized cost and accrues interest at fixed and variable rates that are tied to market indicators.

To obtain and disclose the fair value of long-term debt, the Entity uses quoted market prices or inputs or quoted prices for similar instruments. 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, discounting such cash flows using discount rates that reflect the counterparty credit risk as well as the Entity's own credit risk over the referenced period. The fair value of interest rate swaps is calculated as the present value of the estimated future net cash flows. The fair value of currency futures is determined using the future exchange rate quotes listed at the reporting date.

- a. Assets and liabilities measured at fair value on a recurring basis

Some of the Entity's financial assets and liabilities are valued at fair value at the end of each reporting date. 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.

Financial Assets/liabilities		Fair value			Fair value hierarchy	Valuation techniques and input data
		31/12/2021	31/12/2020	31/12/2019		
		Assets	Liabilities	Liabilities		
1)	Exchange rate and interest rate Swap (see Note 12)	\$ 856	\$ (14,717)	\$ (23,036)	Level 2	The Entity uses the ratio analysis method under the hypothetical derivative market model to simulate the behavior of the hedged item, which consists of comparing changes in the fair value of the hedge instruments with the changes in the fair value of the hypothetical derivative that would result in perfect coverage of the hedged item.
2)	Principal-only Swap EUR/USD (see Note 12)	Liabilities (48,722)	Liabilities (87,523)	Liabilities (56,089)	Level 2	The Entity 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.
3)	Forward contracts (see Note 12)	Liabilities (493)	Assets 14,008	Liabilities (265)	Level 2	The Entity 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.
4)	Options contracts (see Note 12)	Assets - (48,359)	Liabilities (514) (88,746)	Assets - (79,390)	Level 2	The Entity values option contracts using discounted cash flows. Future cash flows are estimated on the basis of the exchange rate options, based on observable exchange rate of the option at the end of the reporting period, and the rates of the plain vanilla contract, discounted at a rate that reflects the credit risk of several counterparties.
	Less - Current portion - Net	<u>(31,567)</u>	<u>5,827</u>	<u>(12,609)</u>		
	Total	<u>\$ (16,792)</u>	<u>\$ (94,573)</u>	<u>\$ (66,781)</u>		

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

	2021		2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Cash and cash equivalents	\$ 781,552	\$ 781,552	\$ 875,185	\$ 875,185	\$ 586,409	\$ 586,409
Loans and receivables:						
Trade receivables and due from related parties	1,595,821	1,595,821	1,330,183	1,330,183	1,356,785	1,356,785
Accounts payable	(2,808,212)	(2,808,212)	(2,537,577)	(2,537,577)	(2,675,382)	(2,675,382)
Redeemable non-controlling interests	(315,872)	(315,872)	(274,000)	(274,000)	(264,287)	(264,287)
Bank loans long-term debt and its current portion	(3,519,525)	(3,931,970)	(3,626,012)	(4,168,384)	(3,450,966)	(3,623,143)
Total	<u>\$ (4,266,236)</u>	<u>\$ (4,678,681)</u>	<u>\$ (4,232,221)</u>	<u>\$ (4,774,593)</u>	<u>\$ (4,447,441)</u>	<u>\$ (4,619,618)</u>

As of December 31, 2021, 2020 and 2019, the fair value hierarchy of cash and cash equivalents totaling \$781,552, \$875,185 and \$586,409, respectively, is Level 1.

The fair values shown as of December 31, 2021, 2020 and 2019 do not differ from their carrying amounts, except for bank loans and the current portion of long-term debt deemed to be fair value hierarchy Level 1, as the values observed in the market are very similar to those recorded at the respective dates.

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

12. Derivative Financial Instruments

- a. Foreign currency forwards
 - i. During 2021, the Entity contracted exchange rate Forwards mainly in the following currencies: EUR, (USD, BRL, ILS, TRY, INR, and ZAR with maturities shorter than one year.
 - ii. During 2020, the Entity contracted USD)/GBP exchange rate Forwards to cover the issuance of trade paper denominated in GBP. The terms of these instruments are identical to the terms of the trade paper beginning on September 16, 2020 and maturing on May 17, 2021.
 - iii. In 2019, Orbia's Precision Agriculture brand, Netafim, contracted EUR/USD, USD/TRY and USD/ZAR exchange rate Forwards with Discount, HSBC, Leumi, Mizrahi and Union, with a term from October 10, 2019 to May 29, 2020. The agreed-upon exchange rates and notional amounts are shown in section d. of this Note.
- b. Options
 - "Put/Call" option Shakun - under the shareholders' agreement with the minority shareholders who retained a portion of the share capital (redeemable non-controlling interest) of Shakun, the Entity signed a put/call option contract in which, after the sixth anniversary of the closing date of Shakun's acquisition agreement, the minority shareholders will have the right to sell its interest in Shakun to the Entity and Orbia will have the obligation to acquire Shakun at the price agreed to in the respective agreement. The value of the option is dependent on the market value of Shakun's shares and certain conditions linked to the multiples of the EBITDA value. The Entity recognized this as the estimated present value of the gross settlement price. The initial measurement of the liability for \$14,000 was recognized against non-controlling interest within equity. As of December 31, 2021, the value of the option was \$28,000, with the \$14,000 change recognized in profit or loss for the year (see Note 4gg).
 - "Put" option Netafim - Under the shareholders' agreement entered into with the minority shareholders who retained the remaining 20% of the share capital (redeemable non-controlling interest) of Netafim, the Entity signed a put option contract in which, after the fifth anniversary of the closing date of the Netafim acquisition agreement, the minority shareholders will have, for a period of 10 years, the right to sell their interest in Netafim to the Entity and Orbia will have the obligation to acquire Netafim at the price agreed to in the respective agreement. The value of the put option is dependent on the market value of Netafim's shares and certain conditions linked to the multiples of the share value. The Entity recognized this as the estimated present value of the gross settlement price. The initial measurement of the liability for \$227,000 was recognized against non-controlling interest within equity. As of December 31, 2021, 2020 and 2019, the value of the option was \$288,000, \$274,000, and \$264,000 (see Note 4gg).
- c. Exchange Rate Swaps, Interest Rate Swaps, Cross-Currency and Principal-Only Swaps
 - Swaps contract transactions carried out in 2021, 2020 and 2019, represent a hedge from a financial standpoint. For accounting purposes these transactions were classified as hedging and trading transactions. The fair value of these swaps contracts as of December 31, 2021, 2020 and 2019 was \$47,876, \$102,240 and \$79,125, respectively. Changes in fair value were recognized in other comprehensive income and as foreign exchange gain/(loss).

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

<u>Derivative financial instruments</u>	<u>Financial institution</u>	<u>Start date</u>	<u>Maturity date</u>	<u>Notional amount</u>	<u>Swap amount</u>	<u>Interest rate / exchange rate swap</u>	<u>Interest rate / exchange rate at year end</u>	<u>Fair value as of December 31, 2021</u>
Principal-Only swap EUR/USD	Morgan Stanley	10/06/2015	17/03/2022	USD\$ 96,993,210	EUR\$ 100,279,164	1.6006% / 0.9672	1.6006% / 1.1369	(16,584)
Principal-Only swap EUR/USD	Santander	11/06/2015	17/03/2022	USD\$ 97,402,597	EUR\$ 101,050,000	1.7200% / 0.9639	1.7200% / 1.1369	(16,943)
Principal-Only swap EUR/USD	Citibanamex	3/12/2015	17/03/2025	USD\$ 121,011,000	EUR\$ 114,000,000	1.7500% / 1.0615	1.7500% / 1.1369	(7,762)
Principal-Only swap EUR/USD	Barclays	3/12/2015	17/03/2025	USD\$ 121,011,000	EUR\$ 114,000,000	1.5500% / 1.0615	1.5500% / 1.1369	(7,092)
Principal-Only swap EUR/USD	BBVA	5/05/2015	18/03/2025	USD\$ 113,997,538	EUR\$ 101,856,270	1.7086% / 1.1192	1.7086% / 1.1369	(341)
Cross Currency Swap USD/MXN	BBVA	13/12/2021	13/06/2022	USD\$ 23,608,291	MXN\$ 500,000,000	0.06% / 21.1790	0.06% / 20.5833	856
Exchange rate forward	Different financial institutions	30/12/2021	4/01/2022	USD \$1,000,000	GBP \$1,348,990	1.3489 (GBP/USD)	1.3531 (GBP/USD)	(3)
Exchange rate forward	Different financial institutions	28/12/2021	13/05/2022	USD\$ 3,920,264	AUD\$ 5,400,000	0.7259 (AUD/USD)	0.7263 (AUD/USD)	(4)
Exchange rate forward	Different financial institutions	28/12/2021	15/02/2022	USD\$ 3,533,008	CNY\$ 22,532,541	6.3777 (USD/CNY)	6.3561 (USD/CNY)	(3)
Exchange rate forward	Different financial institutions	22/12/2021	29/04/2022	USD\$ 23,194,687	EUR\$ 20,451,688	1.1341 (EUR/USD)	1.1369 (EUR/USD)	26
Exchange rate forward	Different financial institutions	23/11/2021	7/06/2022	USD\$ 4,907,492	ILS\$ 15,257,138	0.3216 (ILS/USD)	0.3205 (ILS/USD)	1
Exchange rate forward	Different financial institutions	27/04/2021	25/03/2022	USD\$ 21,699,660	INR\$ 1,652,927,000	0.0131 (INR/USD)	0.0135 (INR/USD)	(460)
Exchange rate forward	Different financial institutions	29/12/2021	5/01/2022	USD\$ 10,253,407	TRY\$ 125,000,000	0.082 (TRY/USD)	0.0752 (TRY/USD)	849
Exchange rate forward	Different financial institutions	10/11/2021	18/01/2022	EUR\$ 51,937	ZAR\$ 922,973	0.0562 (ZAR/EUR)	0.0554 (ZAR/EUR)	1
Exchange rate forward	Different financial institutions	6/09/2021	15/03/2022	USD\$ 2,072,989	ZAR\$ 32,563,523	0.0636 (ZAR/USD)	0.0627 (ZAR/USD)	35
Exchange rate forward	Different financial institutions	5/08/2021	8/08/2022	ILS\$ 217,781,093	USD\$ 69,425,592	3.1368 (USD/ILS)	3.1192 (USD/ILS)	636
Exchange rate forward	HSBC	26/11/2021	4/01/2022	USD\$ 175,768	JPY\$ 20,000,000	0.0087 (JPY/USD)	0.0087 (JPY/USD)	2
Exchange rate forward	HSBC	21/12/2021	4/01/2022	GBP\$ 63,000	USD\$ 83,536	0.7541 (USD/GBP)	0.7389 (USD/GBP)	2
Exchange rate forward	Leumi	30/12/2021	3/01/2022	USD\$ 545,572	CHF\$ 498,341	0.9134 (CHF/USD)	0.9129 (CHF/USD)	(2)
Exchange rate forward	Bank of Baroda	22/11/2021	31/01/2022	EUR\$ 646,113	INR\$ 54,591,477	0.0118 (INR/EUR)	0.0118 (INR/EUR)	(4)
Exchange rate forward	Bank of Baroda	21/12/2021	10/02/2022	USD\$ 2,462,043	INR\$ 184,453.702	0.0749 (INR/USD)	0.0135 (INR/USD)	(20)
Exchange rate forward	Bank of Baroda	13/12/2021	14/03/2022	EUR\$ 709,775	USD\$ 802,361	0.8846 (USD/EUR)	0.8795 (USD/EUR)	1
Exchange rate forward	Bank of Baroda	8/12/2021	18/04/2022	INR\$ 157,353,919	USD\$ 2,059,700	76.3965 (USD/INR)	74.3375 (USD/INR)	58
Interest Rate Swap	Wells Fargo		5/02/2023	USD\$ 4,600,000		0.10125% (Libor 1M)	0.10125% (Libor 1M)	(10)
Exchange rate forward	Different financial institutions	1/04/2021	25/03/2027	USD\$ 5,000,000		0.0416 (INR/ILS)	0.0416 (INR/ILS)	(1,598)
								<u>\$ (48,359)</u>

<u>Derivative financial instruments</u>	<u>Financial institution</u>	<u>Start date</u>	<u>Maturity date</u>	<u>Notional amount</u>	<u>Swap amount</u>	<u>Interest rate / exchange rate swap</u>	<u>Interest rate / exchange rate at year end</u>	<u>Fair value as of December 31, 2020</u>
Exchange rate and interest rate swap	J.P. Morgan	8/09/2015	5/03/2021	MXN\$ 750,000,000	USD\$ 56,775,170	4.11% / 13.2100	5.3360% / 19.9487	(1,941)
Exchange rate and interest rate swap	Bank of America	8/09/2015	5/03/2021	MXN\$ 750,000,000	USD\$ 56,775,170	4.49% / 13.2100	5.3360% / 19.9487	(1,953)
Exchange rate and interest rate swap	HSBC	23/01/2014	5/03/2021	MXN\$ 1,500,000,000	USD\$ 112,612,613	3.57% / 13.3200	5.3360% / 19.9487	(3,774)
Exchange rate and interest rate swap	Banamex	16/06/2017	9/03/2022	MXN\$ 1,500,000,000	USD\$ 83,892,617	3.09% / 17.8800	8.1200% / 19.9487	(7,049)
Principal-Only swap EUR/USD	Morgan Stanley	10/06/2015	17/03/2022	USD\$ 96,993,210	EUR\$ 100,279,164	1.6006% / 0.9672	12,298	(24,555)
Principal-Only swap EUR/USD	Santander	11/06/2015	17/03/2022	USD\$ 97,402,597	EUR\$ 101,050,000	1.7200% / 0.9639	12,298	(24,787)
Principal-Only swap EUR/USD	Bancomer	5/05/2015	18/03/2025	USD\$ 113,997,538	EUR\$ 101,856,271	1.7087% / 1.1192	12,298	(6,964)
Principal-Only swap EUR/USD	Banamex	3/12/2015	17/03/2025	USD\$ 121,011,000	EUR\$ 114,000,000	1.7500% / 1.0615	12,298	(15,706)
Principal-Only swap EUR/USD	Barclays	3/12/2015	17/03/2025	USD\$ 121,011,000	EUR\$ 114,000,000	1.5500% / 1.0615	12,298	(15,511)
Exchange rate forward	Barclays	15/09/2020	17/05/2021	GDP\$ 150,000,000	USD\$ 195,318,750	1.3021	13,625	9,663
Exchange rate forward	BBVA	15/09/2020	17/05/2021	GBP\$ 50,000,000	USD\$ 65,107,250	13,021	13,625	3,261
Exchange rate forward	Morgan Stanley	15/09/2020	17/05/2021	GBP\$ 100,000,000	USD\$ 130,240,000	13,024	13,625	6,354
Exchange rate forward	Santander	3/09/2020	11/03/2021	USD\$ 20,996,935	BRL\$ 111,897,703	0.1876	0.1924	(589)
Exchange rate forward	Santander	19/11/2020	10/02/2021	USD\$ 8,224,431	BRL\$ 43,885,562	0.1876	0.1924	(245)
Exchange rate forward	HSBC	6/07/2020	30/11/2021	USD\$ 5,687,763	EUR\$ 4,850,000	11,727	12,298	(281)
Exchange rate forward	Leumi	12/11/2020	15/06/2021	USD\$ 24,434,016	TRY\$ 193,805,910	0.1261	0.1354	(800)
Exchange rate forward	Leumi	14/07/2020	30/06/2021	USD\$ 8,901,073	EUR\$ 7,420,000	1,996	12,298	(217)
Exchange rate forward	Leumi	16/09/2020	15/12/2021	USD\$ 5,321,159	ZAR\$ 5,321,159	10,000	0.0684	(294)
Exchange rate forward	Leumi	9/09/2020	15/04/2021	USD\$ 4,004,557	INR\$ 298,300,000	0.0134	0.0136	(62)
Exchange rate forward	Leumi	3/09/2020	15/03/2021	USD\$ 1,422,055	BRL\$ 7,600,000	0.1871	0.1924	(39)
Exchange rate forward	Poalim	3/09/2020	15/12/2021	USD\$ 13,934,927	BRL\$ 74,000,000	0.1883	0.1924	(164)
Exchange rate forward	Poalim	13/07/2020	31/08/2021	USD\$ 8,154,295	EUR\$ 6,780,000	12,027	12,298	(175)
Exchange rate forward	Poalim	16/11/2020	15/06/2021	USD\$ 5,647,346	AUD\$ 7,554,000	0.75	0.7686	(184)
Exchange rate forward	Poalim	23/12/2020	21/01/2021	USD\$ 5,964,730	TRY\$ 46,000,000	0.1297	0.1354	(174)
Exchange rate forward	Mizrachi	9/09/2020	15/07/2021	USD\$ 7,181,043	INR\$ 542,300,000	0.0132	0.0136	(117)
Exchange rate forward	HSBC	9/10/2020	15/07/2021	USD\$ 34,786,750	CNY\$ 101,402,313	0.3431	0.1533	(169)
Exchange rate forward	HSBC	9/09/2020	13/08/2021	USD\$ 38,222,539	INR\$ 2,849,000,000	0.0134	0.0136	(481)
Exchange rate forward	HSBC	3/09/2020	15/10/2021	USD\$ 20,306,572	ZAR\$ 160,454,536	0.1266	0.0684	(374)
Exchange rate forward	HSBC	9/12/2020	5/01/2021	EUR\$ 1,817,799	USD\$ 1,696,250	10,717	12,298	(11)
Exchange rate forward	HSBC	29/12/2020	7/01/2021	USD\$ 5,811,417	GBP\$ 5,285,549	10,995	13,625	(23)
Exchange rate forward	HSBC	11/12/2020	5/01/2021	USD\$ 702,893	JPY\$ 72,737,871	0.0097	0.0097	(3)
Exchange rate forward	HSBC	16/11/2020	15/01/2021	USD\$ 4,204,702	TRY\$ 33,500,000	0.1255	0.1354	(160)
Exchange rate forward	Mizrachi	13/07/2020	31/03/2021	USD\$ 6,900,015	EUR\$ 5,700,000	12,105	12,298	(99)
Exchange rate forward	Mizrachi	18/11/2020	15/06/2021	USD\$ 318,830	BRL\$ 1,700,000	0.1875	0.1924	(7)
Exchange rate forward	Mizrachi	17/12/2020	4/01/2021	EUR\$ 5,511,200	USD\$ 4,500,000	12,247	12,298	(10)
Exchange rate forward	Mizrachi	14/12/2020	28/01/2021	USD\$ 25,000,000	USD\$ 81,250,000	0.3077	0.3106	(285)
Exchange rate forward	Discount	24/10/2020	15/03/2021	USD\$ 676,152	ZAR\$ 11,000,000	0.0614	0.0684	(69)
Exchange rate forward	Discount	21/12/2020	4/01/2021	EUR\$ 1,622,661	USD\$ 1,333,000	12,173	12,298	(13)
Exchange rate forward	Discount	8/07/2020	29/01/2021	USD\$ 1,418,412	EUR\$ 1,200,000	11,820	12,298	(55)
Exchange rate forward	Discount	18/11/2020	2021/03	USD\$ 3,077,538	INR\$ 231,000,000	0.0133	0.0136	(59)
Exchange rate forward	FIBI	6/07/2020	25/02/2021	USD\$ 570,150	EUR\$ 500,000	11,403	12,298	(44)
Exchange rate forward	Investec	5/11/2020	15/01/2021	EUR\$ 384,580	ZAR\$ 7,194,100	0.0534	0.0557	(18)
Exchange rate forward	Investec	18/09/2020	15/04/2021	USD\$ 722,556	ZAR\$ 11,338,538	0.0637	0.0684	(49)
Plain vanilla options	Discount	5/08/2020	30/07/2021	USD\$ 2,295,550	EUR\$ 1,900,000	12,081	12,298	(16)
Plain vanilla options	Leumi	29/07/2020	31/03/2021	USD\$ 3,389,010	EUR\$ 2,840,000	11,933	12,298	(31)
Plain vanilla options	Mizrachi	10/06/2020	30/11/2021	USD\$ 26,496,500	EUR\$ 22,120,000	11,978	12,298	(299)
Plain vanilla options	Poalim	22/07/2020	30/11/2021	USD\$ 14,548,960	INR\$ 12,160,000	11,964	12,298	(168)
								<u>\$ (88,746)</u>

<u>Derivative financial instruments</u>	<u>Financial institution</u>	<u>Start date</u>	<u>Maturity date</u>	<u>Notional amount</u>	<u>Swap amount</u>	<u>Interest rate / exchange rate swap</u>	<u>Interest rate / exchange rate at year end</u>	<u>Fair value as of December 31, 2019</u>
Exchange rate and interest rate swap	J.P. Morgan	5/03/2018	5/03/2021	MXN\$ 750,000,000	USD\$ 56,775,170	4.11% / 13.2100	8.7800% /18.8452	(5,308)
Exchange rate and interest rate swap	Bank of America	5/03/2018	5/03/2021	MXN\$ 750,000,000	USD\$ 56,775,170	4.49% / 13.2100	8.7800% /18.8452	(5,345)
Exchange rate and interest rate swap	HSBC	23/01/2014	5/03/2021	MXN\$ 1,500,000,000	USD\$ 112,612,613	3.57% / 13.3200	8.7800% /18.8452	(10,175)
Exchange rate and interest rate swap	Banamex	16/06/2017	9/03/2022	MXN\$ 1,500,000,000	USD\$ 83,892,617	3.09% / 17.8800	8.5125% /18.8452	(3,260)
Exchange rate and interest rate swap	MUFG	5/11/2019	5/05/2020	MXN\$1,566,610,000	USD\$ 82,000,000	2.16% / 19.1050	8.1050% /18.8452	1,324
Interest rate swap	Hapoalim	19/06/2015	19/03/2020	EUR\$ 70,660,198	EUR\$ 70,660,198	0.159%	0.355%	(272)
Principal-Only swap EUR/USD	Morgan Stanley	10/06/2015	17/03/2022	USD\$ 96,993,210	EUR\$ 100,279,164	1.6006% / 0.9672	11,198	(16,561)
Principal-Only swap EUR/USD	Santander	11/06/2015	17/03/2022	USD\$ 97,402,597	EUR\$ 101,050,000	1.7200% / 0.9639	11,198	(16,494)
Principal-Only swap EUR/USD (i)	HSBC	17/09/2014	17/09/2024	USD\$ 132,000,000	EUR\$ 104,761,905	1.4350% / 1.2600	0	-
Principal-Only swap EUR/USD	Bancomer	5/05/2015	18/03/2025	USD\$ 228,316,800	EUR\$ 204,000,000	1.7087% / 1.1192	11,198	(3,507)
Principal-Only swap EUR/USD	Banamex	3/12/2015	17/03/2025	USD\$ 121,011,000	EUR\$ 114,000,000	1.7500% / 1.0615	11,198	(9,807)
Principal-Only swap EUR/USD	Barclays	3/12/2015	17/03/2025	USD\$ 121,011,000	EUR\$ 114,000,000	1.5500% / 1.0615	11,198	(9,720)
Exchange rate forward	Discount	15/10/2019	15/01/2020	USD\$ 1,636,393	TRY\$ 10,000,000	61,110	59,478	(38)
Exchange rate forward	FIBI	10/10/2019	28/02/2020	USD\$ 5,559,876	EUR\$ 5,008,700	11,100	11,198	(76)
Exchange rate forward	HSBC	2/12/2019	29/05/2020	USD\$ 9,244,533	EUR\$ 8,300,000	11,138	11,198	(94)
Exchange rate forward	Leumi	18/10/2019	30/01/2020	USD\$ 12,640,037	TRY\$ 76,000,000	60,126	59,478	(28)
Exchange rate forward	Mizrachi	10/10/2019	30/09/2020	USD\$ 15,806,276	EUR\$ 14,095,000	11,214	11,198	(95)
Exchange rate forward	Poalim	31/12/2019	30/04/2020	USD\$ 7,945,948	EUR\$ 7,081,000	11,222	11,198	(41)
Exchange rate forward	HSBC	30/12/2019	30/01/2020	ILS\$ 17,484,400	USD\$ 5,050,000	34,623	34,612	13
Exchange rate forward	HSBC	28/10/2019	15/04/2020	USD\$ 1,673,058	TRY\$ 10,000,000	59,771	59,478	34
Exchange rate forward	Leumi	19/11/2019	15/04/2020	USD\$ 1,012,356	TRY\$ 6,000,000	59,268	59,478	29
Exchange rate forward	Leumi	30/12/2019	2/01/2020	USD\$ 4,251,858	EUR\$ 3,800,000	11,189	11,198	31
								<u>\$ (79,390)</u>

(i) In May 2019, the Principal-Only swap EUR/USD contracted with Morgan Stanley was canceled.

13. Property, Plant and Equipment

	<u>Balance as of December 31, 2020</u>	<u>Additions</u>	<u>Additions through business combinations</u>	<u>Fixed asset disposals</u>	<u>Transferred to property, plant and equipment</u>	<u>(Loss)/gain on impairment</u>	<u>Restatement effect</u>	<u>Foreign currency translation reserve</u>	<u>Balance as of December 31, 2021</u>
Investment:									
Land	\$ 213,155	\$ 3,545	\$ 224	\$ (3,742)	\$ -	\$ (2,324)	\$ 464	\$ (8,043)	\$ 203,279
Buildings and structures	1,005,960	10,726	15,345	(5,591)	18,958	(3,974)	1,878	(40,820)	1,002,482
Machinery and equipment	6,049,921	60,854	14,342	(91,149)	133,546	(10,154)	3,897	(142,834)	6,018,423
Office furniture and equipment	171,698	6,205	1,026	(3,917)	6,069	(704)	18	(7,603)	172,792
Automotive equipment	44,679	134	2,319	(3,656)	228	-	26	(1,579)	42,151
Projects in process	174,457	204,940	13	(729)	(158,801)	(1,493)	105	(3,335)	215,157
Total investment	7,659,870	286,404	33,269	(108,784)	-	(18,649)	6,388	(204,214)	7,654,284
Depreciation:									
Buildings and structures	628,172	35,911	3,629	(5,499)	-	(1,227)	411	(24,148)	637,249
Machinery and equipment	3,677,462	302,545	8,099	(75,811)	-	(3,614)	102	(116,368)	3,792,415
Office furniture and equipment	139,602	12,734	700	(3,492)	-	(233)	(14)	(6,351)	142,946

Automotive equipment	28,137	2,588	1,632	(694)	-	-	5	(1,122)	30,546
Total accumulated depreciation	4,473,373	353,778	14,060	(85,496)	-	(5,074)	504	(147,989)	4,603,156
Net investment	<u>\$ 3,186,497</u>	<u>\$ (67,374)</u>	<u>\$ 19,209</u>	<u>\$ (23,288)</u>	<u>\$ -</u>	<u>\$ (13,575)</u>	<u>\$ 5,884</u>	<u>\$ (56,225)</u>	<u>\$ 3,051,128</u>

	Balance as of December 31, 2019	Additions	Additions through business combinations	Fixed asset disposals	Transferred to property, plant and equipment	(Loss)/gain on impairment	Restatement effect	Foreign currency translation reserve	Balance as of December 31, 2020
Investment:									
Land	\$ 212,336	\$ 920	\$ -	\$ (2,790)	\$ 1,352	\$ -	\$ 552	\$ 785	\$ 213,155
Buildings and structures	994,958	4,841	-	(21,750)	13,638	(147)	2	12,161	1,005,960
Machinery and equipment	5,956,449	56,242	-	(154,906)	118,607	(6,390)	5	74,756	6,049,921
Office furniture and equipment	165,915	3,280	-	(3,940)	6,217	-	(718)	944	171,698
Automotive equipment	38,364	302	-	(1,096)	7,403	-	23	(317)	44,679
Projects in process	186,400	138,889	-	(8,366)	(147,217)	(2)	95	4,660	174,457
Total investment	<u>7,554,422</u>	<u>204,474</u>	<u>-</u>	<u>(192,848)</u>	<u>-</u>	<u>(6,539)</u>	<u>7</u>	<u>92,989</u>	<u>7,659,870</u>
Depreciation:									
Buildings and structures	597,730	32,841	-	(19,637)	-	132	763	16,343	628,172
Machinery and equipment	3,453,303	304,188	-	(147,726)	-	1,420	911	65,366	3,677,462
Office furniture and equipment	127,596	14,452	-	(3,336)	-	-	(52)	942	139,602
Automotive equipment	26,972	2,217	-	(836)	-	-	(1)	(215)	28,137
Total accumulated depreciation	<u>4,205,601</u>	<u>353,698</u>	<u>-</u>	<u>(171,535)</u>	<u>-</u>	<u>1,552</u>	<u>1,622</u>	<u>82,436</u>	<u>4,473,373</u>
Net investment	<u>\$ 3,348,821</u>	<u>\$ (149,224)</u>	<u>\$ -</u>	<u>\$ (21,313)</u>	<u>\$ -</u>	<u>\$ (8,091)</u>	<u>\$ 5,751</u>	<u>\$ 10,553</u>	<u>\$ 3,186,497</u>

	Balance as of January 1, 2019	Additions	Additions through business combinations	Fixed asset disposals	Transferred to property, plant and equipment	(Loss)/gain on impairment	Restatement effect	Foreign currency translation reserve	Balance as of December 31, 2019
Investment:									
Land	\$ 220,482	\$ 835	\$ -	\$ (3,376)	\$ 61	\$ -	\$ 83	\$ (5,749)	\$ 212,336
Buildings and structures	995,559	4,610	-	(9,304)	29,293	-	221	(25,421)	994,958
Machinery and equipment	5,912,673	11,805	-	(68,506)	120,400	-	1,238	(21,161)	5,956,449
Office furniture and equipment	152,860	14,731	-	(8,598)	10,915	-	42	(4,035)	165,915
Automotive equipment	38,610	497	-	(1,944)	1,396	-	28	(223)	38,364
Projects in process	161,154	191,159	-	(1,010)	(162,065)	-	(115)	(2,723)	186,400
Total investment	7,481,338	223,637	-	(92,738)	-	-	1,497	(59,312)	7,554,422
Depreciation:									
Buildings and structures	579,241	32,294	-	(2,121)	-	-	(1,086)	(10,598)	597,730
Machinery and equipment	3,247,917	279,008	-	(57,170)	-	-	(3,693)	(12,759)	3,453,303
Office furniture and equipment	120,197	19,067	-	(6,861)	-	-	(107)	(4,700)	127,596
Automotive equipment	26,597	2,267	-	(1,802)	-	-	(20)	(70)	26,972
Total accumulated depreciation	3,973,952	332,636	-	(67,954)	-	-	(4,906)	(28,127)	4,205,601
Net investment	\$ 3,507,386	\$ (108,999)	\$ -	\$ (24,784)	\$ -	\$ -	\$ 6,403	\$ (31,185)	\$ 3,348,821

14. Right-of-use Assets

For the years ended December 31, 2021, 2020 and 2019, the carrying amounts of right-of-use assets recognized and the movements during the period were as follows:

	Balance as of December 31, 2020	Direct additions	Additions through business combinations	Disposals	Foreign currency translation reserve	Balance as of December 31, 2021
Investment:						
Land	30,566	2,637	-	(11)	(2,441)	30,751
Building	219,044	23,148	67	(13,304)	(7,698)	221,257
Machinery and equipment	85,392	65,172	21	(9,666)	(3,957)	136,962
Office furniture and equipment	3,689	116	-	(193)	64	3,676
Automotive equipment	165,030	50,260	178	(8,448)	(9,029)	197,991
Total investment	503,721	141,333	266	(31,622)	(23,061)	590,637
Depreciation:						
Land	3,335	1,455	-	(11)	(279)	4,500
Building	58,734	26,210	-	(8,344)	(1,803)	74,797
Machinery and equipment	38,720	19,416	-	(7,196)	(2,439)	48,501
Office furniture and equipment	1,760	937	-	(252)	(26)	2,419
Automotive equipment	77,817	48,680	-	(4,426)	(7,429)	114,642
Total accumulated depreciation	180,366	96,698	-	(20,229)	(11,976)	244,859
Net investment	\$ 323,355	\$ 44,635	\$ 266	\$ (11,393)	\$ (11,085)	\$ 345,778

	Balance as of December 31, 2019	Direct additions	Disposals	Transferred from property, plant and equipment	Effect of appraisal in hyperinflationary economies	Foreign currency translation reserve	Balance as of December 31, 2020
Investment:							
Land	28,903	73	(11)	-	(96)	1,697	30,566
Building	184,678	37,353	(2,905)	(820)	(2,159)	2,897	219,044
Machinery and equipment	72,526	12,122	(1,263)	353	(217)	1,871	85,392
Office furniture and equipment	8,334	4,682	(1,446)	(5,312)	(57)	(2,512)	3,689
Automotive equipment	142,182	28,469	(1,717)	818	(5,439)	717	165,030
Total investment	436,623	82,699	(7,342)	(4,961)	(7,968)	4,670	503,721
Depreciation:							
Land	1,791	1,479	(11)	-	(28)	104	3,335
Building	33,855	30,748	(2,646)	(449)	(2,228)	(546)	58,734
Machinery and equipment	21,966	23,651	(1,094)	102	(217)	(5,688)	38,720
Office furniture and equipment	1,907	1,187	(793)	50	(57)	(534)	1,760
Automotive equipment	40,214	38,558	(1,415)	604	(5,438)	5,294	77,817
Total accumulated depreciation	99,733	95,623	(5,959)	307	(7,968)	(1,370)	180,366
Net investment	\$ 336,890	\$ (12,924)	\$ (1,383)	\$ (5,268)	\$ -	\$ 6,040	\$ 323,355

	Balance as of January 1, 2019	Direct additions	Disposals	Transferred from property, plant and equipment	Foreign currency translation reserve	Balance as of December 31, 2019
Investment:						
Land	20,531	14,308	(5,936)	-	-	28,903
Building	142,144	41,878	-	1,723	(1,067)	184,678
Machinery and equipment	65,612	15,889	(7,513)	-	(1,462)	72,526
Office furniture and equipment	6,661	2,301	-	-	(628)	8,334
Automotive equipment	80,313	63,470	(678)	-	(923)	142,182
Lease prepayments	1,723	-	-	(1,723)	-	-
Total investment	316,984	137,846	(14,127)	-	(4,080)	436,623
Depreciation:						
Land	653	1,138	-	-	-	1,791
Building	8,362	25,930	-	-	(437)	33,855
Machinery and equipment	9,782	12,472	-	-	(288)	21,966
Office furniture and equipment	336	1,571	-	-	-	1,907
Automotive equipment	10,916	29,976	-	-	(678)	40,214
Total accumulated depreciation	30,049	71,087	-	-	(1,403)	99,733
Net investment	\$ 286,935	\$ 66,759	\$ (14,127)	\$ -	\$ (2,677)	\$ 336,890

a. **Lease liability**

	Amount
Lease liabilities as of January 1, 2019	\$ 345,529
New lease liabilities	82,699
Cash outflows from lease payments	(89,304)
Foreign currency translation reserve	<u>6,041</u>
Lease liabilities as of December 31, 2020	\$ 344,965
New lease liabilities	141,333
Business combination	266
Disposals	(11,393)
Cash outflows from lease payments	(96,938)
Foreign currency translation reserve	<u>(11,085)</u>
Lease liabilities as of December 31, 2021	367,148
Current lease liability	<u>86,023</u>
Non-current lease liability	<u><u>\$ 281,125</u></u>

Lease interest expense for the years ended December 31, 2021, 2020 and 2019 was \$17,541, \$14,338 and \$15,019, respectively.

Leases under IFRS 16

Expiration	2021	2020	2019
1 year	\$ 86,023	\$ 82,426	\$ 78,149
2 years	55,323	53,355	56,296
3 years	42,491	42,438	40,653
4 years	42,685	35,092	32,158
>4 years	<u>140,626</u>	<u>131,654</u>	<u>138,273</u>
	<u><u>\$ 367,148</u></u>	<u><u>\$ 344,965</u></u>	<u><u>\$ 345,529</u></u>

b. **Lease liabilities recognized in profit or loss for the year ended December 31, 2021**

	2021	2020
Interest expense on lease liabilities	\$ 17,541	\$ 14,389
Expense related to short-term leases	30,715	25,088
Expense related to leases of low-value assets	<u>523</u>	<u>821</u>
	<u><u>\$ 48,779</u></u>	<u><u>\$ 40,298</u></u>

15. Intangible assets and Goodwill

An analysis of intangible assets and goodwill as of December 31, 2021, 2020 and 2019 follows:

a. *Intangible assets -*

	Useful life (years)	2021	2020	2019
Non-compete agreements	5	\$ 31	\$ 382	\$ 735
Customer portfolio	25	711,185	784,264	834,885
Trademark use	Indefinite / finite	599,310	608,099	596,505
Intellectual property	10	232,852	248,707	261,110
Other	5 - 7	73,315	92,079	72,303
		<u>\$ 1,616,693</u>	<u>\$ 1,733,531</u>	<u>\$ 1,765,538</u>

Cost	Non-compete agreements	Customer portfolio	Trademark use	Intellectual property	Other	Total
Balance as of January 1, 2019	\$ 184,527	\$ 1,223,407	\$ 624,877	\$ 374,839	\$ 144,449	\$ 2,552,099
New developments and investments	-	-	2,176	485	32,970	35,631
Foreign currency translation reserve	9	(22,915)	(8,479)	(5,397)	(2,754)	(39,536)
Balance as of December 31, 2019 (cost)	184,536	1,200,492	618,574	369,927	174,665	2,548,194
New developments and investments	-	-	104	2,373	28,826	31,303
Foreign currency translation reserve	(4)	14,149	13,539	7,798	11,922	47,404
Balance as of December 31, 2020 (cost)	184,532	1,214,641	632,217	380,098	215,413	2,626,901
Acquisitions through business combinations	-	2,265	5,739	2,533	11	10,548
New developments and investments	-	-	439	12	26,561	27,012
Foreign currency translation reserve	(48)	(9,716)	(14,313)	3,402	(20,101)	(40,776)
Balance as of December 31, 2021 (cost)	<u>\$ 184,484</u>	<u>\$ 1,207,190</u>	<u>\$ 624,082</u>	<u>\$ 386,045</u>	<u>\$ 221,884</u>	<u>\$ 2,623,685</u>

Amortization	Non-compete agreements	Customer portfolio	Trademark use	Intellectual property	Other	Total
Balance as of January 1, 2019 (accumulated amortization)	183,460	314,722	22,069	91,054	89,247	700,552
Amortization expense	<u>341</u>	<u>50,885</u>	<u>-</u>	<u>17,763</u>	<u>13,115</u>	<u>82,104</u>
Balance as of December 31, 2019 (accumulated amortization)	183,801	365,607	22,069	108,817	102,362	782,656
Amortization expense	<u>349</u>	<u>64,770</u>	<u>2,049</u>	<u>22,574</u>	<u>20,972</u>	<u>110,714</u>
Balance as of December 31, 2020 (accumulated amortization)	184,150	430,377	24,118	131,391	123,334	893,370
Amortization expense	<u>303</u>	<u>65,628</u>	<u>654</u>	<u>21,802</u>	<u>25,235</u>	<u>113,622</u>
Balance as of December 31, 2021 (accumulated amortization)	<u>\$ 184,453</u>	<u>\$ 496,005</u>	<u>\$ 24,772</u>	<u>\$ 153,193</u>	<u>\$ 148,569</u>	<u>\$ 1,006,992</u>
Net assets as of December 31, 2021	<u>\$ 31</u>	<u>\$ 711,185</u>	<u>\$ 599,310</u>	<u>\$ 232,852</u>	<u>\$ 73,315</u>	<u>\$ 1,616,693</u>

b. *Goodwill -*

	2021	2020	2019	CGU
Netafim, Ltd.	787,951	787,952	787,952	Netafim (<i>Precision Agriculture</i>)
Dura-Line Holdings, Inc.	166,356	166,356	166,356	Duraline (<i>Datacom</i>)
Mexichem Resinas Vinílicas, S.A. de C.V.	119,679	101,176	101,176	Primex (MRV) y Polycyd (<i>Polymer solutions</i>)
Mexichem Amanco Holding, S.A. de C.V.	80,354	87,964	90,582	Amanco (<i>Building and infrastructure</i>)
Mexichem Speciality Resins, Inc.	65,546	65,546	65,546	Polyone (<i>Polymer solutions</i>)
Mexichem Resinas Colombia, S.A.S.	54,593	54,593	54,593	Petco (MRC) (<i>Polymer solutions</i>)
Mexichem Specialty Compounds, Inc	65,990	65,991	65,991	Alphagary & Bayshore (<i>Polymer solutions</i>)
Fluorita de México, S.A. de C.V.	45,682	45,682	45,682	Fluor Mexico (<i>Fluorinated Solutions</i>)
Wavin N.V.	28,768	30,249	27,545	Wavin (<i>Building and infrastructure</i>)
VESTO PVC Holding GmbH	29,370	31,767	28,929	Vestolit (<i>Polymer solutions</i>)
Others	<u>69,455</u>	<u>54,119</u>	<u>57,332</u>	
Total	<u>\$ 1,513,744</u>	<u>\$ 1,491,395</u>	<u>\$ 1,491,684</u>	
Beginning balance	1,491,395	1,491,684	1,492,691	
Business combinations during the year (Note 2b)	32,616	-	-	
Foreign exchange loss	<u>(10,267)</u>	<u>(289)</u>	<u>(1,007)</u>	
Ending balance	<u>\$ 1,513,744</u>	<u>\$ 1,491,395</u>	<u>\$ 1,491,684</u>	

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

An analysis of this caption is as follows:

	2021	2020	2019
Summary of loan agreements denominated in U.S. dollars, euros and other currencies:			
Issuance of a 30-year International Bond for \$750 million, bearing semiannual interest at a fixed rate of 5.875%. The loan principal is repayable in a single installment upon maturity in September 2044.	\$ 750,000	\$ 750,000	\$ 750,000
Issuance of a 10-year International Bond for \$750 million, bearing semi-annual interest at a fixed rate of 4.875%. The loan principal is repayable in a single installment upon maturity in September 2022. This loan was fully repaid in September 2021.	-	750,000	750,000
Issuance of a 10-year International Bond for \$500 million, bearing semi-annual interest at a fixed rate of 4.00%. The loan principal is repayable in a single installment upon maturity in October 2027.	500,000	500,000	500,000
Issuance of a 30-year International Bond for \$500 million, bearing semi-annual interest at a fixed rate of 5.50%. The loan principal is repayable in a single installment upon maturity in January 2048.	500,000	500,000	500,000
Issuance of a 30-year International Bond for \$400 million, bearing semi-annual interest at a fixed rate of 6.75%. The loan principal is repayable in a single installment upon maturity in September 2042.	400,000	400,000	400,000
Issuance of a 5-year International Bond for \$600 million, bearing semi-annual interest at a fixed rate of 1.875%. The loan principal is repayable in a single installment upon maturity in May 2026.	600,000	-	-

	2021	2020	2019
Issuance of a 10-year International Bond for \$500 million, bearing semi-annual interest at a fixed rate of 2.875%. The loan principal is repayable in a single installment upon maturity in May 2031.	500,000	-	-
Issuance of Commercial Paper Program for up to € 750 million through the issuance of notes with maturity less than one year. As of December 31, notes have been issued for € 101 million with maturity in March 2022.	114,837	-	-
Bank of England Issuance of Commercial Paper for £300 million. The loan's discount rate is 0.60%, and matured on May 18, 2021.	-	408,753	-
Rabobank 5-year bank loan for \$75 million, bearing quarterly interest at a variable rate (1-month LIBOR + 1.85%) The loan principal is repayable quarterly, and matures in March 2024.	50,000	60,000	70,000
IFC Bank loan for \$40 million, bearing interest at a variable rate (1-month LIBOR + 1.95%). The loan matures on June 28, 2024.	28,563	40,000	-
Bank loan for 1,520 million Indian rupees, bearing interest at a fixed rate of 8.3275%. The loan matures on June 15, 2029.	20,422	-	-
Bank loan for 107 million Turkish lira, bearing interest at a fixed rate of 16.45%. The loan matures on June 15, 2024.	6,030	14,611	-
MUFG 5-year bank loan for \$50 million, bearing quarterly interest at a variable rate (3-month LIBOR + 2.00%) The loan principal is repayable quarterly, and matures on March 25, 2024. This loan was fully repaid in March 2021.	-	38,750	46,250

	2021	2020	2019
Scotiabank			
1-year bank loan for \$200 million, bearing quarterly interest at a variable rate (1-month LIBOR + 0.496%). The loan principal is repayable in a single installment upon maturity. The Entity repaid \$49 million in December 2019. The loan was refinanced by changing the maturity date to June 2020 and with a new variable rate (1-month LIBOR + 0.35%) This loan was repaid in full in June 2020.	-	-	151,000
Other	54,774	38,474	42,078
Mexican peso denominated loans:			
10-year structured note for 3,000 million, bearing semi-annual interest at a fixed rate of 8.12%. The loan principal is repayable in a single installment upon maturity in March 2022. This loan was fully repaid in June 2021.	-	150,386	159,192
Bancomext			
Term loans for 3,000 million and 69,443,000, bearing quarterly interest at the TIIE rate + 0.825% and TIIE rate + 0.71%, respectively. The loan principal is repayable on a semi-annual basis, from September 2017 to March 2021.	-	15,387	48,863
Citibanamex			
6-month bank loan for 1,566 million, bearing monthly interest at a variable rate (28-day TIIE + 0.15%) The loan principal was repaid in a single installment upon maturity in May 2020.	-	-	83,130
BBVA Bancomer			

	2021	2020	2019
6-month promissory note for 1,000 million Mexican pesos, bearing monthly interest at a variable rate (28-day TIIE + 0.55%). The note's principal is repayable in a single installment upon maturity in June 2022.	48,583	-	-
	3,573,209	3,666,361	3,500,513
Less - Bank loans and current portion of long-term debt	(239,770)	(495,306)	(322,346)
Less - Debt issue costs	<u>(53,684)</u>	<u>(40,349)</u>	<u>(49,547)</u>
	<u>\$ 3,279,755</u>	<u>\$ 3,130,706</u>	<u>\$ 3,128,620</u>

An analysis of long-term debt maturities, net of related debt issue costs, as of December 31, 2021, is as follows:

Maturity date	
2022	\$ 239,770
2023	25,273
2024	37,989
2025 and thereafter	<u>2,976,723</u>
	<u>\$ 3,279,755</u>

As of December 31, 2021, some of the loan agreements establish certain affirmative and negative covenants, which the Entity has fulfilled. Amounts are determined based on the Entity's consolidated balances. The most important covenants are as follows:

- a. There must be no new liens.
- b. The Entity must maintain a consolidated interest ratio between 3.0 and 1.0.
- c. The Entity must maintain a gearing ratio on the earnings before interest, taxes, depreciation and amortization between 3.0 and 1.0.
- d. The Entity must ensure and maintain property, plant and equipment in good working conditions.
- e. The Entity must comply with all applicable laws, rules, regulations and provisions

17. Employee Benefits

a. *Defined contribution plan*

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

Some subsidiaries have defined contribution retirement benefit plans for certain eligible employees. Plan assets are maintained separate from the Entity's assets in funds under the control of trustees. If an employee abandons the plan before ten years of employment, he/she will not be entitled to acquire all contributions and the amount payable by the Entity will be reduced by the lost contributions.

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 Entity's only legal obligation with regards to these plans is to make the required contributions.

b. ***Defined benefit plans***

In certain subsidiaries the Entity funds defined benefit plans for qualifying employees of its subsidiaries. The defined benefit plans are managed by a separate fund that is independent from the Entity. The board of the pension fund is responsible for the investment policy with regard to the fund assets.

Plans in Mexico

The subsidiaries in Mexico have a plan that also covers seniority premiums, which consists of a one-time payment equal to 12-days' salary for each year worked based on the employee's final monthly salary capped at twice the legal minimum daily wage. The Entity annually recognizes the liability for seniority premiums and termination benefits based on independent actuarial calculations applying the projected unit credit method.

The Entity manages defined benefit plans for employees that qualify in its Mexican subsidiaries. Under the plans, 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. The Entity does not award post-retirement benefits.

Plans in the UK

In the UK there are three defined benefit pension schemes, the Wavin Plastics Pension plan (Wavin plan), the Hepworth Building Product Pension Plan (the Hepworth plan) and the Wavin Limited unfunded pension scheme (the Wavin Limited plan). These schemes are closed to future accruals and all active members are joining the Defined Contribution arrangement. In the UK all pension rights of deferred members and of pensioners are increased annually on an unconditional basis.

The defined benefit plans are administered by separate Funds that are legally separated from the UK entities. The boards of the pension funds are required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The boards of the pension funds are responsible for the investment policy with regard to the assets of the funds. Plan assets of these funds do not include investments in the Entity.

The Entity has certain obligations with regards to the deficits of these funds. After the periodic actuarial valuation, it was concluded that the Wavin Plastics Pension Scheme, the Hepworth Building Products Pension Scheme (both in the UK) have deficits.

As a consequence of market developments (lower Gilt yields), the Guaranteed Minimum Pensions (GMP) equalization and changes in assumptions regarding the proportion of deferred members applying for early retirement in the Wavin Plan, the trustees and the Entity have agreed to increase the contributions for deficits and costs (the annual pension costs is £0.63 million). In 2019 the trustees of the Wavin Plan and the Hepworth Plan and Wavin UK agreed that the total contribution would increase to £4.80 million for 2019 and 2020. For 2021 the total contribution increased to £8.5 million which is expected to continue for the next five years.

For the coming five years the contribution is planned to remain USD 6.28 million per annum.

Germany Vestolit Plan

Since 1999 the Germany Vestolit Plan has been amended to reflect the current market trend of providing retirement benefits under Defined Contributions plans. However, German regulations and work councils prevent companies from applying plan changes to employees hired under the previous plan provisions. Therefore, the winding down of liabilities under a previously established plan takes place over the

lifetime of such group of employees (or at least the working lifetime if obligations are transferred to a third party after termination of employment). Pre-1999 hires accrue or receive benefits under a Defined Benefit Pension Plan. Pension, and Post-1999 hires are covered under Defined Contribution arrangements, albeit with a provision that guarantees an asset return.

Generally speaking, Defined Contribution plans in Germany are growing, while Defined Benefit plans for new hires are becoming less common. However, “pure” Defined Contribution plans are not allowed. German pension law requires a minimum benefit guarantee equal to the sum of the contributions granted.. The Entity as plan sponsor is ultimately liable for providing the minimum benefit.

For Defined Benefit plans, typically, the benefit formula differentiates between pay up to and in excess of the Social Security Ceiling (SSC) thus integrating company benefits with Social Security pension benefits.

Risks Associated with the Entity’s Defined Benefit Plans

The Defined Benefit plans typically expose the Entity to actuarial risks such as investment risk, interest rate risk, mortality risk and salary 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 schemes 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 risk	The present value of the defined benefit plan obligation is calculated by reference to the projected salaries of plan participants. As such, higher salary increases than projected will increase the defined benefit plan’s liability. In the case of the Wavin Ireland and the UK Pension Scheme all plans are closed to future accrual, salary risk no longer exists and is replaced by inflation risk.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2021, by independent actuaries. The present value of the defined benefit obligation, the related current-year service cost and past service cost were measured using the projected unit credit method.

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

	2021	2020	2019
Discount rate	2.26%	2.70%	3.25%
Expected salary increase rate	3.36%	2.79%	2.45%
Expected return on plan assets	1.35%	2.70%	3.25%

The amounts recognized in the Entity’s consolidated comprehensive income for its defined benefit plans are as follows:

	2021	2020	2019
Service cost:			
Current-year service cost	\$ 5,650	\$ 9,616	\$ 5,464
Past service cost and (gain)/loss from settlements	(1,151)	(851)	(35)
Interest expense, net	2,383	2,937	8,591
Defined benefit cost items recognized in profit or loss	6,882	11,702	14,020
Remeasurement of defined benefit obligation, net:			
Return on plan assets (excluding amounts included in net interest expense)	(20,834)	(31,111)	(18,527)
Actuarial losses/(gains) arising from changes in demographic assumptions	(22,590)	60,961	24,020
Actuarial losses/(gains) arising from changes in financial assumptions	(3,857)	3,146	17,152
Actuarial losses/(gains) arising from past experience adjustments	5,362	4,397	(2,674)
Components of defined (benefit) costs recognized in other comprehensive income	(41,919)	37,393	19,971
Total	\$ (35,037)	\$ 49,095	\$ 33,991

The net liability has decreased over the year from £44,851 thousand to £16,485 thousand (Wavin Plastics plan) resp £21.811 thousand to £13.220 thousand (Hepworth plan), mainly as a result of favorable movements in bond yields, increasing the discount rate and decreasing the value placed on the Scheme liabilities. It is also due to asset returns over 2021 being higher than expected. In addition, a favorable foreign exchange development USD vs GBP (delta approx. 0.6%) also contributed to some extent to the decrease of the provision.

The cost of the current service and the net financial expense or income for the year are included in the employee benefit expense in the consolidated statement of income and other comprehensive income, the cost of the current service in the cost of sales, sales and development expenses and in the expenses of administration, and within the integral cost for financing, the expense or net financial income.

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

The amounts included in the Consolidated Statement of Financial Position from its defined benefit plans for all periods presented are as follows:

	2021	2020	2019
Present value of funded defined benefit obligation	\$ (564,823)	\$ (614,460)	\$ (525,018)
Fair value of plan assets	387,777	366,236	319,564
Net liability from the defined benefit obligation	(177,046)	(248,224)	(205,454)
Share-based payments and other benefits	(26,978)	(13,078)	(10,018)
	(204,024)	(261,302)	(215,472)
Employee benefits	(16,573)	(12,649)	(13,781)
Long-term liabilities for employee benefits	\$ (220,597)	\$ (273,951)	\$ (229,253)

	2021					
	Polymer solutions	Fluorinated Solutions	Building and infrastructure	Precision agriculture	Controlling Entity	Consolidated
Present value of funded defined benefit obligation	\$ (111,163)	\$ (6,844)	\$ (436,170)	\$ (7,544)	\$ (3,102)	\$ (564,823)
Fair value of plan assets	\$ 19,398	\$ 2	\$ 364,983	\$ 3,370	\$ 24	\$ 387,777

	2020					
	Polymer solutions	Fluorinated Solutions	Building and infrastructure	Precision agriculture	Controlling Entity	Consolidated
Present value of funded defined benefit obligation	\$ (128,741)	\$ (6,034)	\$ (468,478)	\$ (8,000)	\$ (3,207)	\$ (614,460)
Fair value of plan assets	\$ 17,802	\$ 2	\$ 345,060	\$ 3,348	\$ 24	\$ 366,236

Changes in present value of the defined benefit obligation:

	2021	2020	2019
Beginning balance of defined benefit obligation	\$ 614,460	\$ 525,018	\$ 465,697
Current-year service cost	5,650	9,616	5,464
Interest cost	7,592	10,258	17,943
Remeasurement of (gains)/losses			
Actuarial (gains)/losses arising from changes in demographic assumptions	(22,590)	60,961	38,098
Actuarial (gains)/losses arising from changes in financial assumptions	(6,747)	8,382	17,174
Actuarial losses/(gains) arising from past experience adjustments	8,098	(3,916)	(1,667)
Changes in plan asset ceiling	-	3,462	-
Past service cost, including gains from curtailments	(1,151)	(851)	(35)
Liabilities assumed in business combinations	-	-	72
Exchange rate differences applicable to plans denominated in a currency other than the presentation currency	(19,962)	23,945	4,183
Benefits paid	(20,538)	(22,453)	(22,329)
Plan contributions	11	38	418
Ending balance of defined benefit obligation	<u>\$ 564,823</u>	<u>\$ 614,460</u>	<u>\$ 525,018</u>

Changes in the present value of plan assets for all periods presented are as follows:

	2021	2020	2019
Beginning balance of plan assets at fair value	\$ 366,236	\$ 319,564	\$ 283,670
Interest income	5,218	7,322	9,351
Remeasurement of gains/(losses)			
Return on plan assets (excluding amounts included in net interest expense)	20,834	31,111	18,527
Employer contributions	12,673	11,051	9,785
Plan participant contributions	11	38	43
Exchange rate differences on foreign plans	(2,868)	12,083	15,164
Benefits paid	(13,188)	(13,777)	(15,855)
Administrative expenses	(1,139)	(1,156)	(1,121)
Ending balance of plan assets at fair value	<u>\$ 387,777</u>	<u>\$ 366,236</u>	<u>\$ 319,564</u>

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

	2021	2020	2019
Equity investments	\$ 86,390	\$ 84,960	\$ 75,608
Debt investments and debt instruments	192,275	171,543	156,684
Investments in funds and other	109,112	109,733	87,272
Total	<u>\$ 387,777</u>	<u>\$ 366,236</u>	<u>\$ 319,564</u>

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

As of December 31, 2019, the plan assets include common shares of the Entity with a fair value of \$41. In 2021 and 2020, the plan assets do not include common shares of the Entity.

Significant actuarial assumptions for the determination of the defined obligation are the discount rate, expected salary increase rate and mortality rate. The sensitivity analyses described below consider reasonable potential changes in the respective assumptions at the end of the reporting period, with all other assumptions remaining constant.

In 2021, 2020 and 2019, if the discount rate was 1% higher/(lower), the defined benefit obligation would have decreased/(increased) by \$15,893, \$17,862, and \$22,676 respectively.

This sensitivity analysis may not reflect a real change in the seniority premium, since it is unlikely that changes in assumptions would occur on an isolated basis.

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 statement of financial position.

There were no changes in the methods or assumptions considered in the sensitivity analyses from prior years.

An asset-liability matching analysis is prepared each year to analyze the outcome of the Entity'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 based on 45% equity instruments, 24% local variable yield and 31% cash.

The Entity'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:

	Expected return		
	2021	2020	2019
Equity instruments	0.30%	0.63%	0.77%
Debt instruments	1.05%	2.07%	2.48%
Weighted average expected return	1.35%	2.70%	3.25%

The overall expected rate of return is a weighted average of the expected returns on various categories of plan assets. Entity management'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 experience adjustments made are as follows:

	2021	2020	2019
Present value of defined benefit obligation	\$ 564,823	\$ 614,460	\$ 525,018
Fair value of plan assets	(387,777)	(366,236)	(319,564)
Net defined benefit obligation	177,046	248,224	205,454
Experience adjustments on plan liabilities	2,624	(3,905)	(73)
Experience adjustments on plan assets	\$ (22,572)	\$ 60,881	\$ 10,682

Unfunded obligations - Unfunded obligations comprise service awards and retirement commitments that qualify as other benefit plans for long-term employees and which are recognized by operating companies in the Netherlands, Belgium, Germany, Denmark, France, Ireland, Poland, Italy and Turkey.

The defined benefit plans in the United Kingdom and Ireland reported a deficit. Under an agreement entered into with the trustees of Wavin Plastics Pension Scheme, the Entity must pay an annual contribution for costs and deficits of GBP 2.6 million from 2019 to 2026. Due to the alignment of the GMP and the changes in assumptions with regards to the proportion of members who are waiting for approval of early retirement with Wavin Plastics Pension Scheme, the Fund administrators and the Entity agreed to increase the defined contribution from GBP 2 million to GBP 4.6 million in 2019 and 2020. In 2020, the Fund administrators and the Entity revalued the additional contributions to this scheme for 2021 and thereafter. For the Hepworth Buildings Products Scheme, the Entity opted to pay additional contributions for costs and deficits of GBP 1.9 million from 2019 to 2026. Wavin Ireland agreed to pay EUR 0.6 million in additional contributions over the next five years.

18. Provisions

An analysis of provisions as of December 31, 2021, 2020 and 2019 is as follows:

	Legal	Restructurings	Warranties	Other	Total
Balance as of January 1, 2019	\$ 25,725	\$ 558	\$ 7,463	\$ 6,153	\$ 39,899
Charge/(credit) to profit or loss	33,315	1,417	1,663	179	36,574
Charges against the allowance	(1,285)	(737)	(1,322)	(719)	(4,063)
Foreign currency translation reserve	267	(278)	(42)	2,847	2,794
Balance as of December 31, 2019	\$ 58,022	\$ 960	\$ 7,762	\$ 8,460	\$ 75,204
Charge/(credit) to profit or loss	23,970	8,750	2,306	651	35,677
Charges against the allowance	(50,680)	(2,876)	(1,694)	1,283	(53,967)
Foreign currency translation reserve	(655)	288	(456)	(2,269)	(3,092)
Balance as of December 31, 2020	\$ 30,657	\$ 7,122	\$ 7,918	\$ 8,125	\$ 53,822
Business combination	-	-	334	-	334
Charge/(credit) to profit or loss	2,150	3,372	(196)	1,485	6,811
Charges against the allowance	(5,165)	(7,659)	(1,122)	(1,492)	(15,438)
Foreign currency translation reserve	(195)	(238)	(437)	1,103	233
Balance as of December 31, 2021	\$ 27,447	\$ 2,597	\$ 6,497	\$ 9,221	\$ 45,762

The provisions recognized are generated during the normal course of business and are common in the industry in which these business activities take place. Commercial, tax and labor lawsuits are recognized based on the opinion of the Entity's internal and external attorneys. These contingencies have a high level chances of unfavorable verdicts for the Entity.

Legal - Legal provisions referred to risks identified at the Entity. Most of the cash outflows related to legal provisions is expected to occur within one to five years.

Restructurings - Provisions are created based on the plans announced in the Entity to those that will be affected by it. It is expected that they will be created within a term of one to two years as of the date of their announcement.

Warranties - A provision is recognized for certain products sold on the basis of claims received and historical data related to the costs of the warranty. The provision amount covers an estimated five-year period, mainly for the Building and Infrastructure segment (Wavin's) operations.

Other provisions - The other provisions are generated in the normal course of business and are expected to be disbursed within a term of one to five years.

19. Stockholder's Equity

a. *Contributed capital*

At an ordinary shareholders' meeting held on July 21, 2021, the shareholders agreed to cancel 90,000,000 Class II common shares, with no par value, which represented the variable portion of the Entity's share capital. This cancellation did not result in a share capital decrease since the Entity maintained the ownership of those shares as they had been repurchased from its own share capital. An analysis of the Entity's current share capital structure as of December 31, 2021, is as follows:

	No. of shares	Amount
Share capital subscribed		
Class I	308,178,735	\$ 37,598
Class II	<u>1,701,821,265</u>	<u>218,884</u>
	<u>2,010,000,000</u>	<u>\$ 256,482</u>

As of December 31, 2021, the Entity's share capital is represented by 2,010,000,000 common registered voting shares, issued and outstanding, with no par value. In 2020 and 2019, the share capital was represented by 2,100,000,000 shares. The fixed portion of the Entity's share capital is represented by Class I registered shares with no right to withdrawal. The variable portion of the Entity's share capital is represented by Class II registered shares with no par value and may not exceed ten times the minimum fixed share capital. An analysis of the Entity's share capital as of December 31, 2020, and 2019 is as follows:

	No. of shares	Amount
Share capital subscribed		
Class I	308,178,735	\$ 37,598
Class II	<u>1,791,821,265</u>	<u>218,884</u>
	<u>2,100,000,000</u>	<u>\$ 256,482</u>

b. ***Share buyback reserve***

At an ordinary shareholders' meeting held on March 30, 2021, the shareholders agreed to establish the buyback exchange traded fund (ETF) at an amount equal to the Entity's net retained earnings as of December 31, 2020, including retained earnings from prior years, as shown in the audited financial statements approved at the aforementioned meeting; provided that, however, such shares will be acquired and placed by the Entity through Bolsa Mexicana de Valores, S.A.B. de C.V. at market price and in accordance with all other applicable provisions contained in Article Seven of the Entity's Bylaws, Article 56 of the Mexican Securities Trading Act, Articles 56 to 63 of the General rules applicable to issuers and other stock market participants (*Circular única*) and the internal policy approved by the Board of Directors. As of December 31, 2021, 2020 and 2019, the balance of the buyback ETF is \$850,631, \$400,000, and \$295,530, respectively, and the Entity holds 56,782,063, 83,204,267 and 47,891,421 of its own shares, respectively.

At an Ordinary Shareholders' Meeting held on April 28, 2020, the shareholders approved a partial cancellation of the share buyback fund balance, which was not used from April 24, 2019, through April 27, 2020, of \$146,677; similarly, the shareholders established a maximum amount of funds that the Entity may use to purchase its own shares or credit securities representing such shares. Any gain or loss is recognized as part of retained earnings. As of December 31, 2020, 2019 and 2018, the share buyback reserve balance was \$400,000, \$295,530 and \$328,920, respectively. As of December 31, 2020, 2019 and 2018, the Entity maintains 83,204,267, 47,891,427 and 25,138,352 of its own shares, respectively.

At an Ordinary Shareholders' Meeting held on April 23, 2019, the shareholders approved a partial cancellation of the share buyback fund balance, which was not used from April 24, 2018, through April 22, 2019 of \$335,379; similarly, the shareholders agreed to increase the reserve by \$374,079 as the maximum amount of funds that the Entity may use to purchase its own shares or credit securities representing such shares.

c. ***Earned capital***

At an ordinary shareholders' meeting held on March 30, 2021, the shareholders declared a cash dividend of USD 0.10 (ten cents of one U.S. dollar) per share equivalent to \$210,000, applied to retained earnings and the net taxable profits account (CUFIN, by its acronym in Spanish). This dividend was distributed to the holders of the outstanding shares at each payment date, less the amount corresponding to the shares of the Entity's buyback ETF. This dividend has been paid out in four equal installments during 2021.

At an Ordinary Shareholders' Meeting held on December 2, 2019, the shareholders approved the payment of a cash dividend of \$180 million, applied to CUFIN, payable in four installments during 2020.

At an Ordinary Shareholders' Meeting held on August 20, 2018, the shareholders approved the payment of an extraordinary cash dividend of \$150 million, applied to retained earnings and the CUFIN balance generated prior to December 31, 2013, payable in four installments during 2019.

Except for earnings distributed from the Restated contributed capital account (CUCA) and the CUFIN balance, dividends will be 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 Entity 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 Entity's share capital. The legal reserve may be capitalized but may not be distributed to the shareholders unless the Entity is dissolved. Also, the legal reserve must be replenished if it is reduced for any reason. At December 31, 2021, 2020 and 2019, the reserve represents 20% of the nominal share capital in Mexican pesos and its balance is \$51,298.

Dividends paid to Mexican individuals and foreign corporations from earnings generated starting January 1, 2014, shall be subject to an additional 10% withholding tax.

As of December 31, 2021, 2020 and 2019, the Entity has the following tax balances:

	2021	2020	2019
Restated contributed capital account (CUCA)	\$ 1,647,469	\$ 1,558,658	\$ 1,621,179
Net taxed profits account (CUFIN)	\$ 343,356	\$ 183,429	\$ 331,764

20. Related party balances and transactions

- a. An analysis of balances due from and to related parties for each of the periods presented follows:

	2021	2020	2019
Due from:			
Pochteca Materias Primas, S.A. de C.V.	\$ 454	\$ 1,449	\$ 3,645
Eternit Colombiana, S.A.	116	113	373
Mexalit Industrial S.A. de C.V.	-	30	-
Elementia Servicios Administrativos, S.A. de C.V.	-	3,369	720
Trituradora y Procesadora de Materiales	247	-	-
Other	242	485	19
	<u>\$ 1,059</u>	<u>\$ 5,445</u>	<u>\$ 4,757</u>
Due to:			
Kaluz, S.A. de C.V.	\$ 51	\$ -	\$ 99,655
George Fisher Ltd	277	377	-
Pochteca Materias Primas, S.A. de C.V.	230	210	538
Other	354	85	340
	<u>\$ 912</u>	<u>\$ 671</u>	<u>\$ 100,533</u>

- b. The Entity had the following transactions with its related parties during each of the periods presented:

	2021	2020	2019
Revenue from:			
Sales	\$ 4,291	\$ 6,897	\$ 6,163
Administrative services	-	-	3,056
	<u>\$ 4,291</u>	<u>\$ 6,897</u>	<u>\$ 9,219</u>

Expenses for:

Administrative services	\$ 517	\$ 4,548	\$ 13,551
Purchases	2,746	2,245	1,723
Leases	1,073	-	-
Others	431	446	314
	<u>\$ 4,767</u>	<u>\$ 7,239</u>	<u>\$ 15,588</u>

- c. Compensation paid to management and other key members of management during the year is as follows:

	2021	2020	2019
Short-term employee benefits	\$ 10,355	\$ 8,651	\$ 7,200
Termination benefits	9,484	3,519	1,819
	<u>\$ 19,839</u>	<u>\$ 12,170</u>	<u>\$ 9,019</u>

21. Cost of sales and operating expensesa. *Cost of sales*

	2021	2020	2019
Raw material and other consumable goods	\$ 4,374,450	\$ 3,041,732	\$ 3,381,373
Labor cost	534,454	494,246	476,460
Manufacturing expenses	361,113	348,748	465,034
Freight	459,056	372,951	417,731
Depreciation	426,538	393,469	373,645
	<u>\$ 6,155,611</u>	<u>\$ 4,651,146</u>	<u>\$ 5,114,243</u>

b. *Selling and development expenses*

	2021	2020	2019
Salaries, wages and other travel expenses	\$ 312,178	\$ 261,708	\$ 280,727
Repair and maintenance	6,600	4,418	5,264
External services	55,897	57,651	58,884
Leases	9,449	7,852	8,762
Advertising and marketing	32,027	22,934	31,173
Sales commissions	34,646	31,369	38,078
Taxes and fees	3,011	1,616	1,841
Insurance	6,042	5,128	8,993
Allowance for doubtful accounts	21,574	20,369	11,441
Others	30,679	34,713	43,121
Depreciation	29,773	36,530	31,889
Amortization	31,225	23,090	19,204
	<u>\$ 573,101</u>	<u>\$ 507,378</u>	<u>\$ 539,377</u>

c. *Administrative expenses*

	2021	2020	2019
Salaries, wages and other benefits	\$ 315,610	\$ 211,086	\$ 203,417
External services	116,151	95,742	81,457
Taxes and fees	10,074	8,505	9,397
Telephone service	7,831	8,190	4,219
Repair and maintenance	19,918	19,733	21,061
Insurance	10,919	8,182	7,137
Leases	7,975	7,298	7,786
Related-party administrative services	525	4,427	13,551
Others	-	-	2,365
Depreciation	29,264	25,041	19,338
Amortization	81,251	119,656	98,106
	<u>\$ 599,518</u>	<u>\$ 507,860</u>	<u>\$ 467,834</u>

d. *Other expenses, net*

	2021	2020	2019
Expenses:			
Legal provisions	\$ 2,539	\$ 6,430	\$ 30,172
Extraordinary taxes	8,544	-	3,433
Loss on sale of fixed assets	5,423	9,286	1,739
Recovery of insurance claims	223	-	42
Business acquisitions	-	-	4,329
Restructuring	3,143	15,533	6,692
Donations	336	1,360	406
Others	7,145	5,041	-
	<u>27,353</u>	<u>37,650</u>	<u>46,813</u>
Revenue:			
Gain on sale of waste materials	\$ (1,157)	\$ (644)	\$ (2,014)
Recovery of taxes	(19,947)	(2,242)	-
Recovery of insurance claims	(490)	(1,848)	-
Others	-	-	(2,092)
	<u>(21,594)</u>	<u>(4,734)</u>	<u>(4,106)</u>
Other expenses, net	<u>\$ 5,759</u>	<u>\$ 32,916</u>	<u>\$ 42,707</u>

22. **Income Tax**

The Entity is subject to the payment of income tax in Mexico. The Mexican Income Tax Law (MITL) establishes a corporate income tax rate of 30% for fiscal years 2021, 2020 and 2019. Starting on January 1, 2014, the tax consolidation regime in Mexico was eliminated and under the MITL currently in effect, the Entity and its subsidiaries were required to deconsolidate and remit the income tax that was deferred in the consolidation over ten years beginning in 2014, as shown below. The amount of this liability as of December 31, 2021 is approximately \$1,843.

In accordance with Section X of the Second Transitory Article of the Decree that amends, adds and abolishes

various provisions of the Mexican Income Tax Law, Special Tax on Production and Services Law, the Federal Tax Code and the Federal Budget and Treasury Responsibility Act in force starting January 1, 2016. During 2021 the Entity made the eight deferred payment for tax losses arising from the sale of shares in 2021. This payment amounted to \$917 and was recognized as a decrease in long-term income tax payable.

At the time the MITL abolished the tax consolidation regime, it also provided companies the option to pay income tax under the so-called Optional Tax Regime for Corporate Groups (tax integration regime). The new tax incorporation regime allows companies in which at least 80% of their shares are directly or indirectly held by the controlling Entity to enjoy certain benefits in respect of income tax remittance when within the Group there are entities that have reported taxable profit or tax losses in the same year. As part of such benefits, entities are entitled to defer up to three years, or before if its applicable, the remittance of income tax, restated for inflation, on the date on which the annual tax return must be filed for the year in question.

The Entity and its subsidiaries in Mexico opted to adhere to this new regime, and therefore, they have calculated income tax payable for 2021, 2020 and 2019 on a joint basis. The deferred income tax liability under the integration regime is presented as part of the Income tax line item under Non-Current liabilities.

Income tax is based on taxable profit, which differs from the profit reported in the consolidated statements of profit and loss and other comprehensive income, due to prior year taxable profit, expenses or deductible expenses line items from other years and non-deductible or non-taxable items. The Entity's liability for current income tax payable is calculated using the tax rates enacted or substantially enacted at the end of the reporting period in the countries in which the Entity and its subsidiaries operate.

Income tax rates

The income tax rates applicable in 2021 in the countries where the Entity operates are as follows:

Country	%	Country	%
Argentina	**30	Japan	31
Australia	30	Kenya	30
Austria	25	Lithuania	15
Belgium	25	Morocco	31
Brazil	34	Mexico	30
Canada	* 27	Nicaragua	30
Chile	27	Oman	15
China	25	Norway	22
Colombia	31	Panama	25
Costa Rica	30	Peru	30
Denmark	22	Poland	19
Ecuador	25	United Kingdom	19
El Salvador	30	Czech Republic	19
Estonia	20	Romania	16
Finland	20	South Africa	28
France	28	Switzerland	*21
Germany	* 34	Italy	24
Greece	22	Singapore	17
Guatemala	25	Sweden	21
Honduras	25	Taiwan	20
Hungary	9	Turkey	25
India	**25	Ukraine	18
Indonesia	22	Venezuela	34
Ireland	13	Vietnam	20
Israel	23	Uruguay	25

Slovakia	21	Republic of Serbia	15
Spain	25	Russia	20
The Netherlands	25	Thailand	20
United States of America	21	Rwanda	30

* 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 which each have 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.

a. ***Deferred taxes***

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

	2021	2020	2019
Property, plant and equipment	\$ 395,054	\$ 454,043	\$ 477,631
Inventories			52
Liabilities deductible upon payment	(95,780)	(64,399)	(42,304)
Tax loss carryforwards	(280,979)	(365,343)	(330,341)
Intangible assets	118,415	100,688	101,173
Other	7,393	(10,912)	3,630
Net deferred tax liability	144,103	114,077	209,841
Deferred tax asset	<u>\$ 173,898</u>	<u>\$ 199,701</u>	<u>\$ 125,649</u>
Deferred tax liability	<u>\$ 318,001</u>	<u>\$ 313,778</u>	<u>\$ 335,490</u>

b. ***An analysis of changes in the deferred tax liability is as follows:***

	2021	2020	2019
Beginning balance	\$ 114,078	\$ 209,841	\$ 252,801
Income tax provision recognized in profit or loss	20,698	(94,747)	(37,293)
Business Combinations	244	-	-
Foreign currency translation reserve	(1,549)	15,261	(2,382)
Discontinued operations			(129)
Effect on equity of components of other comprehensive income	10,632	(16,278)	(3,156)
	<u>\$ 144,103</u>	<u>\$ 114,077</u>	<u>\$ 209,841</u>

c. **Reconciliation of tax rates**

A reconciliation of the statutory income tax rate to the effective income tax rate expressed in amounts and as a percentage of profit before income tax is as follows:

	2021	%	2020	%	2019	%
Profit before income tax	\$ 1,153,799	26.79%	\$ 479,248	25.89%	\$ 532,551	24.76%
Permanent items:						
Cumulative annual inflation adjustment	211,190	4.90%	127,990	6.92%	104,668	4.86%
Non-taxable revenue	(115,828)	(2.69%)	(139,480)	7.55%	(114,259)	5.31%
Non-deductible expenses	69,989	1.62%	44,346	2.40%	61,876	2.86%
Assets for tax losses not previously recognized and unrecognized loss, net	163,008	3.79%	132,246	7.14%	(296,225)	13.76%
Effect of changes on statutory tax rate	8,733	0.20%	3,541	0.19%	6,295	0.29%
Other taxes	986	0.02%	28,411	1.53%	96,970	4.51%
Dividends from foreign operations	50,192	1.17%	89,212	4.82%	206,276	9.58%
Foreign exchange gain or loss and translation effect, net	(40,888)	(0.95%)	(129,496)	7.01%	181,152	8.42%
Others	(78,030)	(1.81%)	(52,851)	2.86%	43,767	2.03%
Total permanent items	269,352	6.25%	103,919	5.58%	290,520	13.48%
Taxable profit	<u>\$ 1,423,151</u>	<u>33.04%</u>	<u>\$ 583,167</u>	<u>31.47%</u>	<u>\$ 823,071</u>	<u>38.24%</u>
Current income tax	\$ 360,557		\$ 245,558		\$ 242,834	
Deferred income tax	<u>20,699</u>		<u>(94,747)</u>		<u>(37,292)</u>	
Total income tax	<u>\$ 381,256</u>		<u>\$ 150,811</u>		<u>\$ 205,542</u>	-
Effective income tax rate	33.04%		31.47%		38.24%	
Statutory income tax rate - Simple average based on the theoretical income tax expense as a % of income before tax.	26.79%		25.89%		24.76%	

The Entity 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, 2021 are as follows:

Year of expiration	Tax loss carryforwards
2022	\$ 2,875
2023	4,859
2024	4,913
2025	261,539
2026	373,109
2027	58,818
2028	380
2029	18,687
2030	134,227
2031	18,183
No expiration	378,564
	<u>\$ 1,256,154</u>

As of December 31, 2021, the Entity has tax losses of \$274,634 for which it did not recognize a deferred tax asset, since management is uncertain that these deferred tax assets will materialize in the future.

Also, beginning 2020, a Mexican tax reform limited the annual deduction of interest expense, interests that are not deductible based on such limitation may be carried forward for 10 years and as of December 31, 2021 the Entity has unutilized interest for \$184,019 for which it did not recognize a deferred tax asset since management is uncertain that these deferred tax assets will materialize in the future.

23. Discontinued operations

- a. On December 20, 2017, the Entity announced its decision to not rebuild its VCM production capacity and discontinue such business, as well as all the assets and liabilities associated to Ethylene and the secondary services associated to VCM and Ethylene, treating such businesses as discontinued operations in its consolidated financial statements for the years 2021, 2020 and 2019.
- b. *Analysis of profit or loss for the year from discontinued operations*

The combined results of the discontinued operations included in the consolidated statements of income and other comprehensive income are detailed below. The comparative profit or loss and cash flows derived from discontinued operations have been reclassified to present those operations as discontinued in the current period.

	2021	2020	2019
Sales	462	27	414
Cost of sales	(1,125)	(175)	(140)
Other income/(expenses), net	-	(9,239)	(295)
Interest income, net	287	(345)	95
Income tax expense/(benefit)	-	75	(181)
Loss from discontinued operations	<u>\$ (376)</u>	<u>\$ (9,657)</u>	<u>\$ (107)</u>

24. Contingencies

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

Natural Gas Distribution Matter

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

The natural gas distribution business, now operated through Polypipe LLC, has determined that affected NGD pipe had short, localized segments where the pipe walls were thinned below specification. Dura-Line believes the issue occurred intermittently and impacted only a portion of the small diameter NGD pipe produced. Polypipe and its advisers are conducting a thorough analysis of the issue, including the identification of the population of affected small diameter NGD pipe, the impact on such pipe's expected useful life, and whether the quality issue is limited to a specific plant or line. That analysis is ongoing. As part of that analysis, Polypipe has concluded that the issue would impair the performance of affected pipe if the pipe is subjected to axial loading. 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 informed the relevant customers and regulators and will continue to communicate and collaborate closely with potentially affected parties and others as appropriate and necessary. 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 is allowing its direct and indirect customers to return potentially impacted pipe in exchange for a refund. Polypipe has received demands for compensation from certain end users for removing and replacing potentially impacted installed pipe. Polypipe anticipates receiving additional demands for compensation in the future from customers and end users of its small diameter NGD pipe which may result in litigation and could give rise to potential material liabilities.

Wolkaite Project

Netafim Ltd. is currently engaged in a government irrigation project in the Tigray region of Ethiopia called (the Wolkaite project), which is in an advanced stage. The customer is the Ethiopian Sugar Corporation (the ESC). Due to civil unrest, a state of emergency has been in effect in the region since November 4, 2020.

In late November 2020, Netafim notified the ESC, the Lender, insurers, and other concerned parties that an event of force majeure had occurred as a result of the ongoing civil unrest, suspending Netafim's obligations under the project agreement.

Under the original project agreement, if the force majeure conditions were to continue for an extended period, each of the parties would have the right to terminate said agreement.

On July 1, 2021, the parties entered into a Memorandum of Understanding (the MOU) which suspended until December 31, 2021, the right to cancel the project agreement due to an ongoing force majeure event.

The MOU also establishes a period for the parties to assess the condition of the project and to try to reach an agreement to resume the project.

At present, all parties are cooperating and monitoring the situation. In addition to potential costs arising from delays to the project and possible damage to the existing project, it is possible that Netafim could incur additional liabilities under certain scenarios.

Jain Anti-Trust Claim

In 2018, Irrigation Inc., Irrigation Design & Construction LLC. (IDC) and Agri Valley Irrigation LLC. (AVI) (“Jain Parties”), brought antitrust claims in a US Federal and State court in California claiming that Orbia’s Netafim business, jointly with other manufacturers and distributors participated in a group boycott against the Jain Parties in alleged violation of State and Federal anti-trust laws. Jain withdrew its Federal case in June 2019, but continued to pursue its State antitrust claims, which is currently in the discovery stage. Netafim has filed State and Federal cross-complaints against Jain. The State trial is currently scheduled to commence on February 10, 2023. Netafim intends to vigorously enforce its rights and does not anticipate that this matter will result in material liabilities to the Entity.

Other Matters

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

25. Segment Information

Segment information is presented according to each business group, which is grouped based on the vertical integration of their raw materials. The Entity’s operating decisions are made based on such segmentation for purposes of allocating resources and assessing the performance of each segment.

The Entity's operating segments are included in five business groups: i) Building & Infrastructure (under the Wavin brand), ii) Data Communications (under the Dura-Line brand), iii) Precision Agriculture (under the Netafim brand), (which were previously presented as the “Fluent” reportable segment), iv) Fluorinated Solutions (under the Koura brand), and v) Polymer Solutions (under the Vestolit and Alphagary brands). The main products of these segments are: PVC pipes and connections (*Building and infrastructure*), polyethylene (PE) and polypropylene (PP), high density polyethylene (HDPE) (*Data communication*), irrigation droppers and geosynthetics (*Precision agriculture*); as well as fluorite, fluorocomposites, hydrofluoric acid, refrigerant gases and medical propellants, and resins and polyvinyl chloride (PVC) compounds (*Polymer solutions*), among others. These five segments represent the Entity’s reportable segments. The “Controlling Entity” segment comprises the operations of the parent companies and associated corporate service companies.

Below is a summary of the most significant line items of the consolidated financial statements for each business group:

	As of December 31, 2021							
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Data Communications	Precision Agriculture	Controlling Entity	Eliminations	Consolidated
Net sales	\$ 3,438,063	\$ 743,731	\$ 2,921,595	\$ 993,971	\$ 1,125,656	\$ 215,420	\$ (655,536)	\$ 8,782,900
Cost of sales	2,344,143	473,143	2,182,970	764,732	804,115	106,005	(519,497)	6,155,611
Gross profit	1,093,920	270,588	738,625	229,239	321,541	109,415	(136,039)	2,627,289
General expenses	218,329	87,993	455,854	127,023	275,222	132,586	(118,629)	1,178,378
Other related party expenses/(income)	-	-	(27)	-	-	-	27	-
Royalties	47,630	8,141	3,382	11,642	-	(70,795)	-	-
Foreign exchange (gain)/loss, net	11,459	1,180	6,292	1,238	17,282	(5,174)	-	32,277
Interest expense	41,381	1,515	13,803	14,971	20,322	196,448	(40,421)	248,019
Interest income	(1,644)	(3,710)	(24,719)	(1,292)	(935)	(23,757)	40,421	(15,636)
Change in fair value of redeemable non-controlling interests	13,864	-	-	-	-	14,000	-	27,864
Monetary position loss	-	-	4,051	-	-	-	-	4,051
Share of gain of subsidiaries and associates	(6,178)	(2,657)	(910)	(1,367)	4,260	(848,172)	853,561	(1,463)
Profit before income tax	769,079	178,126	280,899	77,024	5,390	714,279	(870,998)	1,153,799
Income tax	207,935	35,005	64,905	21,441	7,607	49,805	(5,442)	381,256
Profit before discontinued operations	561,144	143,121	215,994	55,583	(2,217)	664,474	(865,556)	772,543
Discontinued operations	-	(371)	-	(5)	-	-	-	(376)
Consolidated net profit	\$ 561,144	\$ 142,750	\$ 215,994	\$ 55,578	\$ (2,217)	\$ 664,474	\$ (865,556)	\$ 772,167

As of December 31, 2020

	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Data Communications	Precision Agriculture	Controlling Entity	Eliminations	Consolidated
Net sales	\$ 2,170,679	\$ 697,951	\$ 2,071,265	\$ 732,154	\$ 972,015	\$ 183,720	\$ (408,014)	\$ 6,419,770
Cost of sales	1,764,404	406,744	1,564,918	497,530	642,580	108,893	(333,923)	4,651,146
Gross profit	406,275	291,207	506,347	234,624	329,435	74,827	(74,091)	1,768,624
General expenses	182,435	97,736	379,568	94,191	240,192	128,158	(74,126)	1,048,154
Other related party expenses/(income)	-	3	(36)	(2)	-	-	35	-
Royalties	27,487	7,766	2,374	7,895	-	(45,522)	-	-
Foreign exchange (gain)/loss, net	(4,135)	(13,945)	11,741	(298)	12,444	(3,429)	-	2,378
Interest expense	28,677	2,495	12,838	16,504	15,952	192,843	(30,628)	238,681
Interest income	(1,911)	(7,308)	(17,064)	(524)	(1,186)	(12,754)	30,628	(10,119)
Change in fair value of redeemable non-controlling interests	-	-	-	-	-	9,713	-	9,713
Monetary position loss	-	-	1,436	-	-	-	-	1,436
Share of gain of subsidiaries and associates	(1,669)	(5,758)	(5,992)	4,658	3,204	(315,256)	319,946	(867)
Profit before income tax	175,391	210,218	121,482	112,200	58,829	121,074	(319,946)	479,248
Income tax	53,894	75,328	39,897	29,216	14,098	(61,622)	-	150,811
Profit before discontinued operations	121,497	134,890	81,585	82,984	44,731	182,696	(319,946)	328,437
Discontinued operations	(8,085)	(262)	8	(1,318)	-	-	-	(9,657)
Consolidated net profit	\$ 113,412	\$ 134,628	\$ 81,593	\$ 81,666	\$ 44,731	\$ 182,696	\$ (319,946)	\$ 318,780

As of December 31, 2019

	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Data Communications	Precision Agriculture	Controlling Entity	Eliminations	Consolidated
Net sales	\$ 2,333,796	\$ 805,187	\$ 2,238,757	\$ 749,108	\$ 1,063,447	\$ 96,919	\$ (300,032)	\$ 6,987,182
Cost of sales	1,900,166	434,244	1,718,379	544,111	716,484	(1,271)	(197,870)	5,114,243
Gross profit	433,630	370,943	520,378	204,997	346,963	98,190	(102,162)	1,872,939
General expenses	162,762	77,354	378,509	88,693	255,427	90,761	(3,588)	1,049,918
Other related party expenses/(income)	61,016	26,689	-	-	-	10,870	(98,575)	-
Royalties	28,136	8,703	2,462	7,228	-	(46,529)	-	-
Foreign exchange loss/(gain), net	3,851	1,692	1,560	219	12,522	(1,470)	23	18,397
Interest expense	38,069	4,329	17,414	4,070	20,974	206,369	(19,152)	272,073
Interest income	(4,617)	(12,013)	(22,717)	18,358	467	(12,800)	19,127	(14,195)
Change in fair value of redeemable non-controlling interests	-	-	-	-	-	18,488	-	18,488
Monetary position gain	-	-	(151)	-	-	-	-	(151)
Share of gain of subsidiaries and associates	(9,829)	(6,586)	(5,105)	-	963	(218,351)	234,766	(4,142)
Profit before income tax	154,242	270,775	148,406	86,430	56,612	50,852	(234,766)	532,551
Income tax	46,976	108,942	37,984	18,018	20,727	(27,105)	-	205,542
Profit before discontinued operations	107,266	161,833	110,422	68,412	35,885	77,956	(234,765)	327,009
Discontinued operations	502	(318)	282	(573)	-	-	-	(107)
Consolidated net profit	\$ 107,768	\$ 161,515	\$ 110,704	\$ 67,839	\$ 35,885	\$ 77,956	\$ (234,765)	\$ 326,902

The accounting policies for reporting segments are the same as those of the Entity as described in Note 4. The above information is presented to the officer in charge of operating decision-making to allocate resources and assess the performance of each business group.

	As of December 31, 2021							
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Data Communications	Precision Agriculture	Controlling Entity	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	\$ 238,598	\$ 84,714	\$ 177,685	\$ 97,867	\$ 91,524	\$ 91,164	\$ -	\$ 781,552
Accounts receivable, net	595,463	202,957	354,192	190,882	259,184	38,348	(46,264)	1,594,762
Other current assets	543,091	199,243	736,499	213,824	241,511	145,715	(734,239)	1,345,644
Assets held for sale	-	-	2,070	117	-	331	-	2,518
Total current assets	1,377,152	486,914	1,270,446	502,690	592,219	275,558	(780,503)	3,724,476
Property, plant and equipment	1,866,687	334,964	563,617	116,376	167,587	1,897		3,051,128
Other assets	803,612	248,116	1,277,436	378,658	1,500,876	6,688,717	(7,086,262)	3,811,153
Total assets	<u>\$ 4,047,451</u>	<u>\$ 1,069,994</u>	<u>\$ 3,111,499</u>	<u>\$ 997,724</u>	<u>\$ 2,260,682</u>	<u>\$ 6,966,172</u>	<u>\$ (7,866,765)</u>	<u>\$ 10,586,757</u>
Current liabilities:								
Bank loans and current portion of long-term debt	\$ 4,598	\$ -	\$ 13,145	\$ 1	\$ 58,605	\$ 163,421	\$ -	\$ 239,770
Suppliers and letters of credit	725,957	66,801	391,255	164,766	150,601	5,985	-	1,505,365
Other current liabilities	278,423	89,010	448,178	121,137	207,669	516,374	(763,063)	897,728
Liabilities associated with assets held for sale	-	89	-	-	-	-	-	89
Total current liabilities	1,008,978	155,900	852,578	285,904	416,875	685,780	(763,063)	2,642,952
Bank loans and long-term debt	-	-	-	-	82,181	3,197,574	-	3,279,755
Other long-term liabilities	753,279	173,022	242,626	319,445	221,143	322,133	(772,059)	1,259,589
Total liabilities	1,762,257	328,922	1,095,204	605,349	720,199	4,205,487	(1,535,122)	7,182,296
Total equity	<u>\$ 2,285,194</u>	<u>\$ 741,072</u>	<u>\$ 2,016,296</u>	<u>\$ 392,375</u>	<u>\$ 1,540,483</u>	<u>\$ 2,760,685</u>	<u>\$ (6,331,644)</u>	<u>\$ 3,404,461</u>

As of December 31, 2020									
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Data Communications	Precision Agriculture	Controlling Entity	Eliminations	Consolidated	
Current assets:									
Cash and cash equivalents	\$ 231,474	\$ 122,345	\$ 288,591	\$ 63,143	\$ 135,364	\$ 34,268	\$ -	\$ 875,185	
Accounts receivable, net	405,620	211,657	315,940	116,622	281,578	45,979	(52,658)	1,324,738	
Other current assets	263,302	450,304	409,006	133,211	190,033	228,428	(727,705)	946,579	
Assets held for sale	1,254	3,869	2,968	1,559	-	-	-	9,650	
Total current assets	901,650	788,175	1,016,505	314,535	606,975	308,675	(780,363)	3,156,152	
Property, plant and equipment	1,991,223	302,221	622,451	114,736	150,693	5,173	-	3,186,497	
Other assets	760,211	225,514	1,336,838	415,641	1,534,865	6,616,964	(7,021,571)	3,868,462	
Total assets	<u>\$ 3,653,084</u>	<u>\$ 1,315,910</u>	<u>\$ 2,975,794</u>	<u>\$ 844,912</u>	<u>\$ 2,292,533</u>	<u>\$ 6,930,812</u>	<u>\$ (7,801,934)</u>	<u>\$ 10,211,111</u>	
Current liabilities:									
Bank loans and current portion of long-term debt	\$ 7,687	\$ 7,681	\$ 7,042	\$ -	\$ 64,143	\$ 408,753	\$ -	\$ 495,306	
Suppliers and letters of credit	702,872	46,905	334,507	97,936	112,003	31,883	-	1,326,106	
Other current liabilities	250,477	63,075	425,598	56,249	190,816	554,151	(780,363)	760,003	
Liabilities associated with assets held for sale	-	5,783	-	438	-	-	-	6,221	
Total current liabilities	961,036	123,444	767,147	154,623	366,962	994,787	(780,363)	2,587,636	
Bank loans and long-term debt	-	-	-	-	118,686	3,012,020	-	3,130,706	
Other long-term liabilities	807,552	178,748	301,130	320,059	231,401	387,577	(913,270)	1,313,197	
Total liabilities	1,768,588	302,192	1,068,277	474,682	717,049	4,394,384	(1,693,633)	7,031,539	
Total equity	<u>\$ 1,884,496</u>	<u>\$ 1,013,718</u>	<u>\$ 1,907,517</u>	<u>\$ 370,230</u>	<u>\$ 1,575,484</u>	<u>\$ 2,536,428</u>	<u>\$ (6,108,301)</u>	<u>\$ 3,179,572</u>	

As of December 31, 2019									
	Polymer Solutions	Fluorinated Solutions	Building & Infrastructure	Data Communications	Precision Agriculture	Controlling Entity	Eliminations	Consolidated	
Current assets:									
Cash and cash equivalents	\$ 192,898	\$ 120,591	\$ 140,096	\$ 47,432	\$ 66,996	\$ 18,396	\$ -	\$ 586,409	
Accounts receivable, net	444,641	199,627	341,449	102,376	291,009	43,085	(70,159)	1,352,028	
Other current assets	264,912	384,608	369,471	70,117	177,671	555,910	(918,107)	904,582	
Assets held for sale	1,254	3,870	2,354	1,618	-	-	-	9,096	
Total current assets	903,705	708,696	853,370	221,543	535,676	617,391	(988,266)	2,852,115	
Property, plant and equipment, net	2,091,671	301,585	673,268	115,088	158,760	8,449	-	3,348,821	
Other assets, net	783,145	271,633	1,355,570	386,443	1,569,663	7,478,383	(7,988,692)	3,856,145	
Total assets	<u>\$ 3,778,521</u>	<u>\$ 1,281,914</u>	<u>\$ 2,882,208</u>	<u>\$ 723,074</u>	<u>\$ 2,264,099</u>	<u>\$ 8,104,223</u>	<u>\$ (8,976,958)</u>	<u>\$ 10,057,081</u>	
Current liabilities:									
Bank loans and current portion of long-term debt	\$ 16,288	\$ 16,287	\$ 4,876	\$ 2,181	\$ 48,584	\$ 234,130	\$ -	\$ 322,346	
Suppliers and letters of credit	674,527	42,101	288,378	90,296	126,563	41,737	-	1,263,602	
Other current liabilities	515,017	89,553	396,753	35,737	169,600	766,776	(988,266)	98,517	
Liabilities associated with assets held for sale	-	5,605	-	638	-	-	-	6,243	
Total current liabilities	1,205,832	153,546	690,007	128,852	344,747	1,042,643	(988,266)	2,577,361	
Bank loans and long-term debt	8,067	8,043	-	-	100,943	3,011,567	-	3,128,620	
Other long-term liabilities	614,494	201,472	288,922	317,918	258,218	1,665,715	(2,090,050)	1,256,689	
Total liabilities	1,828,393	363,061	978,929	446,770	703,908	5,719,925	(3,078,316)	6,962,670	
Total equity	<u>\$ 1,950,128</u>	<u>\$ 918,853</u>	<u>\$ 1,903,279</u>	<u>\$ 276,304</u>	<u>\$ 1,560,191</u>	<u>\$ 2,384,298</u>	<u>\$ (5,898,642)</u>	<u>\$ 3,094,411</u>	

Highlights of the Entity’s segment information by business group presented in the consolidated financial statements are as follows:

	Direct additions to property, plant and equipment			Depreciation and amortization		
	2021	2020	2019	2021	2020	2019
Polymer Solutions	\$ 93,024	\$ 69,003	\$ 71,038	\$ 258,521	\$ 238,124	\$ 233,313
Fluorinated Solutions	63,091	40,471	31,655	61,729	60,859	57,840
Building & Infrastructure	76,212	64,087	72,467	141,629	134,257	129,912
Data Communications	30,588	11,197	17,360	31,550	32,901	29,933
Precision Agriculture	40,044	19,703	25,963	99,270	91,925	87,700
Controlling Entity	-	13	5,154	5,352	39,721	3,485
	<u>\$ 302,959</u>	<u>\$ 204,474</u>	<u>\$ 223,637</u>	<u>\$ 598,051</u>	<u>\$ 597,787</u>	<u>\$ 542,183</u>

Highlights of the financial information classified by geographical area are as follows:

Sales by geographical region

Country or region where customers are located

	2021	2020	2019
U.S.A.	\$ 1,838,130	\$ 1,382,024	\$ 1,414,240
Northwest Europe	1,461,590	1,039,805	1,113,354
Southwest Europe	1,147,572	838,931	931,594
Africa, Middle East and Asia	645,471	703,165	795,706
Mexico	970,502	633,385	664,914
Brazil	652,661	454,959	515,984
Central and Eastern Europe	395,295	286,005	284,878
Colombia	440,818	270,882	318,990
Central America	277,058	190,421	225,515
Peru	230,921	135,870	163,835
Southeast Europe	172,302	121,721	142,002
Ecuador	139,020	91,145	104,530
Canada	96,261	65,377	65,641
Other rest of the world countries	68,497	54,814	87,311
Chile	85,507	50,536	46,750
Argentina	81,400	45,412	46,774
Israel	45,543	40,147	42,297
Other Latin American countries	30,774	14,008	22,036
Venezuela	3,578	1,164	831
Total	<u>\$ 8,782,900</u>	<u>\$ 6,419,771</u>	<u>\$ 6,987,182</u>

Long-lived Assets

Country or region where assets are located	2021	2020	2019
Mexico	\$ 1,284,427	\$ 1,253,758	\$ 1,315,086
Northwest Europe	782,203	862,114	812,685
U.S.A.	1,880,920	1,949,849	2,056,458
Southwest Europe	308,679	151,256	154,742
Colombia	259,604	269,101	286,934
Africa, Middle East and Asia	103,817	65,983	85,110
Brazil	66,160	70,571	98,545
Central and Eastern Europe	113,760	114,634	114,927
Southeast Europe	6,805	158,083	161,353
Central America	58,199	61,961	66,040
Other	31,508	20,667	26,321
Israel	1,539,279	1,662,782	1,659,774
Peru	60,918	58,912	66,413
Ecuador	30,710	34,748	38,143
Venezuela	356	359	402
Total	<u>\$ 6,527,345</u>	<u>\$ 6,734,778</u>	<u>\$ 6,942,933</u>

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

26. Subsequent Events

On February 1, 2022, Orbia’s Building and Infrastructure business, Wavin, acquired 67% of the shares of Vectus Industries Limited “Vectus”, a privately held manufacturer of plumbing and drainage pipes and the market leader in water storage tanks in India for \$108,000 paid in cash at closing, subject to customary working capital and net indebtedness adjustments.

With this acquisition, Orbia’s Building and Infrastructure businesses will operate at the forefront of India’s quickly growing water management industry, supplying customers in the residential, commercial, industrial, infrastructure and agricultural sectors.

Vectus will add more than 1,300 full-time employees to Orbia.

The Entity will begin consolidating Vectus’s results as of February 1, 2022. Determination of the initial purchase price allocation is in progress.

Due to the limited time between the acquisition date and the date of approval of these consolidated financial statements, as well as the size and complexity of the transaction, the accounting for the business combination and some of the disclosures required by IFRS 3 are not yet completed as of the issuance of the Entity’s consolidated financial statements.

27. Approval of Issue of the Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2021, were approved by the Audit Committee and Board of Directors’ meetings on February 22 and 23, 2022, and do not reflect events occurred after that date and they are subject to the approval of the Entity’s Board of Directors and shareholders, who have the authority to modify the financial statements in accordance with the Mexican Corporations Act.

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