

US\$1,100,000,000



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

US\$600,000,000 1.875% Senior Notes due 2026

US\$500,000,000 2.875% Senior Notes due 2031

We are offering US\$600,000,000 aggregate principal amount of our Senior Notes due 2026 (the “2026 Notes”) and US\$500,000,000 aggregate principal amount of our Senior Notes due 2031 (the “2031 Notes” and, together with the 2026 Notes, the “Notes”). The 2026 Notes will bear interest at a rate of 1.875% per year and, from the 2026 Interest Rate Step Up Date (as defined in “Description of Notes”), at a rate of 2.125% per year, unless we have notified the Trustee that the 2026 Notes Sustainability Performance Target (as defined in “Description of Notes”) has been satisfied, as confirmed by the External Verifier (as defined in “Description of Notes”), in each case in accordance with the Description of Notes. The 2031 Notes will bear interest at a rate of 2.875% per year and, from the 2031 Interest Rate Step Up Date (as defined in “Description of Notes”), at a rate of 3.125% per year, unless we have notified the Trustee that the 2031 Notes Sustainability Performance Target (as defined in “Description of Notes”) has been satisfied, as confirmed by the External Verifier, in each case in accordance with the Description of Notes. We will pay interest on the Notes semiannually in arrears on May 11 and November 11 of each year, beginning on November 11, 2021. The 2026 Notes will mature on May 11, 2026, and the 2031 Notes will mature on May 11, 2031.

The Notes will be unconditionally guaranteed by certain of our subsidiaries. The Notes and the subsidiary guarantees will be our and our subsidiary guarantors’ senior unsecured obligations (subject to certain obligations that are preferred by statute). The Notes and the subsidiary guarantees will rank equally with each other and with all of our and our subsidiary guarantors’ respective existing and future senior unsecured indebtedness.

We may redeem some or all of the Notes at any time at the greater of 100% of their principal amount outstanding and a make-whole amount described in this offering memorandum, in each case plus any Additional Interests and accrued interest through the date of redemption. See “Description of Notes—Redemption.” If a change of control triggering event as described in this offering memorandum under the heading “Description of Notes—Repurchase upon change of control” occurs, we may be required to offer to purchase the Notes from the holders. In addition, we may redeem the Notes, in whole, but not in part, at a price equal to 100% of their outstanding principal amount, plus any Additional Interests then payable, and accrued and unpaid interest, in the event of certain changes in Mexican tax laws applicable to the Notes.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market. This offering memorandum constitutes a prospectus for the purpose of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019. The Notes have been issued only in registered form in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

An investment in the Notes involves risks. See “Risk Factors” beginning on page 26 for a discussion of certain risks you should consider in connection with an investment in the Notes.

2026 Notes Offering Price: 1.875% plus accrued interest, if any, from May 11, 2021

2031 Notes Offering Price: 2.875% plus accrued interest, if any, from May 11, 2021

THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS EXCLUSIVELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (COMISIÓN NACIONAL BANCARIA Y DE VALORES, OR THE CNBV). THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE MEXICAN NATIONAL SECURITIES REGISTRY (REGISTRO NACIONAL DE VALORES) MAINTAINED BY THE CNBV AND, THEREFORE, THE NOTES MAY NOT BE PUBLICLY OFFERED OR SOLD IN MEXICO OR OTHERWISE BE THE SUBJECT OF BROKERAGE ACTIVITIES IN MEXICO, AS REQUIRED UNDER THE MEXICAN SECURITIES MARKET LAW (LEY DEL MERCADO DE VALORES), EXCEPT THAT THE NOTES MAY BE OFFERED AND SOLD TO INVESTORS IN MEXICO THAT QUALIFY AS INSTITUTIONAL OR ACCREDITED INVESTORS, ON A PRIVATE PLACEMENT BASIS, PURSUANT TO ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (LEY DEL MERCADO DE VALORES). AFTER THE ISSUANCE OF THE NOTES, WE WILL NOTIFY THE CNBV OF THE OFFERING OF THE NOTES OUTSIDE OF MEXICO. SUCH NOTICE WILL BE SUBMITTED FOR INFORMATIONAL AND STATISTICAL PURPOSES TO THE CNBV TO COMPLY WITH ARTICLE 7 SECOND PARAGRAPH, OF THE MEXICAN SECURITIES MARKET LAW AND REGULATIONS THEREUNDER. THE DELIVERY OF SUCH NOTICE TO, AND THE RECEIPT OF SUCH NOTICE BY, THE CNBV, DOES NOT CONSTITUTE OR IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN. THIS OFFERING MEMORANDUM MAY NOT BE PUBLICLY DISTRIBUTED IN MEXICO. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN INVESTOR, WHO MAY ACQUIRE NOTES MUST RELY ON THEIR OWN EXAMINATION OF US AND THE GUARANTORS.

The Notes are being offered pursuant to an exemption from the requirement to publish a prospectus under Regulation (EU) 2017/1129 (as amended and supplemented from time to time, or the Prospectus Regulation) of the EU and this offering memorandum has not been approved by a competent authority within the meaning of the Prospectus Regulation. The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (Securities Act), any state securities laws, or the securities laws of any other jurisdiction and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act (Regulation S)), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold in the United States only to persons reasonably believed to be qualified institutional buyers in compliance with Rule 144A under the Securities Act (Rule 144A) and to persons other than U.S. persons outside the United States in compliance with Regulation S. Prospective purchasers that are persons reasonably believed to be qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of eligible offerees and certain restrictions on the transfer of the Notes, see “Transfer Restrictions.”

The delivery of each series of the Notes has been made to investors in book-entry form through the facilities of The Depository Trust Company (DTC) and its participants, including Euroclear Bank S.A./N.V. (Euroclear), as operator of the Euroclear System, and Clearstream Banking Société Anonyme, Luxembourg (Clearstream Luxembourg) on May 11, 2021.

Joint Bookrunners

Citigroup

J.P. Morgan
Co-Managers

Morgan Stanley

BBVA

BNP PARIBAS

MUFG

The date of this offering memorandum is November 11, 2021.

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NOTICE TO INVESTORS

In making your investment decision, you should rely only on the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized any other person to provide you with different information. If any person provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, properties, prospects, results of operations or financial condition may have changed since that date. Neither the delivery of this offering memorandum nor any sale made hereunder will under any circumstances imply that the information herein is correct as of any date subsequent to the date on the front cover of this offering memorandum. This document may only be used where it is legal to sell the Notes. Neither we nor the initial purchasers are making an offer of the Notes in any jurisdiction where the offer is not permitted.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes described in this offering memorandum. This offering memorandum does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire the Notes.

Neither we nor the initial purchasers are making an offer to sell the Notes in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Notes under the laws and regulations in force in your jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities that do not involve a public offering. We have submitted this offering memorandum solely to a limited number of persons reasonably believed to be qualified institutional buyers in the United States and to investors outside of the United States so they can consider a purchase of the Notes. This offering memorandum may only be used for the purposes for which it has been published. By accepting delivery of this offering memorandum and by purchasing Notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under “Transfer restrictions” in this offering memorandum. The Notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser of the Notes, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See “Risk Factors” for a description of specified factors relating to investment in the Notes.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

Neither we nor the initial purchasers is responsible for any third party social, environmental and sustainability assessment of the Notes. The Notes may not satisfy an investor’s requirements or any future legal or industry standards for investment in assets with sustainability characteristics. Investors should conduct their own assessment of the Notes from a sustainability perspective. Investors should note that the net proceeds of the issue of the Notes will be used to retire certain outstanding indebtedness, pursuant to the redemption of part or all of our Peso 2022 notes (as defined below) and our USD 2022 notes (as defined below), and for general corporate purposes.

None of the CNBV, the U.S. Securities and Exchange Commission, or the SEC, any state securities commission or any other regulatory authority has approved or disapproved of the Notes nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

In making an investment decision, prospective investors must rely on their own examination of our company and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Notes under applicable legal, investment or similar laws or regulations.

NOTICE TO ELIGIBLE HOLDERS IN MEXICO

This offering memorandum may be distributed only to, and may only be directed at, investors domiciled in Mexico that qualify as institutional or accredited investors, under the Mexican Securities Market Law and its regulations, pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law. The Notes have not been and will not be registered with the RNV maintained by the CNBV, and may not be offered or sold publicly in Mexico. This offering memorandum has not been reviewed or approved by the CNBV. This offering does not constitute a public offering in Mexico and this offering memorandum may not be publicly distributed in Mexico. The CNBV will be notified of the terms and conditions of this offering for informational and statistical purposes only, and such notice does not constitute or imply a certification as to the investment quality of the Notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information included in this offering memorandum.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

NOTICE TO PROSPECTIVE INVESTORS IN THE UK

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the UK, (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We are a publicly held variable capital stock corporation (*sociedad anónima bursátil de capital variable*), organized and existing under the laws of Mexico, with corporate offices and corporate domicile (*domicilio social*) in Mexico City, Mexico. Many of our directors, officers and controlling persons, as well as certain experts named in this offering memorandum, reside outside the United States, and all or a substantial portion of their assets and our assets are located outside of the United States. As a result, it may be difficult for investors to effect service of process within the United States upon these persons or to enforce against them, either inside or outside the United States, judgments obtained against them in the U.S. courts, or to enforce in U.S. courts judgments obtained against them in courts in

jurisdictions outside the United States, in each case, in any action predicated upon civil liabilities under the U.S. federal securities laws. We have appointed CT Corporation System, as an agent to receive service of process with respect to any action brought against us in any federal or state court in the State of New York arising from this offering. There is doubt as to the enforceability, in original actions in Mexican courts or in original actions or actions for enforcement of judgments obtained in courts of jurisdictions outside of Mexico, of civil liabilities under the laws of any jurisdiction outside of Mexico, including any judgment predicated solely upon the federal and state securities laws of the United States. We have been advised by our special Mexican counsel that no treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, consisting of the review in Mexico of the United States judgment in order to ascertain, among other matters, whether Mexican legal principles of due process and public policy (*orden público*) have been complied with, without reviewing the merits of the subject matter of the case. See “Risk Factors—Risk Factors Related to our Notes and this Offering.”

ADDITIONAL INFORMATION

While any Notes remain outstanding, we will make available, upon request, to any holder and any prospective purchaser of Notes, the information required pursuant to Rule 144(A)(d)(4)(i) under the Securities Act, during any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

CERTAIN DEFINITIONS

In this offering memorandum, except where otherwise indicated or where the context otherwise requires, references to:

- “Acid-grade concentrate” or “acid-grade fluorspar” means Fluorite ore (calcium fluoride) from which impurities are removed through a grinding / selective flotation process, to achieve a chemical specification of at least 97% calcium fluoride, maximum 1.1% silica (SiO₂), and maximum 1.2% calcium carbonate (CaCO₃), as well as a physical specification on particle size. Acid-grade concentrate is used to produce hydrofluoric (HF) acid (the base material for the production of refrigerants), aluminum trifluoride, ceramics, propellants, and *anti-adhesive agents*, among others;
- “Aluminum fluoride” or “AlF₃” also known as aluminum trifluoride, an inorganic compound used in the production of aluminum by electrolysis to lower its melting point, and as welding flux;
- “AMEA” is an acronym for Africa, Middle East, and Asia;
- “Amati” means Corporación Amati, S.A. de C.V.;
- “ANIQ” means the Mexican National Chemical Industry Association (Asociación Nacional de la Industria Química);
- “ASTM” means the American Society for Testing Materials;
- “Banco de México” means the Central Bank of Mexico;
- “BMV” means Bolsa Mexicana de Valores, S.A.B. de C.V., the Mexican Stock Exchange;
- “Brine” means a saturated aqueous solution of sodium chloride or common table salt;
- “Camesa” means Grupo Industrial Camesa, S.A. de C.V.;
- “Caustic soda” means the commercial name of sodium hydroxide (NaOH), which is widely used in the alumina, soap, and detergent manufacturing sectors and in the chemical industry in general;
- “Cebur” or “cebur” means Certificados Bursátiles, Mexican public negotiable credit instruments that represent the individual share of their holders in a collective credit receivable from legal entities or in assets placed in a trust;
- “CFE” means the Mexican Federal Electricity Commission (*Comisión Federal de Electricidad*);
- “Chlorine” means a pale-green, gaseous chemical element that belongs to the halogen family of elements. Chlorine is primarily used to manufacture PVC (polyvinyl *chloride*), paints, insecticides, paper, and colorants, as well as to kill bacteria in water;
- “CHS” means CHS Capital;
- “Clearstream Luxembourg” means Clearstream Banking Société Anonyme, Luxembourg;
- “Clinker” means an intermediate product of the cement manufacturing process, produced by sintering limestone, clay, and iron oxide in a kiln at approximately 1,450 degrees Celsius. One metric ton of clinker is used to make approximately 1.1 metric tons of gray Portland cement;
- “CNBV” means the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*);
- “CNA” means the National Water Commission (*Comisión Nacional del Agua*);

- “Compounds” means physical mixtures made of various simpler substances mixed together to obtain a combination of properties impossible to obtain individually in such substances. In the case of Orbia, at least one of the components is a polymer matrix, mainly PVC, but polyolefins, styrenes, and engineering plastics may also be used;
- “Copolymer” means a compound resulting from the polymerization of two monomers. The polymerization most commonly used in the vinyl industry is the combination of vinyl chloride monomer and vinyl acetate monomer. When these two different types of monomers are combined, the products resulting from such polymerization are called copolymers, which confer properties different to those of Homopolymers, mainly the ability to reduce the softening point of a product to improve its processing and obtain greater flexibility. Copolymers are used primarily in the manufacture of floor tiles, packaging sheets, and carpet backings;
- “Cracker” means a system or unit in which the different petrochemical products are separated through the use of steam at very high temperatures;
- “DTC” means the Depository Trust Company;
- “EBITDA” means earnings before interest, tax and depreciation and amortization;
- “ECU” means an electrochemical unit consisting of one unit of Chlorine and 1.1 units of Caustic Soda;
- “EDC” means ethylene dichloride;
- “Enesa Energía” means Enesa Energía S.A. de C.V.;
- “EPE” means *Empresa Productiva del Estado*, any state-owned production company as defined by Mexican law;
- “Ethylene” means a colorless, flammable gaseous hydrocarbon, widely used in the petrochemical industry as raw material to produce polyethylene and PVC resins, as well as ethylene oxide;
- “Euro” or “€” means the lawful currency of the European Union;
- “Euroclear” means the Euroclear Bank S.A./N.V.;
- “European Union” refers to the group of countries comprised of Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden;
- “Eurostat” means the Eurostat Economist Intelligence Unit, the statistical office of the European Union located in Luxembourg. Its task is to provide the European Union with statistics at the European level that enable comparisons between countries and regions;
- “FDM” means Fluorita de México, S.A. de C.V.;
- “Federal Labor Law” means the Mexican Federal Labor Law (Ley Federal del Trabajo);
- “Fluorite” means the commercial name of the mineral form of calcium fluoride. Also known as fluorspar when sold as bulk material or in its processed form;
- “Fluorocarbons” means chemical compounds that contain carbon-fluorine bonds;
- “FSMA” means United Kingdom Financial Services and Markets Act of 2000;
- “GAAP” means General Accepted Accounting Principles;
- “GDP” means gross domestic product;

- “Geosynthetics” means materials basically composed of polymers, such as polypropylene, polyester, polyamide, and polyethylene. Through a transformation process, these materials are converted into various shapes, such as sheets, blankets (mats) or three-dimensional structures, which in turn are used on soils and other geotechnical materials for different applications in the construction of engineering works, such as roads, hydraulic works, erosion control systems, and environmental protection works, among others. The most common types of geosynthetics used in the engineering field include geotextiles, geogrids, geomeshes, geomembranes, geonets, geocomposites, and geomats for erosion control;
- “GRI” means Global Reporting Initiative, a leading organization in the sustainability field that promotes the use of sustainability reports as a way for organizations to be more sustainable and to contribute to sustainable development;
- “HCl” means hydrochloric acid, the aqueous solution of hydrogen chloride. It is the most used acid in industrial processes after sulfuric acid. It is used for pickling of metals and as neutralizer, reducer, and intermediary in organic and inorganic syntheses in the chemical industry, as well as in the manufacture of cleaning products;
- “HDPE” means high-density polyethylene;
- “HF” means hydrofluoric acid, a chemical compound resulting from the reaction of sulfuric acid with calcium fluoride (fluorite). It is used primarily in the production of refrigerant gases and fluoropolymers;
- “HIS-PVC” means high impact suspension PVC resin;
- “Homopolymer” means product resulting from the bonding or polymerization of several molecules of a single type, or monomer, which may have different properties according to their chemical nature. In the case of PVC resins, the monomer used for polymerization is vinyl chloride monomer (VCM), whose molecules, when linked together, generate what is called a homopolymer (many molecules of a monomer of the same nature chemically bonded);
- “IASB” means the International Accounting Standards Board;
- “IFRS” means International Financial Reporting Standards as issued by the IASB;
- “IHS” means the abbreviated name of the company IHS, Inc., provider of information and analyses for the chemical and petrochemical sectors, among others. Its IHS Chemical World Analysis combines the world-class expertise of the former CMAI World Analysis, SRI Consulting, World Petrochemicals, and Harriman Chemsult;
- “IHS Chemical World Analysis – Vinyls” means an annual study that covers historical trends and forecasts for supply and demand fundamentals of vinyls and major by-products over a 16-year period, in ten geographic regions, with ten-year market forecasts;
- “Ingleside” means Ingleside Ethylene LLC;
- “Invenergy” means Invenergy Clean Power LLC;
- “IRS” means the Internal Revenue Service;
- “ISO” means the International Organization of Standardization;
- “ISO 9001” means standard developed by the ISO that applies to quality management systems (QMS). It is based on a number of quality management principles that a company should follow to have in place an effective system that will allow managing and improving the quality of its products and services;
- “ISO 14001” means standard developed by the ISO, which specifies the requirements for an environmental management system (EMS) that will allow an organization to formulate its policy and objectives, taking into account the legal requirements and information related to significant environmental impacts. It applies to

those environmental aspects that the organization is able to control and over which it can expect to have an influence. It does not state specific environmental performance criteria;

- “ISRS” means the International Safety Rating System;
- “Kaluz” means Kaluz, S.A. de C.V.;
- “LIBOR” means the London Interbank Offered Rate;
- “Metallurgical-grade fluorspar” means fluorspar of selected quality for its content of calcium fluoride and subjected to a certain size and grade reduction, as defined by the customer’s requirements. It is used to manufacture steel and cement;
- “Mexico” means the United Mexican States;
- “mtpy” means metric tons per year (one metric ton is equal to 1,000 kilograms or approximately 2,204.6 pounds);
- “OECD” means the Organisation for Economic Co-operation and Development;
- “OPEC” means the Organization of the Petroleum Exporting Countries;
- “Orbia,” “we,” “our” and the “Company” each refer to Orbia Advance Corporation, S.A.B. de C.V. and its subsidiaries;
- “OxyChem” means Occidental Chemical Corporation;
- “Pemex” means Petróleos Mexicanos;
- “Pemex Etileno” (formerly Pemex Petroquímica) means a Pemex production subsidiary company, as established by the agreement issued in the Official Federal Gazette of Mexico (DOF) on April 28, 2015. It produces, distributes, and markets methane, ethane, and propylene by-products, on its own account or through third parties;
- “peso” or “Ps.” means the lawful currency of Mexico;
- “Phosphates” means salts or esters of phosphoric acid. Phosphates are used in various industries, such as in the manufacture of soaps, soft drinks and foods, and in water treatment processes;
- “Phthalic anhydride” means a chemical product used as raw material for the production of plasticizers for plastics, primarily PVC. It is also used in the production of polyester resins, alkyd resins, polyols, and pigments. Orbia produces phthalic anhydride at the petrochemical complex of Altamira in Mexico;
- “PMV” means Petroquímica Mexicana de Vinilo, S.A. de C.V., a joint venture with Pemex Etileno;
- “Policyd” means Policyd, Inc. de CV, a manufacturer of PVC resins;
- “PROFEPA” means the Mexican Environmental Protection Agency (Procuraduría Federal de Protección al Ambiente);
- “PVC” means polyvinyl chloride a thermoplastic resin produced by the polymerization of vinyl chloride. Vinyl chloride is polymerized by one of four different processes: suspension, emulsion, mass / bulk, or solution polymerization. PVC resins are mainly used in the construction industry, for cable and wire insulation, door frames and windows, pipes and pipelines for water and sewage, floorings, tiles, etc. It is also used to manufacture, among other things, dolls, balls and inflatable toys. In the automotive industry, PVC is used in door panels, dashboards, seat upholstery, body moldings, electric cables, air and oil filters, sealants, and wiring harnesses. In the textile industry, PVC is used for manufacturing synthetic leather and canvas. In the packaging industry, PVC is used to manufacture carboys and bottles for purified water, as well as cleaning

products, wrapping film for foods, and pharmaceutical packaging sheets. In the medical sector, PVC is the primary material used to manufacture intravenous fluid and blood bags, as well as other accessories for patient care.;

- “PVC resins” or “vinyl resins” means plastic resins produced by polymerization of vinyl chloride monomer (VCM);
- “Quimir” means Quimir, S.A. de C.V., a producer of industrial and food phosphates;
- “reais,” “real” or “R\$” means the lawful currency of Brazil;
- “Regulation S” means Regulation S under the Securities Act;
- “Refrigerants” means gases used for refrigeration and air conditioning, consisting of compounds or mixtures of organic chemical compounds that primarily contain hydrogen, carbon, fluorine, and Chlorine;
- “Roskill” means Roskill Consulting Group, Ltd., an international metals and minerals research company;
- “Rule 144A” means Rule 144A under the Securities Act;
- “SEC” means the U.S. Securities and Exchange Commission, the federal agency responsible for supervising financial markets;
- “Securities Act” means the U.S. Securities Act of 1933, as amended;
- “SEMARNAT” means the Ministry of Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales*);
- “SFA” means the Securities and Futures Act, Chapter 289 of Singapore;
- “Sodium hypochlorite” means a clear, slightly yellow (amber) solution, with a characteristic penetrating and irritating odor that contains sodium hydroxide and sodium carbonate. It is widely used in cleaning products;
- “SRI” means SRI Consulting;
- “Strategic” means Strategic Value Partners LLC;
- “TIIE” means the Tasa de Interés Interbancaria de Equilibrio, or the equilibrium interbank interest rate, a rate that represents interbank credit transactions in Mexico;
- “tons” means metric tons (one metric ton is equal to 1,000 kilograms or 2,204.6 pounds);
- “Trustee” means Deutsche Bank Trust Company Americas;
- “Turkish lira” or “₺” means the lawful currency of Turkey;
- “U.S. GAAP” means generally accepted accounting principles in the United States;
- “U.S. dollar,” “dollars,” “US\$” or “\$” means the lawful currency of the United States;
- “USGS” means the U.S. Geological Survey;
- “VCM” means vinyl chloride monomer;
- “Wavin” means Wavin N.V., a manufacturer of PVC pipes headquartered in the Netherlands, an Orbia subsidiary; and
- “WVA” means the IHS World Vinyls Analysis.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial information

This offering memorandum includes: our audited consolidated financial statements as of and for each of the years ended December 31, 2020, 2019 and 2018 (our "consolidated financial statements"), (ii) our audited consolidated financial statements as of and for the three months ended March 31, 2021 and (iii) our unaudited statements of financial position, statements of income and other unaudited financial information as of and for the three months ended March 31, 2020 and 2021.

Our consolidated financial statements have been prepared in accordance with IFRS issued by the IASB. Our unaudited condensed consolidated interim financial statements included in this offering memorandum have been prepared in conformity with IFRS for interim financial reporting in accordance with IAS 34 – Interim Financial Reporting.

Our consolidated financial statements reflect the effects of inflation in economies with hyperinflation, or where inflation in the past three years exceeds 100%.

On February 23, 2021, we issued our audited consolidated financial statements as of December 31, 2020, 2019 and 2018.

Rounding

Certain figures included in this offering memorandum and in our financial statements have been rounded for ease of presentation. Percentage figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them due to rounding.

Operational groups

We report our results of operations for our five operating business groups (which are also our financial segments). Netafim produces drippers, dripping lines, components for strategic systems (such as filters, valves, and air valves), intelligent solutions and advanced digital technology for agriculture, that offers among other things, solutions for irrigation and fertilization, cloud-based systems and monitoring intelligent devices, analysis and crop control. Additionally, Netafim supplies integral solutions for high output water supply and executes feasibility, design and implementation studies as well as post sale technical support. Dura-Line produces more than 400 million meters of infrastructure annually through conduit, FuturePath, cable-in-conduit and accessories, which create the physical pathways for the deployment of fiber optic and other network technologies that connect cities, homes and people. Dura-Line is a world leading manufacturer and distributor of HDPE conduit pipes, fittings, solutions for cable and fiber optic transmission for voice and data and pipes to transport and distribute natural materials and gas. Wavin produces plastic pipe systems and solutions to the building and infrastructure industry with a broad product portfolio. Koura produces Metallurgical grade fluorspar, acid grade fluorspar, hydrofluoric acid, aluminum fluoride, refrigerants and medical propellants. Vestolit produces ethylene, chlorine, caustic soda and its derivatives, VCM, EDC, specialty chemicals, general resins used for pipes and fittings, cable, flexible and rigid films and bottles. We also created the Mexichem Energy Business Unit in 2014 with the purpose of gaining access to energy cogeneration projects. However, the operations of this business unit as of the date of this offering memorandum have not been significant and have therefore not been separately discussed.

In addition, our consolidated operating and financial information (including our net sales figures) set forth in this offering memorandum reflects our performance after the elimination of all inter- and intra-business group transactions. In contrast, the operating and financial information (including our net sales figures) provided for each of our business groups in this offering memorandum only gives effect to the elimination of intra-business group (but not inter-business group) transactions.

Non-IFRS Financial Measures

This offering memorandum contains financial measures that are not in accordance with IFRS, or non-IFRS measures, primarily EBITDA and net debt.

EBITDA

This offering memorandum includes our EBITDA, which we calculate as gross profit, less operating expenses (selling and development expenses, administrative expenses, depreciation and amortization (not included in cost of sales) and other income and expenses) plus depreciation and amortization charged to cost of sales and operating expenses. EBITDA is not a measure recognized under IFRS, does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies either in Mexico or in other jurisdictions. In addition, we have not calculated EBITDA in accordance with the guidelines adopted by the SEC on presentation of non-GAAP financial measures. We disclose EBITDA because we use it as a measure of our consolidated operating performance. EBITDA should not be considered in isolation or as a substitute for net income or loss or as an indicator of operating performance or cash flow or as a measure of liquidity or our ability to service debt obligations. See “Summary consolidated financial data” and “Selected consolidated financial data” for a reconciliation of gross profit to EBITDA for our consolidated operations and for our three business groups.

Net Debt

Net debt represents our long-term debt with cost (including the current portion) minus cash and cash equivalents. Net debt measures may not be comparable to similarly titled measures used by other companies. Net debt is a non-IFRS measure, and we do not intend net debt to represent debt as defined by IFRS. You should not consider net debt to be an alternative to debt or any other items calculated in accordance with IFRS. Debt levels and, therefore, the impact of interest rates on earnings vary in significance between companies. Thus, for comparison purposes, our management believes that net debt can be useful to investors as an objective and comparable measure of our debt obligations and liquidity, because it recognizes the net cash position of our current operations.

Currency information

Unless otherwise specified, references in this offering memorandum to “U.S. dollars,” “\$” or “US\$” are to United States dollars, references to “pesos” or “Ps.” are to Mexican pesos, references to “reais,” “real” or “R\$,” are to Brazilian Reais and reference to “Euros” or “€” are to European Euros.

Industry and market data

Unless otherwise noted, market data and other statistical information used throughout this offering memorandum are generally based on our estimates, which are derived from our review of internal surveys and independent industry publications, government publications, and reports by market research firms or other published independent sources, including:

- IHS Markit;
- the OECD;
- the Food and Agriculture Organization of the United Nations (FAO);
- USGS; and
- GSMA Intelligence.

Although we believe these sources, including our estimates, are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness.

In addition, in many cases, we have based certain statements contained in this offering memorandum regarding our industry and our position in the industry on certain assumptions concerning our customers and competitors. These assumptions are based on our experience in the industry and our own investigation of market conditions. We cannot

assure you as to the accuracy of any such assumptions, and such assumptions may not be indicative of our position in our industry.

Intellectual property

This offering memorandum includes some of our trademarks, trade names and service marks, including our logos. Each trademark, trade name or service mark of any company appearing in this offering memorandum belongs to its respective holder.

SUMMARY

This summary highlights selected information contained elsewhere in this offering memorandum. This offering memorandum includes a description of the terms of the Notes that we are offering, as well as a description of our business and detailed financial information. Unless otherwise expressly indicated or the context otherwise requires, the terms “we,” “our,” “us,” the “Company” and “Orbia” each refer to Orbia Advance Corporation, S.A.B. de C.V., and its subsidiaries.

This summary is not complete and does not contain all of the information that you should consider before investing in the Notes. You should read the entire offering memorandum carefully, especially the risks of investing in our Notes discussed under “Risk Factors” and our financial statements and the related Notes included elsewhere in this offering memorandum.

Orbia

We are a leading provider of products and solutions in multiple sectors, including construction, infrastructure, agriculture, health, transportation, telecommunications, energy and chemicals, among 14 others. We are one of the world’s largest plastic pipes and fittings suppliers and one of the largest chemical and petrochemical companies in Latin America.

In 2020, we generated US\$6,420 million in revenue and employed more than 21,500 people in more than 50 countries, where we operate 129 production plants, concessions for the exploitation of two fluorspar mines in Mexico, eight formation academies, 19 research and development laboratories, a venture studio in San Francisco and offices in Mexico City, Boston, Amsterdam and Tel Aviv. Due to our global presence, we decided to name our businesses and business groups in English and changed our name from Mexichem S.A.B. de C.V. to Orbia Advance Corporation S.A.B. de C.V. on August 26, 2019.

Our business strategy emphasizes the importance of having a portfolio of leading businesses in each of their respective sectors that focuses on basic and advanced materials, infrastructure and services. In order to further our commitment with innovation, we launched a multi-year venture capital fund, Orbia Ventures, to capitalize early stage start-ups with strategic connections to our core business and corporate purpose. Additionally, we benefit from being a vertically integrated company, which allows us to mitigate volatility in our primary raw materials’ prices and ensure their supply even under market scarcity conditions. Our commercial focus is on higher-value-added products and services that offer higher profitability.

We have more than 50 years of experience and have been listed on the Mexican Stock Exchange for over 30 years. In 2020, we celebrated our second anniversary as a member of the Dow Jones Sustainability Index and received the EcoVadis silver medal, which places us among the top companies regarding sustainable sourcing efforts. We have been included in the FTSE4Good index since 2015.

We are strategically focused on organic growth to improve our product portfolio and geographic diversification. In recent years, we have increased our positioning in the North American and European markets. Currently, both regions account for 66% of sales by geographical area of destination. In this way, we are continuously strengthening a platform that offers comprehensive solutions for our customers while creating long-term relationships.

In 2020, our EBITDA was US\$1,318 million, representing an annual decrease of 3%. In 2019, our EBITDA was US\$1,365 million, representing an annual decrease of 2%.

Up until the 2019 period, we reported our results divided in three business sections. As a result of our growth over recent years, our management conducted an internal review to identify whether the three business groups still represented the most relevant and efficient organizational structure to make both operational and financial decisions. We have expanded into new markets both through organic growth and the acquisition of companies that offer synergies and new opportunities to serve our customers with better products and services, by leveraging the strength of our local brands in each of the countries and territories where we operate.

As a result of this review, starting on January 1, 2020 we changed the reporting structure of our business groups in order to improve the decision-making process and present our financial results in a more transparent manner, as follows:

- Vestolit (Polymer Solutions)
- Wavin (Building and Infrastructure)
- Dura-Line (Data Communications)
- Netafim (Precision Agriculture)
- Koura (Fluor)

Our operations by value chain are the following:

- Vestolit (Polymer Solutions Business Group). Our Polymer Solutions Business Group, which is commercially known as Vestolit, focuses mainly on PVC and other vinyl polymers with various applications in products that enhance lives and livelihoods, including pipes, cables, flooring, auto parts, household appliances, clothing, packaging and medical devices. Vestolit consists of six manufacturing processes:
 - (1) Basic chemicals including ethylene, chlorine, caustic soda and its derivatives, VCM, EDC and specialty chemicals;
 - (2) Phosphates with applications in food and beverages, soaps and detergents, fertilizers and food supplements;
 - (3) The vinyl process produces general resins used for pipes and fittings, cable, flexible and rigid films, bottles, among others;
 - (4) Specialty resins used for flooring, wallpaper, coatings, among others;
 - (5) The plasticizer process produces phthalic anhydride and a wide variety of plasticizers used in the processing of plastic resins; and
 - (6) The compounding process produces plastic resin compounds used to manufacture products with different applications, such as medical products, industrial and consumer products, products for the construction industry and calcium-zinc stabilizers used in PVC processing (commercially known as Alphagary).

In 2020, 2019 and 2018, Vestolit recorded sales of US\$2,171 million, US\$2,334 million and US\$2,460 million, respectively, which represented approximately 34%, 33% and 34% of our net sales for each of those years, respectively.

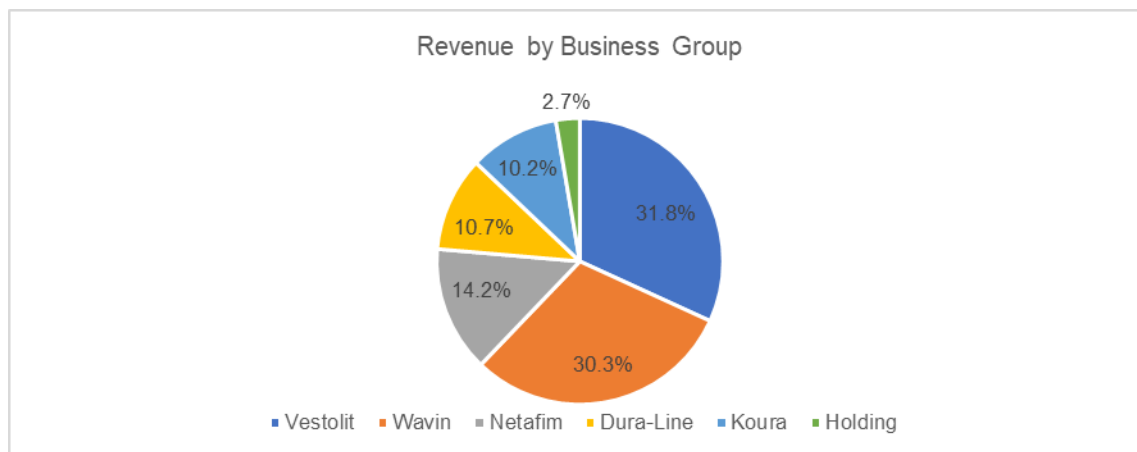
- Wavin (Building & Infrastructure Business Group). Our Building and Infrastructure group, commercially known as Wavin, serves customers on three continents and sells, manufactures and develops new, sustainable products around water collection, water management, hot and cold water systems and heating and cooling systems, as well as a revolutionary plastic road through a joint venture. This plastic road is made of 100% recycled plastic, making it sustainable, lightweight, faster to install and can be used for various purposes. Wavin has a presence in more than 40 countries with approximately 10,000 employees. Specifically, Wavin is one of the leaders 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. In Latin America and Europe, we are focused on the residential and commercial construction and infrastructure markets. In Latin America, we offer 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. Wavin was integrated from our acquisitions of Wavin N.V. in 2012 and Amanco Holdings S.A. de C.V. in 2007. Since 2019, our building & infrastructure business group operates under the global leadership of Wavin, as a global player in plastic pipe systems and solutions. In 2020, 2019 and 2018 Wavin recorded sales of US\$2,071 million, US\$2,239 million and US\$2,362 million, respectively, which represented approximately 32%, 32% and 33% of our net sales for each of those years, respectively.

- Dura-Line (Data Communications Business Group). Our Data Communications Business Group, commercially known as Dura-Line produces more than 400 million meters of infrastructure annually through conduit, FuturePath, cable-in-conduit and accessories, which create the physical pathways for the deployment of fiber optic and other network technologies that connect cities, homes and people. Dura-Line is one of the world's leading manufacturers and distributors of HDPE conduit pipes, fittings, solutions for cable and fiber optic transmission for voice and data and pipes to transport and distribute natural materials and gas, primarily in the U.S., Canada, Europe and India regions. In 2020, 2019 and 2018 Dura-Line recorded sales of US\$732 million, US\$749 million and US\$798 million, respectively, which represented approximately 11%, 11% and 11% of our net sales for each of those years, respectively.
- Netafim (Precision Agriculture Business Group). Our Precision Agriculture business group, commercially known as Netafim is one of the world leaders in the production and sale of intelligent precision irrigation solutions, with 62 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 agriculture, civil and project engineering related to the management, use and control of water in agricultural, livestock and aquaculture activities. In 2020, 2019 and 2018 Netafim recorded sales of US\$972 million, US\$1,063 million and US\$945 million, respectively, which represented approximately 15%, 15% and 13% of our net sales for each of those years, respectively.
- Koura (Fluor Business Group). The Fluor Business Group, commercially known as Koura, operates one of the world's largest fluorspar mine and one of the largest HF production sites (based on Roskill Consulting report data). Koura is a fully integrated producer of R134a refrigerant gases in the United States and Japan. Koura operates two basic types of assets:
 - (1) Mining operations. Consists of the extraction of fluorspar, used for the production of HF in the cement, steel, stainless steel, ceramics and glass industries; and
 - (2) Chemical operations. Converts fluorspar to HF, which is the critical step required for all downstream uses of fluorine. HF is then reacted with alumina to produce aluminum fluoride for the aluminum industry. HF is also reacted with trichloroethane to produce R134a refrigerant gases. HF is sold for other end use applications including fluoropolymers, electronics processing, semiconductor doping gases, lithium ion battery materials and other specialty applications. Koura makes Zephex 134a, which is a highly purified form of 134a used for respiratory delivery of life saving medicines used in metered dose inhalers.

In 2020, 2019 and 2018 Koura recorded sales of US\$698 million, US\$805 million and US\$837 million, respectively, which represented approximately 11%, 12% and 12% of our net sales for each of those years, respectively.

The following chart shows the percentage of our revenue derived from each of our business groups as of December 31, 2020, excluding revenues of the holding company and eliminations:



The following table shows a breakdown of the total sales revenue by business group and corresponding EBITDA as of December 31, 2020, excluding revenues of the holding company and eliminations:

<u>Business Group</u>	EBITDA		Revenue	
	2020	2019	2020	2019
	(in millions of U.S. dollars)			
Vestolit	462	443	2,171	2,334
Wavin	261	269	2,071	2,239
Dura-Line	173	149	732	749
Netafim	181	179	972	1,063
Koura	254	325	698	805
Holding Company	(13)	-	184	97
Eliminations	-	-	(408)	(300)
Total	1,318	1,365	6,420	6,987

Competitive Strengths

We focus on creating value for our shareholders, customers and suppliers by continuously developing and improving our products and services, adding value from our basic raw materials through vertical integration into the higher value-added products market to achieve superior results. Our principal competitive strengths include the following:

Vertically integrated operations with direct access to raw materials that provide economies of scale and reduce operating expenses.

We have vertically integrated operations with direct access to raw materials that generate economies of scale and reduce operating expenses. Over the past 17 years, we have acquired companies or formed joint ventures to achieve vertical integration in our operations and increase access to the raw materials needed for our operations.

As a leader in the markets where we participate, we are characterized by our focus on low-cost production by investing in our own state-of-the-art technology; integrating our basic raw materials on our two main production chains; driving synergies from logistics, purchasing, systems, treasury, human resources and other functions; and developing and implementing cost-efficiency projects.

Vestolit is partially integrated (approximately 70%) to our main raw material, ethylene, and thus the production chain is integrated from the extraction of salt to the production of plastic compounds. Vestolit facilitates the production

of salt for industrial consumption, ethylene, chlorine, soda, VCM chlorine derivatives, PVC and specialty resins, as well as compounds, in addition to being integrated to one of the main raw materials for the manufacture of plasticizers: phthalic anhydride.

Koura has its own concessions for the exploitation of fluorspar mines, including the world's largest one, making it the only fully integrated global producer of its raw material. This integration gives Koura an unparalleled competitive advantage, not only in Mexico but also worldwide. Koura is the only company in the world with a vertically integrated value chain, from the extraction of fluorspar, through HF, to the production and sale of refrigerant gases and medical propellants in the Americas, Europe and Asia.

Leading position in European, North American and South American markets, with strong growth prospects and indisputable global leadership.

Our net sales to third parties in 2020, by geographical area of destination, were 34% in Europe, 32% in North America, of which 22% were in the United States and 10% in Mexico, 20% in South America, of which 7% were in Brazil, and 12% in other countries. Over the past five years, we have expanded our operations throughout the Western Hemisphere, the Middle East and Africa, and we currently have production facilities in 10 Latin American countries, as well as facilities in the United States, Canada, Japan, China, the United Kingdom, Oman, South Africa and Israel. There are attractive growth projections in infrastructure and construction in the emerging markets where we sell our main Vestolit and Wavin products due to a significant housing deficit, insufficient infrastructure, lack of access to water and sanitation and electricity.

Thus, we expect a sustained demand for PVC in the coming years, according to reports by IHS Markit (2020 World Analysis – Vinyls).

We have a strong presence in the American, European and Asian markets due to Koura's position as a vertically integrated fluorspar business in these regions. Furthermore, we have the concession rights for the exploitation and extraction in Mexico of one of the world's largest fluorspar mine and have modern plants for the production of HF and refrigerant gases, which permit us to forge solid relationships with strategic market participants. In addition, our geographical proximity to the end fluorochemicals market in the United States gives us a competitive advantage. We frequently enter into long-term U.S. dollar-denominated contracts with reputable international customers for the sale of the fluorite and HF we produce. Our global positioning will permit us to explore opportunities in order to supply more value-added products.

Strong track record of integrating and operating acquired companies.

Our proven ability to integrate and operate acquired companies throughout the Americas, Europe, the Middle East, Asia and Africa is a competitive advantage.

Since 2003, we have grown rapidly by consolidating 30 acquisitions. The acquisition of Netafim in 2018, is part of our growth strategy, which grants us access to smart technology used in water supply solutions and other sectors.

We believe that our acquisition of Netafim further aligned our strategy toward specialty solutions, products and services, positioning us as an innovative leader in the high-growth market of precision irrigation. Before the acquisition, Netafim had a long history of creating smart solutions in the irrigation market. This acquisition gave us access to this technology, which can be used in water supply and in other sectors, providing a platform from which it is possible to generate industrial solutions based around existing production lines that serve the infrastructure, housing and data communication markets and other sectors. This acquisition also strengthened our global presence and impact in key growth markets while allowing us to grow in the replacement market and diversify and expand the end markets in which we operate.

Successful acquisitions have contributed to the significant growth of our net sales and EBITDA, making us a leader in the industries in which we operate.

The geographical diversification of our sales, the diversification of our products, which has led to more than 60% of our revenues coming from finished and specialty products and increased generation of cash flow, has changed our

profile considerably, from a company based on commodities and chemical products, to a company increasingly based on innovative and specialty products, which has made us more resilient in an environment of constant changes to the global economy.

Experienced management team with extensive industry experience

Our key executives have extensive experience in leadership positions at top-tier global companies, with more than 20 years of professional experience. Our executive team has a proven track-record of operating successfully in the industry, strengthening our operations and integrating new acquisitions in order to grow our businesses.

Strong relationships with major suppliers and long-term contracts

We operate under long-term product supply contracts with our main domestic and foreign customers and suppliers, which allows for sustainable development. Based on growth potential and size, we have defined the market segments we wish to participate in and, under this contract scheme, have positioned ourselves alongside strategic clients in markets with high growth potential. This lends us a competitive advantage that is difficult for our competitors to replicate.

Significant economies of scale with strategically located facilities that results in low-cost operations

We benefit from an economy of scale in the global fluorspar market because: (1) we hold concession rights to the world's largest fluorspar mine, according to estimates made by experts certified by the Mining and Metallurgical Society of America, and, through the acquisition of FDM, we increased our potential reserves of the highest purity fluorspar, (2) we have one of the world's largest HF production capacities, according to the latest survey conducted by Roskill Consulting, (3) we have strong relationships with strategic market participants, (4) we are a world leader in the chemical fluorspar market, especially in the production of refrigerant gases and (5) our raw materials and productions facilities are strategically located with access to the U.S. fluorocarbon market.

Koura operates under long-term U.S. dollar-denominated contracts with international customers for the supply of acid grade fluorspar. We believe that, given Koura's global scale, it can explore opportunities within the fluorochemicals industry with a greater number of value-added products, either through joint ventures with established producers or through direct acquisitions.

The concessions for the exploitation of the fluorspar mine and HF production facilities are near the border with the United States and the coast of the Gulf of Mexico. This location gives us easier access to the market in the United States, which has the highest fluorspar demand in the world. Koura's EBITDA margin (EBITDA divided by revenue) for 2020 was 36.4%.

In our Polymer Solutions business, Vestolit begins its processes by extracting salt from its own mines to produce PVC resin, which is one of the main raw materials used in the manufacturing of plastic pipes in Wavin and Netafim.

In October 2013, Vestolit entered into a joint venture with OxyChem for the construction of an ethylene cracker in Ingleside, Texas. The ethylene cracker began commercial operations during the second quarter of 2017, which has allowed us to benefit from vertical integration in the value chain from ethane to PVC. This reduces the cost of our PVC production and allows us to directly manage the production and supply of our main raw material, ethylene.

With the Ingleside ethylene cracker operating at 100% capacity, Vestolit is approximately 70% vertically integrated, including Vestolit's installed capacity in PVC production.

Raw materials and production facilities are located in advantageous geographic areas, which permits us to reduce operating costs. We also own (through a joint venture) a port terminal in Altamira, which not only reduces costs but also provides us with better access to export markets.

Innovation through research, development and patented production processes

We have a product research and development department with human resources and facilities that foster processes and products innovation that are tailored to our customers' needs. We have our own technology for our production processes which places us at the forefront of technology since we have developed our different production chains, unique designs that give us advantages over our global competitors. Our 19 research and technology centers are located in Mexico, USA, the Netherlands, Italy, India, the Czech Republic, the United Kingdom and Israel. These research and technology centers focus on the development of new products and the alignment of processes to achieve safety and optimization of our production chain. We have developed cutting-edge technology for fluorite purification in the HF process through Koura. This innovation has succeeded in lowering the annual production cost of HF. Additionally, as a result of the acquisition of Wavin, we gained access to new technologies and products developed by this business group, with which we already had technology transfer contracts. In total, we have more than 500 patented products.

In addition to our 19 research and technology centers, during 2020, Orbia Ventures invested in four startups and businesses. Through this fund, we work in collaboration with startups who share our vision for introducing cutting edge innovation and smart technology solutions. On November 28, 2020 Orbia Ventures invested US\$3 million in SeeTree, a leading player in the agriculture tech space with a focus on tree farming and a goal of providing farmers with individual, per-tree insights to optimize resource usage in terms of land, water, fertilizers and crop protection. Netafim will incorporate SeeTree into our digital farming offering and support the development of SeeTree's solutions.

On April 12, 2021 Orbia Ventures led a US\$20 million investor syndicate in backing Battery Resources, a vertically integrated lithium-ion battery recycling and manufacturing company. The investment will support Battery Resources in developing a commercial processing facility with the capacity to process 10,000 tons of used batteries per year. Koura is working on several joint initiatives with the Battery Resources team that are focused on refining lithium-ion battery chemistries for sustainability and scalability. In addition, Orbia Ventures also invested in Silvec Biologics. Silvec is developing the first non-GMO process to designed inoculate against tree, vine, and bush diseases in both seedlings and mature trees, and StormSensor, a cloud-based stormwater monitoring platform designed to offer real-time data and insights to the water utility industry.

Strategy

On August 26, 2019, Mexichem S.A.B. de C.V., a manufacturer of PVC pipes, irrigation systems and solutions, High Density Polyethylene (HDPE) conduit pipes for cable and fiber optic transmission for voice and data, resins, compounds and specialty chemicals with a legacy of more than 50 years of success and business growth, proudly became Orbia Advance Corporation S.A.B. de C.V. This transition went beyond the introduction of a new name: it represented a new strategy, an operational reorganization and alignment of capabilities to address some of the world's most pressing challenges and mark the beginning of a new era of social and environmental contributions.

A global growth model driven by purpose

In 2020, we continued to propose innovative solutions for different macro-trends that affect communities and cities throughout the world, such as:

- Growing middle classes with greater urbanization and population density;
- Growing shortages of food and water;
- Connectivity, internet and digitization; and
- Climate change.

These trends present challenges for our clients that we seek to identify and mitigate by taking their needs into consideration. We have decided to place the customer at the center of our strategy in order to develop solutions focused on our clients that are increasingly specialized, technological and innovative.

Our vertical integration strategy has reduced our exposure to any price volatility of our main raw materials: Koura is 100% integrated from the exploitation of fluorite to the production of refrigerant gases. Since February 2017, the Vestolit is approximately 70% integrated and has thus achieved significant integration from salt extraction to PVC production, which has allowed us to improve profitability through better cost management. In addition, we focus on improving top line growth with strong profitability and asset turnover aiming to improve the return on invested capital in order to achieve and maintain us above our weighted average cost of capital, through the assets and operations we currently have.

Commitment to safety and social and environmental responsibility

We continue to position ourselves as a strong player in sustainability, corporate social responsibility and corporate governance. In 2020, the following milestones were achieved:

- **Sustainability**: We continue to work on our global life cycle assessment, where we've demonstrated that drip irrigation has a smaller carbon footprint compared to traditional irrigation methods. In addition, we increased the use of recycled polymers at Wavin and Netafim. In Koura, we received authorization for our third refrigerant recovery plant in Mihara, Japan. Refrigerant recovery, as any recycling or recovery effort, extends the lifecycle of a product, thus reducing pressure on the extraction of raw materials, and affects the production of new materials. We have also reduced sulfur dioxide emission by 28% relative to our starting point in the context of seeking a 60% reduction by 2025. The starting point we use as a reference is our 2018 emissions, which were reported in our 2019 and 2018 annual reports. The new level of our sulfur dioxide emission is included in our 2019 annual report. We expect to publish any updates to the emission level in our 2020 annual report. We track this measurement throughout the year and we report aggregate numbers.
- **Corporate social responsibility**: We continue to try to support our associates and their families in all of our businesses in overcoming the crisis posed by the COVID-19 pandemic from a comprehensive perspective that incorporates medical assistance. Additionally, we established an alliance with the "Resilient Cities Network", which represents the world's leading urban resilience network.
- **Corporate governance**: We introduced a new environmental, social and governance (ESG) incentive as part of our management team's compensation applicable as of 2021. Our board also elected two new independent directors, bringing the percentage of independent directors to 64%. We are working with leading firms in the search for talent to hire independent directors with relevant management skills to be incorporated in line with the retirement of other directors in the coming months.

We have continued our efforts that we have been making in recent years, which are summarized below:

- In 2018, we joined the United Nations Global Compact, reporting on our commitment and actions with respect to the ten principles of the compact in our annual sustainability report since that year.
- In 2019, we joined the United Nations Global Compact Water Mandate, committing ourselves to six areas of water management. Today, we are one of a group of 175 companies worldwide that have joined this pact.

We comply with the new GRI criteria based on materiality disclosure and independent third-party review of relevant indicators as included in our annual sustainability report. The independent third party, Galaz, Yamazaki, Ruíz Urquiza, S.C. assures the data in the sustainability report in accordance with the ISAE 3000 assurance standard. In addition, we have begun to align the information in our annual sustainability report with the requirements of the Sustainability Accounting Standards Board (SASB) for our industry and have set long-term goals with respect to: zero waste to landfill, recycling, carbon emissions, safety, sulfur oxide emissions, and environment management systems in all our plants.

A continuous focus on specialty and value-added products

We will continue to use our competitive advantage to develop new and advanced production processes in our 19 research and development centers. These centers also develop new products focused on customer needs, making

products available to customers through an extensive distribution network in the markets in which they participate. We will also continue to develop and implement our own technologies and processes that will generate significant benefits for us and for the entire industry in general. For example, we have our own technology to produce PVC resins, PVC pipes, compounds, plasticizers and HF purification. These technologies allow us to produce unique tubes that meet the requirements of most infrastructure projects and other competitive advantages. In addition, we have developed solutions based on fluoro compounds for the cement industry that allow for the optimization of Clinker production. This has economic benefits and also benefits our environmental impact by reducing our carbon footprint.

Maintaining an agile and solid financial structure

We seek to maintain a solid and flexible financial base that will allow us to support our growth objectives. We seek to maintain a net debt/EBITDA ratio of no more than 2.0 in the long-term. We continue to implement our financial strategies, including a conservative debt profile, a conservative hedging structure and strategies to hedge exposure to foreign exchange rates and thus be able to continue executing our growth strategy.

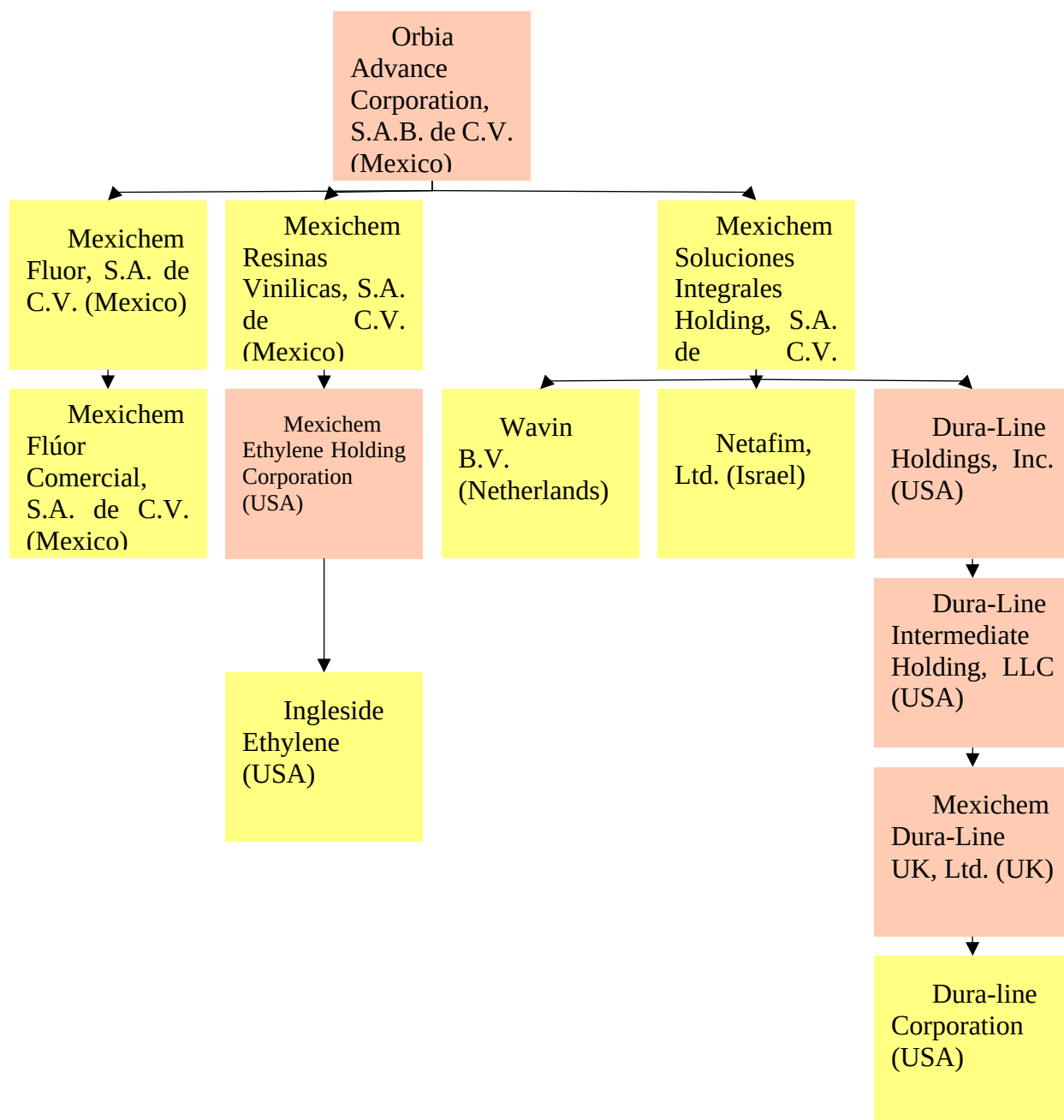
Implementing a business culture

Our current operations are the result of 30 business acquisitions that have positioned us as a leader in different countries, regions and markets, through the integration of diverse companies and work cultures. In this sense, we consider that a consolidated business culture is important for meeting our objectives for ourselves and the market. We are proud to establish and spread among our companies our mission, vision, unique values and strict adherence to our Code of Ethics as part of our organizational culture so that our employees are not only aware of it, but also apply it to their daily lives.

Organizational structure

Orbia is part of a business group with 220 subsidiaries as of December 31, 2020. In the following organizational chart, highlighted in yellow are our significant subsidiaries according to our consolidated financial statements for 2020. Additionally, the shareholding structure chart shows their jurisdiction of incorporation, position with respect to the business groups, as well as the ownership of the significant subsidiaries.

Organizational chart



Recent Developments

Sustainability-Linked Framework

In May 2021, we adopted a Sustainability Linked Bond Framework establishing our sustainability strategy priorities and setting out goals with respect to our key performance indicator: SOx Emissions. Our long-term goal is to reduce our SOx Emissions by 60% by 2025, as compared to the 2018 baseline year. This is the sustainability performance target for the 2031 Notes. As part of this goal we have also established a sustainability performance target for our 2026 Notes to reduce our SOx Emissions by 44% by 2023, as compared to the 2018 baseline year. The sustainability performance targets for both the 2026 Notes and 2031 Notes are subject to certain exclusions related to acquisitions.

Under the terms of the 2026 Notes, if we do not satisfy the sustainability performance target for that series and provide confirmation thereof to the Trustee together with a related confirmation by the External Verifier by June 28, 2024, the interest rate payable on the 2026 Notes will be increased by 25 basis points from and including November 11, 2024 to and including the specified maturity of the 2026 Notes. See “Description of Notes—Interest.”

Under the terms of the 2031 Notes, if we do not satisfy the sustainability performance target for that series and provide confirmation thereof to the Trustee together with a related confirmation by the External Verifier by June 29, 2026, the interest rate payable on the 2031 Notes will be increased by 25 basis points from and including November 11, 2026 to and including the specified maturity of the 2031 Notes. See “Description of Notes—Interest.”

Additionally, pursuant to the Sustainability Linked Bond Framework, we have committed to publish information relevant for assessing the trigger of the sustainability performance targets annually on our website. This will include up-to-date information on our performance with respect to the key performance indicator SOx Emissions, together with a verification assurance report issued by the External Verifier.

Recent Developments Relating to Our Unaudited First Quarter 2021 Financial Results

On April 28, 2021, we released our financial results for the three months ended March 31, 2021. The tables and discussion below include selected unaudited financial information as of March 31, 2020 and 2021 and for the three months then ended, prepared in accordance with IFRS, as issued by the IASB.

The preliminary financial data as of and for the three months ended March 31, 2020 and 2021 included in this offering memorandum has been prepared by, and is the responsibility of, our management. Galaz, Yamazaki, Ruíz Urquiza, S.C. has not audited, reviewed, compiled, or applied agreed-upon procedures with respect to this preliminary financial data. Accordingly, Galaz, Yamazaki, Ruíz Urquiza, S.C. does not express an opinion or any other form of assurance with respect thereto.

	For the Three Months Ended March 31	
	2021	2020
	(in thousands of U.S. dollars) (IFRS; Unaudited)	
Income Statement:		
Net sales	1,914,017	1,626,367
Cost of sales	1,331,740	1,198,744
Gross profit	582,277	427,623
Operating expenses	277,080	255,752
Operating income (loss)	305,197	171,871
Financial Cost, net	68,079	84,956
Equity in income of associated entity	132	115
Income (loss) from continuing operations before income tax	236,986	86,800
Income tax	63,608	9,602
Income (loss) from continuing operations	173,378	77,198
Discontinued operations	(120)	(79)
Consolidated net income (loss)	173,258	77,119
Minority stockholders	31,874	32,357
Majority Net income (loss)	141,384	44,762
EBITDA	451,231	309,493

	For the Three Months Ended March 31	
	2021	2020
	(in thousands of U.S. dollars) (IFRS; Unaudited)	
Balance Sheet:		
Total assets	10,231,323	10,774,963
Current assets	3,315,548	3,694,079
Cash and temporary investments	713,321	1,451,751
Receivables	1,586,074	1,350,241
Inventories	937,024	819,188
Other current assets	79,129	72,899
Non-current assets	6,915,775	7,080,884
Property, plant and equipment, Net	3,108,433	3,238,260
Right of use Fixed Assets, Net	311,053	332,304
Intangible assets and Goodwill	3,171,221	3,198,179
Long term assets	325,068	312,141
Total liabilities	7,180,162	7,780,760
Current liabilities	2,988,614	2,506,956
Current portion of long-term debt	635,057	294,236
Suppliers	1,348,273	1,306,330
Short-term leasings	80,397	75,232
Other current liabilities	924,887	831,158
Non-current liabilities	4,191,548	5,273,804
Long-term debt	2,947,814	4,074,011
Long-term employee benefits	270,714	220,669
Long-term deferred tax liabilities	307,479	326,443
Log-term leasings	250,813	262,269
Other long-term liabilities	414,728	390,412
Consolidated shareholders' equity	2,365,245	2,284,370
Minority shareholders' equity	685,916	709,833
Majority shareholders' equity	3,051,161	2,994,203
Total liabilities & shareholders' equity	10,231,323	10,774,963

Net sales

Our net sales increased 18%, to US\$1,914 million in the three months ended March 31, 2021, from US\$1,626 million in the same period of 2020. This increase was mainly driven by higher sales in the Vestolit, Wavin and Netafim businesses.

Netafim's net sales increased 19%, to US\$275 million in the three months ended March 31, 2021, from US\$232 million in the same period of 2020. This increase was mainly the result to strong sales volume in most regions, such as the U.S., Europe, Israel, Turkey, and China. Higher commodity crop prices also supported continued strong demand.

Dura-Line's net sales increased 8%, to US\$184 million in the three months ended March 31, 2021, from US\$170 million in the same period of 2020. This increase was mainly driven by continued strong demand in North America and Europe. Results were impacted by unfavorable weather conditions in the U.S., particularly in the Midwest and Texas, which limited resins availability, as well as constrained regional fiber deployment projects.

Wavin's net sales increased 33%, to US\$679 million in the three months ended March 31, 2021, from US\$512 million in the same period of 2020. This increase was mainly the result of continued strong demand in certain regions such as Europe, Middle East, Africa and Latin America. Raw material scarcity and associated steep increases in prices triggered some inventory build-ups in March, however, we were able to meet customer demand despite raw material shortages.

Koura's net sales decreased 5%, to US\$172 million in the three months ended March 31, 2021, from US\$182 million in the same period of 2020. This decrease was mainly due to COVID-19 related market challenges as well as raw material supply disruptions expected to be confined to the first quarter. Metspar sales remained resilient during the quarter, as they have been throughout the COVID-19 pandemic, while refrigerants pricing improved in Europe, Japan and North America. Recovery in Acidspare and aluminum fluoride markets is anticipated for later this year and into 2022, as aluminum capacity in Europe and the Americas resumes production, which is expected to bolster demand for Koura's products. The illegal importation of refrigerants into Europe continues to have an impact on Koura's business, however, we were advised that in the most recent National Trade Estimate Report, the Office of the U. S. Trade Representative identified illegal refrigerant importation as a challenge to be addressed.

Vestolit's net sales increased 21%, to US\$708 million in the three months ended March 31, 2021, from US\$583 million in the same period of 2020. This increase was mainly driven by a tight PVC market environment. Due to strong global demand in the building and construction markets as well as constrained PVC and ethylene supplies triggered by adverse weather conditions in the U.S. Gulf Coast region during the first quarter, PVC pricing has reached historically high levels in several key markets. Strong demand in compounds was constrained by raw material availability and supply chain disruptions, including those due to the recent temporary blockage of the Suez Canal.

Operating Expenses

Our operating expenses increased by US\$21 million, or 8%, to US\$277 million in the three months ended March 31, 2021 from US\$256 million in the same period of 2020. This increase was mainly due to an increase in deferred compensation provisioning.

EBITDA

EBITDA increased by US\$142 million, or 46%, to US\$451 million in the three months ended March 31, 2021 from US\$309 million. This increase was due to higher PVC margins in the Vestolit business line, a better product mix in the Wavin business line and robust sales performance from Netafim. EBITDA margin was 23.6%, an expansion of 455 basis points.

Netafim's EBITDA increased 41%, to US\$52 million in the three months ended March 31, 2021, from US\$37 million in the same period of 2020. EBITDA margin was 19.1%, an improvement of 318 basis points, which was mainly the result of operational efficiencies and lower expenses, partially offset by rising raw material costs.

Dura-Line's EBITDA was US\$29 million in the three months ended March 31, 2021, which was essentially flat compared to the same period of 2020. EBITDA margin was 15.8%, a decrease of 126 basis points, which was mainly a result of a significant spike in raw material costs in North America and Europe.

Wavin's EBITDA increased 86%, to US\$95 million in the three months ended March 31, 2021, from US\$51 million in the same period of 2020. This increase was mainly the result of the continued transition to value-added products, effective execution of commercial strategy and operational efficiencies. Significant momentum in Germany, the United Kingdom, Brazil, Mexico, and Colombia contributed to EBITDA growth. EBITDA margin was 14.0%, an expansion of 418 basis points.

Koura's EBITDA decreased 18%, to US\$56 million in the three months ended March 31, 2021, from US\$68 million in the same period of 2020. EBITDA margin was 32.4%, a reduction of 476 basis points, which was mainly a result of market weakness.

Vestolit's EBITDA increased 85%, to US\$224 million in the three months ended March 31, 2021, from US\$121 million in the same period of 2020. EBITDA margin was 31.6%, an expansion of 1,077 basis points which was mainly a result of higher PVC margins.

Financial Costs

Financial costs decreased by US\$17 million, or 20%, to US\$68 million in the three months ended March 31, 2021 from US\$85 million in same period of 2020. The decrease in financial costs was mainly driven by a lower LIBOR rate environment, a one-time cost associated with our revolving credit facility in the prior year and a reduction in FX devaluation in most of our main currencies, including the Mexican Peso and the Brazilian Real.

Taxes

Taxes increased by US\$54 million, or 540%, to US\$64 million in the three months ended March 31, 2021 from US\$10 million in same period of 2020. This increase was mainly the result of significantly higher profits in the quarter and lower impact of a tax shield from the severe devaluation of the Mexican Peso in the first quarter of 2020 with the onset of the COVID-19 pandemic.

Net income

Net income to majority shareholders increased by US\$96 million, or 213%, to US\$141 million in the three months ended March 31, 2021 from US\$45 million in same period of 2020. This increase was mainly driven by strong profitability in most of our segments.

Recent Developments Relating to the Payment of Dividends

In 2020, we paid US\$230 million in dividends and repurchased US\$42 million under the share repurchase program. Our Board of Directors convened at the Annual Shareholders Meeting on March 30, 2021 to approve an ordinary dividend of US\$0.10 per share to be paid in four installments in 2021.

THE OFFERING

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “Description of Notes” section of this offering memorandum contains a more detailed description of the terms and conditions of the Notes.

Issuer	Orbia Advance Corporation, S.A.B. de C.V.
Notes Offered	US\$600,000,000 aggregate principal amount of 1.875% Senior Notes due 2026 US\$500,000,000 aggregate principal amount of 2.875% Senior Notes due 2031
Offering Price	99.891%, plus accrued interest, if any, from May 11, 2021 for the 2026 Notes 98.816%, plus accrued interest, if any, from May 11, 2021 for the 2031 Notes
Maturity Date	May 11, 2026 for the 2026 Notes May 11, 2031 for the 2031 Notes
Interest Rate	1.875% per year for the 2026 Notes and 2.875% per year for the 2031 Notes, in each case subject to “Subsequent Rate of Interest” below.
2026 Subsequent Rate of Interest	From and including November 11, 2024, the interest rate payable on the 2026 Notes shall be increased by 25 basis points per annum unless the Issuer has notified the Trustee by June 28, 2024 that: (i) the 2026 Notes the Sustainability Performance Target has been satisfied and (ii) the satisfaction of the 2026 Notes Sustainability Performance Target has been confirmed by the External Verifier in accordance with its customary procedures.
2031 Subsequent Rate of Interest	From and including November 11, 2026, the interest rate payable on the 2031 Notes shall be increased by 25 basis points per annum unless the Issuer has notified the Trustee by June 29, 2026 that: (i) the 2031 Notes Sustainability Performance Target has been satisfied and (ii) the satisfaction of the 2031 Notes Sustainability Performance Target has been confirmed by the External Verifier in accordance with its customary procedures.
Interest Payment Dates	May 11 and November 11 of each year, beginning on November 11, 2021
Subsidiary Guarantors	The Notes will be guaranteed by certain of our subsidiaries identified in “Description of Notes—General.” As of and for the year ended December 31, 2020, the subsidiary guarantors (in addition to Orbia, on a stand-alone basis) accounted for 20.2% of our total assets and 30.6% of our EBITDA on a consolidated basis.
Guarantees	The payment of principal, premium, if any, interest and Additional Interest on the Notes will be fully and unconditionally guaranteed on a senior unsecured basis by our subsidiary guarantors.

Ranking

The Notes and subsidiary guarantees will be our and our subsidiary guarantors' respective senior unsecured obligations and they will rank:

- equally with all of our and the subsidiary guarantors' respective existing and future senior unsecured indebtedness (subject to certain obligations that are preferred by statute, such as tax and labor obligations); and
- senior to all of our and our subsidiary guarantors' respective existing and future subordinated indebtedness.

The Notes and the subsidiary guarantees will effectively rank junior to all of our and the subsidiary guarantors' respective existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. The Notes and the subsidiary guarantees will be structurally subordinated to all indebtedness, and trade payables, of our non-guarantor subsidiaries.

As of March 31, 2021, after giving pro forma effect to the issuance and sale of the Notes and the application of the net proceeds from this offering as described under "Use of Proceeds," we and our subsidiaries would have had consolidated total indebtedness of US\$3,776 million. Of this amount, no amount would have been secured by collateral.

Optional Redemption

Prior to April 11, 2026 (the "2026 Notes Par Call Date"), we may redeem the 2026 Notes, in whole or in part, at the greater of 100% of their principal amount outstanding and a make-whole amount described in this offering memorandum, in each case, plus Additional Interests, if any, and any accrued and unpaid interest up to the date of redemption.

At any time on or after the 2026 Notes Par Call Date, we may redeem the 2026 Notes, in whole or in part, at any time and from time to time, at our option at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest on the principal amount of the 2026 Notes being redeemed to the date of redemption.

Prior to February 11, 2031 (the "2031 Notes Par Call Date"), we may redeem the 2031 Notes, in whole or in part, at the greater of 100% of their principal amount outstanding and a make-whole amount described in this offering memorandum, in each case, plus Additional Interests, if any, and any accrued and unpaid interest up to the date of redemption.

At any time on or after the 2031 Notes Par Call Date, we may redeem the 2031 Notes, in whole or in part, at any time and from time to time, at our option at a redemption price equal to 100% of the principal amount of the 2031 Notes to be redeemed, plus accrued and unpaid interest on the principal amount of the 2031 Notes being redeemed to the date of redemption.

For purposes of optional redemption, interest of the 2026 Notes will be calculated after the 2026 Notes Interest Rate Step Up Date at the 2026 Notes Subsequent Rate of Interest, unless the 2026 Notes

	Sustainability Performance Target has been satisfied and we have provided the notice described in “Description of Notes—Principal and Interest.” For purposes of optional redemption, interest of the 2031 Notes will be calculated after the 2031 Notes Interest Rate Step Up Date at the 2031 Notes Subsequent Rate of Interest, unless the 2031 Notes Sustainability Performance Target has been satisfied and we have provided the notice described in “Description of Notes—Principal and Interest.” See “Description of Notes—Redemption—Optional Redemption.”
Tax Redemption	We may redeem either series of the Notes, in whole but not in part, upon the giving of a notice of redemption to the holders, at 100% of their principal amount plus accrued interest and Additional Interests, if any, upon the occurrence of specified events relating to Mexican tax law that result in higher withholding taxes that affect payment of interest and amounts deemed to be interest under such Notes. See “Description of Notes—Redemption—Tax redemption.”
Change of Control	Upon the occurrence of a Change of Control Triggering Event (as defined in “Description of Notes”), we will be required to make an offer to purchase the Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest and Additional Interests through the purchase date. See “Description of Notes—Repurchase Upon Change of Control.”
Additional Interests	Payments of interest on the Notes to investors that are non-residents of Mexico for tax purposes will generally be subject to Mexican withholding taxes at a current rate of 4.9%. Subject to certain specified exceptions, we and the subsidiary guarantors will, jointly and severally, pay such additional interests as may be required so that the net amount received by the holders of the Notes in respect of principal, interest or other payments on the Notes, after any such withholding or deduction, will not be less than the amount each holder of Notes would have received if such withholding or deduction had not applied. See “Description of Notes—Additional Interest.”
Certain Covenants	The indenture governing the Notes contains covenants that will, among others, limit the creation of liens by us and our subsidiaries, and will permit us and our subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets to, another person only if any such transaction complies with certain requirements. However, these covenants are subject to a number of important exceptions and qualifications. See “Description of Notes—Covenants.”
Events of Default	The indenture sets forth the events of default applicable to the Notes.
Further Issuances	We may from time to time without notice to or consent of the holders of the Notes create and issue an unlimited principal amount

	of additional Notes of the same series as the Notes initially issued in this offering.
Use of Proceeds	We will use the net proceeds of the offering (after paying underwriting fees and commissions and expenses related to the offering) to retire certain outstanding indebtedness, pursuant to the redemption of part or all of our Peso 2022 notes, and our USD 2022 notes, and for general corporate purposes including the refinancing or repayment of our indebtedness. See “Use of Proceeds.”
Taxation	For a summary of certain Mexican federal income tax consequences and U.S. federal income tax consequences of an investment in the Notes, see “Taxation.”
Book Entry; Form and Denominations	Each series of Notes will be issued in the form of global notes in fully registered form without interest coupons. The global Notes will be exchangeable or transferable, as the case may be, for definitive certificated Notes in fully registered form without interest coupons only in limited circumstances. Each series of Notes will be issued in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. See “Description of Notes—Form, denomination and title.”
Settlement	Each series of Notes has been delivered in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear and Clearstream Luxembourg.
Transfer Restrictions	We have not registered the Notes under the Securities Act or the securities laws of any other jurisdiction. Each series of Notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See “Transfer restrictions.” As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the Notes outside of Mexico. The Notes have not and will not be registered with the Mexican National Registry of Securities (<i>Registro Nacional de Valores</i>) and may not be offered or sold publicly or otherwise be subject to brokerage activities in Mexico, except to Mexican institutional and accredited investors pursuant to private placement exemption set forth in Article 8 of the Mexican Securities Market Law.
Listing of the Notes	We will apply to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market. We cannot assure that this application will be accepted.
Governing Law	The indenture, the Notes and the subsidiary guarantees will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee, Registrar, Transfer Agent and Paying Agent	Deutsche Bank Trust Company Americas
Luxembourg Transfer Agent and Listing Agent	Deutsche Bank Luxembourg S.A.

Securities Codes

The 2026 Notes will be assigned the following securities codes:

Rule 144A:

CUSIP: 68560EAA6
ISIN: US68560EAA64
Common Code: 234361228

Regulation S:

CUSIP: P7S81YAB1
ISIN: USP7S81YAB11
Common Code: 234361520

The 2031 Notes will be assigned the following securities codes:

Rule 144A:

CUSIP: 68560EAB4
ISIN: US68560EAB48
Common Code: 234361937

Regulation S:

CUSIP: P7S81YAC9
ISIN: USP7S81YAC93
Common Code: 234362216

Risk Factors

An investment in the Notes involves risks. See “Risk Factors” beginning on page 26 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

Additional Information

Our executive offices are located at Paseo de la Reforma Número 483, Piso 47, Colonia Cuauhtémoc, 06500, Ciudad de México, México. Our telephone number at that address is 52 (55) 5366 4000.

SUMMARY CONSOLIDATED FINANCIAL DATA AND OTHER INFORMATION

The following table presents our summary consolidated financial data in U.S. dollars.

The summary consolidated financial data as of and for the years ended December 31, 2020, 2019 and 2018 is derived from our audited consolidated financial statements and the accompanying notes appearing elsewhere in this offering memorandum. Our consolidated financial statements have been prepared in accordance with IFRS.

	Year ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Statement of Comprehensive Income Data			
Net sales.....	6,419,770	6,987,182	7,198,136
Cost of sales.....	4,573,608	5,028,919	5,199,495
Gross profit.....	1,846,162	1,958,263	1,998,641
Selling and development expenses.....	584,916	624,701	588,151
Administrative expenses.....	507,860	467,834	449,113
Other (income) expenses.....	32,916	42,707	26,563
Exchange gain	(101,623)	(49,384)	(84,052)
Exchange loss	104,001	67,781	131,592
Interest expense	238,681	272,073	250,674
Interest income	(10,119)	(14,195)	(19,847)
Change in fair value of redeemable non-controlling interests....	9,713	18,488	18,593
Monetary position loss	1,436	(151)	(12,671)
Equity in income of associated entity	(867)	(4,142)	(4,272)
Profit before income taxes	479,248	532,551	654,797
Income tax expense	150,811	205,542	194,680
Profit from continuing operations	328,437	327,009	460,117
Discontinued operations	(9,657)	(107)	22,829
Consolidated profit for the year	318,780	326,902	482,946
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses (gains) recognized during the year	(37,393)	(19,971)	(12,886)
Income taxes	9,488	6,700	3,866
	(27,905)	(13,271)	(9,020)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations.....	4,876	(41,685)	(126,881)
Valuation of financial instruments	(22,653)	34,956	37,007
Income taxes	6,790	(10,694)	(11,102)
	(10,987)	(17,423)	(100,976)
Other comprehensive income for the year.....	(38,892)	(30,694)	(109,996)
Total consolidated comprehensive profit (loss) for the year	279,888	296,208	372,950
Consolidated profit for the year:			
Owners of the company	194,702	206,731	354,888
Non-controlling interests	124,078	120,171	128,058
	318,780	326,902	482,946
Total comprehensive income attributable to:			
Owners of the company	159,343	187,084	252,428
Non-controlling interests	120,545	109,124	120,522
	279,888	296,208	372,950
Earnings (loss) per share attributable to owners of the company:			
From continuing operations	0.09	0.10	0.16
From discontinued operations	0.00	0.00	0.01
Basic earnings per share	0.09	0.10	0.17

	As of December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Statement of Financial Position Data			
Assets:			
Current assets:			
Cash and cash equivalents.....	875,185	586,409	699,878
Accounts receivable, net	1,324,738	1,352,028	1,317,549
Due from related parties.....	5,445	4,757	5,371
Inventories	861,122	834,438	865,799
Prepaid expenses	60,423	65,280	78,299
Derivative financial instruments	19,589	107	
Assets classified as held for sale	9,650	9,096	10,277
Total current assets.....	3,156,152	2,852,115	2,977,173
Non-current assets			
Property, plant and equipment	3,186,497	3,348,821	3,507,386
Right-of-use assets	323,355	336,890	-
Investment in shares of associated entity	38,585	33,843	35,533
Other assets.....	69,246	88,760	100,893
Deferred income taxes	199,701	125,649	95,879
Employee benefits assets.....	12,649	13,781	13,856
Intangible assets	1,733,531	1,765,538	1,851,547
Goodwill	1,491,395	1,491,684	1,492,691
Total non-current assets.....	7,054,959	7,204,966	7,097,785
Total assets	10,211,111	10,057,081	10,074,958
Liabilities:			
Current liabilities:			
Bank loans and current portion of long-term debt.....	495,306	322,346	395,928
Suppliers	787,734	679,080	794,306
Credit letters	538,372	584,522	619,363
Due to related parties	671	100,533	116,555
Other accounts payable and accrued liabilities.....	467,261	478,448	461,814
Dividends payable	3,120	134,482	155,619
Provisions	33,148	52,391	22,003
Employee benefits	159,615	128,451	102,081
Finance lease	82,426	78,149	17,666
Derivative financial instruments	13,762	12,716	15,629
Liabilities directly associated with assets held for sale	6,221	6,243	7,023
Total current liabilities	2,587,636	2,577,361	2,707,987
Non-current liabilities			
Bank loans and long-term debt.....	3,130,706	3,128,620	3,175,497
Employee benefits	273,951	229,253	213,961
Provisions	20,674	22,813	17,896
Long-term other liabilities	31,207	36,110	25,929
Redeemable non-controlling interests.....	274,000	264,287	245,799
Derivative financial instruments	94,573	66,781	112,658
Deferred income taxes	313,778	335,490	348,680
Finance lease.....	262,539	267,380	15,384
Income tax	42,475	34,575	41,327
Total non-current liabilities	4,443,903	4,385,309	4,197,131
Total liabilities.....	7,031,539	6,962,670	6,905,118
Stockholders' equity:			
Paid-in capital			
Nominal	256,482	256,482	256,482
Additional paid-in capital.....	1,474,827	1,474,827	1,474,827
Cumulative effect of restatement	23,948	23,948	23,948
Earned capital			
Retained earnings	1,107,754	1,058,949	1,052,546
Redeemable non-controlling interests	(227,205)	(227,205)	(227,205)
Shares repurchase reserve	400,000	295,530	328,920
Other comprehensive income.....	(542,896)	(507,537)	(501,162)

	As of December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Controlling interest.....	2,492,910	2,374,994	2,408,356
Non-controlling interest	686,662	719,417	761,484
Total stockholders' equity.....	3,179,572	3,094,411	3,169,840
Total liabilities and stockholders' equity	10,211,111	10,057,081	10,074,958

Other Financial Data

Results by business group

The following table contains a breakdown of our consolidated results of operations by business group and others based upon the financial information reported by each division. All amounts below and elsewhere in this offering memorandum reflect our current business group structure.

	Three months ended March 31,	
	2021	2020
	(in thousands of U.S. dollars)	
Polymer Solution ⁽¹⁾		
Net sales	707,716	583,203
EBITDA ⁽²⁾	223,548	121,431
Koura ⁽¹⁾		
Net sales	171,833	181,802
EBITDA ⁽²⁾	55,734	67,619
Wavin ⁽¹⁾		
Net sales	679,094	512,385
EBITDA ⁽²⁾	95,384	50,549
Dura-Line ⁽¹⁾		
Net sales	184,029	170,032
EBITDA ⁽²⁾	28,984	28,920
Netafim ⁽¹⁾		
Net sales	274,758	231,885
EBITDA ⁽²⁾	52,386	36,843
Holding Company		
Net sales	72,993	16,786
EBITDA ⁽²⁾	(4,805)	4,129
Eliminations		
Net sales	(176,406)	(69,726)
EBITDA ⁽²⁾	-	-

(1) Amounts set forth have only been adjusted to eliminate intra-business group (but not inter-business group) transactions.

(2) EBITDA is a measure we use to monitor our consolidated operating performance and consists of gross profit, less operating expenses (selling and development expenses, administrative expenses, depreciation and amortization (not included in cost of sales) and other income and expenses) plus depreciation and amortization charged to cost of sales and operating expenses. EBITDA is not a measure recognized under IFRS, does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies either in

Mexico or in other jurisdictions. In addition, we have not calculated EBITDA in accordance with the guidelines adopted by the SEC on presentation of non-GAAP financial measures.

The following tables set forth, for the periods indicated, a reconciliation of gross profit to EBITDA for our consolidated operations and for our five business groups.

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>(in thousands of U.S. dollars)</u>	
Consolidated Operations		
Gross profit	582,277	427,623
Less: Operating expenses ⁽¹⁾	277,080	255,752
Plus: Depreciation and amortization ⁽²⁾	146,034	137,622
EBITDA	451,231	309,493

- (1) Operating expenses includes selling and development expenses, administrative expenses, depreciation, and amortization (not included in cost of sales) and other expenses (income).
(2) Includes depreciation and amortization in operating expenses and cost of sales.

	Three months ended March 31,	
	2021	2020
	(in thousands of U.S. dollars)	
Polymer Solution ⁽¹⁾		
Gross profit	209,010	108,540
Less: Operating expenses ⁽²⁾	48,210	46,577
Plus: Depreciation and amortization ⁽³⁾	62,748	59,468
EBITDA	223,548	121,431
Koura ⁽¹⁾		
Gross profit	62,071	76,823
Less: Operating expenses ⁽²⁾	23,866	25,089
Plus: Depreciation and amortization ⁽³⁾	17,529	15,885
EBITDA	55,734	67,619
Wavin ⁽¹⁾		
Gross profit	174,224	117,775
Less: Operating expenses ⁽²⁾	111,838	97,844
Plus: Depreciation and amortization ⁽³⁾	32,998	30,618
EBITDA	95,384	50,549
Dura-Line ⁽¹⁾		
Gross profit	47,674	46,641
Less: Operating expenses ⁽²⁾	26,787	25,875
Plus: Depreciation and amortization ⁽³⁾	8,097	8,154
EBITDA	28,984	28,920
Netafim ⁽¹⁾		
Gross profit	90,800	77,594
Less: Operating expenses ⁽²⁾	61,599	63,072
Plus: Depreciation and amortization ⁽³⁾	23,185	22,321
EBITDA	52,386	36,843
Holding Company		
Gross profit	21,750	17,254
Less: Operating expenses ⁽²⁾	28,032	14,299
Plus: Depreciation and amortization ⁽³⁾	1,477	1,176
EBITDA	(4,805)	4,131
Eliminations		
Gross profit	(23,252)	(17,004)
Less: Operating expenses ⁽²⁾	(23,252)	(17,004)
Plus: Depreciation and amortization ⁽³⁾	-	-
EBITDA	-	-

- (1) Amounts have only been adjusted to eliminate intra-business group (but not inter-business group) transactions.
(2) Operating expenses includes selling and development expenses, administrative expenses, depreciation and amortization (not included in cost of sales) and other expenses (income).
(3) Includes depreciation and amortization in operating expenses and cost of sales.

The following tables set forth, for the periods indicated, a reconciliation of gross profit to EBITDA for our consolidated operations and for our five business groups.

	Year ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Consolidated Operations			
Gross profit.....	1,846,162	1,958,263	1,998,641
Less: Operating expenses ⁽¹⁾	1,125,692	1,135,242	1,063,827
Plus: Depreciation and amortization ⁽²⁾	597,787	542,183	461,732
EBITDA	1,318,257	1,365,204	1,396,546

- (1) Operating expenses includes selling and development expenses, administrative expenses, depreciation, and amortization (not included in cost of sales) and other expenses (income).
(2) Includes depreciation and amortization in operating expenses and cost of sales.

	Year ended December 31,	
	2020	2019
	(in thousands of U.S. dollars)	
Polymer Solution ⁽¹⁾		
Gross profit	406,275	433,630
Less: Operating expenses ⁽²⁾	182,435	223,778
Plus: Depreciation and amortization ⁽³⁾	238,124	233,313
EBITDA	461,964	443,165
Koura ⁽¹⁾		
Gross profit	291,207	370,943
Less: Operating expenses ⁽²⁾	97,739	104,043
Plus: Depreciation and amortization ⁽³⁾	60,859	57,840
EBITDA	254,327	324,740
Wavin ⁽¹⁾		
Gross profit	583,885	605,702
Less: Operating expenses ⁽²⁾	457,070	463,833
Plus: Depreciation and amortization ⁽³⁾	134,257	127,336
EBITDA	261,072	269,205
Dura-Line ⁽¹⁾		
Gross profit	234,624	204,997
Less: Operating expenses ⁽²⁾	94,189	88,693
Plus: Depreciation and amortization ⁽³⁾	32,901	35,509
EBITDA	173,336	148,813
Netafim ⁽¹⁾		
Gross profit	329,435	346,963
Less: Operating expenses ⁽²⁾	240,192	255,427
Plus: Depreciation and amortization ⁽³⁾	91,925	87,700
EBITDA	181,168	179,236
Holding Company		
Gross profit	74,827	98,190
Less: Operating expenses ⁽²⁾	128,158	101,631
Plus: Depreciation and amortization ⁽³⁾	39,721	3,486
EBITDA	(13,610)	45
Eliminations		
Gross profit	(74,091)	(102,162)
Less: Operating expenses ⁽²⁾	(74,091)	(102,162)
Plus: Depreciation and amortization ⁽³⁾	-	-
EBITDA	-	-

- (1) Amounts have only been adjusted to eliminate intra-business group (but not inter-business group) transactions.
(2) Operating expenses includes selling and development expenses, administrative expenses, depreciation and amortization (not included in cost of sales) and other expenses (income).
(3) Includes depreciation and amortization in operating expenses and cost of sales.

Other Financial Data

Free Cash Flows

	As of December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
EBITDA	1,318	1,365	1,397
Taxes paid, net	(264)	(233)	(242)
Net interest / Bank commissions	(196)	(261)	(237)
Change in trade working capital	32	(112)	(92)
Others (Other assets – provisions, Net)	4	36	2
CTA and FX	(24)	(29)	(94)
Cash generation	871	766	734
CapEX	(228)	(261)	(283)
Leasing payments	(90)	(92)	(45)
Free cash flow	552	413	406
<i>FCF conversion (%)</i>	41.9%	30.3%	29.1%

Net Debt to EBITDA Ratio

	As of December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Interest-bearing liabilities ⁽¹⁾	3,626,012	3,451,016	3,571,790
Current portion of long-term debt	495,306	322,346	395,928
Letters of credit > 180 days	-	50	365
Long-term debt	3,130,706	3,128,620	3,175,497
Cash and cash equivalents	875,185	586,409	699,878
Net debt	2,750,827	2,864,607	2,871,912
EBITDA ⁽²⁾	1,318,257	1,365,204	1,396,546
Net debt to EBITDA ratio:	2.09x	2.10x	2.06x

- (1) The interest-bearing net debt as of December 31, 2020, the current portion does not include credits exceeding 180 days, December 31, 2019 and December 31, 2018 includes, US\$0.1million and US\$0.4 million, respectively, corresponding to letters of credit and suppliers' credits exceeding 180 days, which, only for the purposes of the covenants of the cebores and our revolving credit facility, are considered financial debt, although they are not recorded as debt in our balance sheet.
- (2) For purposes of calculation, the amount used is the actual EBITDA, which only includes the EBITDA of newly acquired businesses from the dates they were acquired. EBITDA is a measure we use to monitor our consolidated operating performance and consists of gross profit, less operating expenses (selling and development expenses, administrative expenses, depreciation and amortization (not included in cost of sales) and other income and expenses) plus depreciation and amortization charged to cost of sales and operating expenses. EBITDA is not a measure recognized under IFRS, does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies either in Mexico or in other jurisdictions. In addition, we have not calculated EBITDA in accordance with the guidelines adopted by the SEC on presentation of non-GAAP financial measures.

RISK FACTORS

You should review and consider carefully the following risk factors, as well as all the other information presented in this offering memorandum, before purchasing our Notes. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently think are immaterial may also impair our business operations. Any of the following risks, if they were to occur, could materially and adversely affect our business, results of operations, prospects and financial condition. In that event, the market price of our Notes could decline and you could lose all or part of your investment.

Risk Factors Summary

The following summarizes certain material risk factors that may make an investment in our Company speculative or risky. You should carefully consider the full risk factor disclosure outlined in this offering memorandum, in addition to the other information herein, including the section titled “Management’s discussion and analysis of financial condition and results of operations” of this offering memorandum, as part of your evaluation of an investment in our securities.

Risk Factors Related to Our Business and Industry

- The cyclical nature of the chemicals industry increases the volatility of our business and may reduce our net sales and gross margins.
- Our net sales and earnings could be adversely affected by economic conditions and outlook in countries in which we operate.
- The outbreak of COVID-19 has had and may continue to have an adverse effect on our business, results of operations and financial condition.
- Fluctuation in the price of our key raw materials, natural gas, plastic resins, ethane and ethylene, among others, may adversely affect our business and operating results.
- Any interruption in the supply of raw materials could disrupt our manufacturing operations.
- Maintenance of, increases in, and improvements related to our production capacity generally require significant investments, but there can be no assurance that we will be able to realize the expected return on these investments.
- Our relationship with OxyChem, our partner in the ethylene production facility in Ingleside, Texas, or the decision-making process of Kibbutz Hatzerim regarding its investment in 20% of Netafim's capital stock, could have a material adverse effect on our financial and business situation.
- Our contracts executed with OxyChem and with ethane, ethylene and VCM suppliers may be insufficient to meet all of our operational and commercial needs, which may affect our production costs due to increases in the price of our raw materials or lack of production capacity.
- Failure to develop new products and production technologies, to respond to changes in customer demand, regulatory requirements and technological developments or to implement productivity and cost-reduction initiatives successfully, may adversely affect our competitive position.
- We are a holding company and have no significant assets other than shares of our subsidiaries; as a result, we may not be able to comply with our obligations.
- We are subject to certain restrictive performance and non-performance obligations by virtue of the execution of our credit agreements, which could limit our future commercial activities.
- We may become obligated to offer additional compensation to employees for inventions and innovations.
- We are subject to legal and administrative proceedings in certain countries in which we operate, the results of which could adversely affect our business.
- Our contract model for HDPE products implies certain risks related to customer retention, and any failure to retain our customers or maintain sales volume could have a material adverse effect on our business and financial condition.
- The operations of our Dura-Line, Netafim and Wavin Business Groups largely depend on the telecommunications, agriculture and construction industries, respectively.
- Changes in investment levels in the data and voice telecommunications industry could affect the production and sales of our Dura-Line Business Unit.
- Netafim sales are highly dependent on the dynamism of the agricultural industry, including government support to this sector.

Risk Factors Related to Mexico and the Principal Countries Where we Operate

- The recently approved labor reform may affect our operations in Mexico.
- Conditions in Israel could affect the business' operations.
- Political, geopolitical, and economic events around the world, especially in the countries where we operate, or to which we export our products and services, could adversely affect our business plans, financial position, and operating results.
- We may feel an impact from the new U.S. presidential administration.
- Events in other countries could adversely affect the Mexican and other Latin American economies, the market value of our Notes and our financial condition and results of operations.
- The Mexican Congress and the authorities of the countries where we are present could pass legislation resulting in increased tax obligations.

Risk Factors Related to our Notes and this Offering

- The Notes are not “green bonds” and may not satisfy an investor's requirements or future standards for assets with sustainability characteristics.
- We have a significant amount of indebtedness and we may be able to incur more debt which could further exacerbate the risks associated with our indebtedness.
- The debt agreements and securities, including the Notes, contain cross-default clauses that may cause all debt issued under such agreements and securities to become due in advance and immediately payable as a result of a noncompliance event resulting under another unrelated debt instrument.
- The subsidiary guarantees may not be enforceable.
- Payments on the Notes and the subsidiary guarantees will be junior to our secured debt obligations and effectively junior to debt obligations of our non-guarantor subsidiaries.
- We cannot assure investors that an active trading market for the Notes will develop.
- No assurance or representation is given by us, the initial purchasers, the Sustainability-Linked Bond Structuring Agent to the Issuer, the second party opinion providers or the External Verifier as to the suitability or reliability for any purpose whatsoever of any opinion, report, certification or validation of any third party in connection with the offering of the notes or the Sustainability Performance Targets to fulfil any green, social, sustainability, sustainability-linked and/or other criteria.

Risk Factors Related to Our Business and Industry

The cyclical nature of the chemicals industry increases the volatility of our business and may reduce our net sales and gross margins.

Due to cyclicity in the global chemical industry, historically, the international chemicals market has experienced alternating periods of limited supply and oversupply. In the periods of limited supply, prices and profit margins increase, followed by an expansion of production capacity. The expansion in production capacity then results in oversupply and reduced prices and profit margins. The timing of these cycles is unpredictable, and we may not be able to manage their effects. Our decisions to, for example, expand the production capacity of our existing plants or construct new plant may be based on estimates of future demand that may never materialize or may materialize at levels lower than we initially estimated.

We generally establish the prices for the products that we sell with reference to international market prices. The European and Latin American chemical industries have become increasingly integrated with the global chemical industry for a number of reasons, including increased demand for, and consumption of, chemical products in Europe and Latin America and the ongoing integration of regional and world markets for commodities. Our net sales and gross margins are increasingly linked to global industry conditions that we cannot control, which may lead to significant changes in our quarterly operating results or in our annual results and limit our ability to forecast our future long-term performance.

Our net sales and earnings could be adversely affected by economic conditions and outlook in countries in which we operate.

Adverse economic conditions and outlook in countries in which we conduct business can impact demand for our products and, ultimately, our net sales and earnings. These conditions include, but are not limited to, recessionary conditions; slow or negative economic growth rates; the impact of decisions made by the U.S. federal reserve with respect to interest rate increases in the regions in which we operate, austerity measures in countries in which we operate, such as, Israel, Brazil, Colombia, Mexico, Ecuador, India and China in which governmental subsidies are reduced as well as financial incentives to the agriculture industry may inhibit demand for our products and growth in the sector it serves. In the past, some of these factors have caused distributors, dealers, and end-user customers to reduce spending and delay or forego purchases of products, which could generate an adverse effect on our net sales and results.

This sensitivity may increase the volatility of our results and reduce our net sales and gross margins, in particular:

- downturns in general business and economic activity may cause demand for our products to decline, particularly in the residential, commercial, refrigeration, aluminum, or industrial construction industries, which are strongly tied to prevailing conditions of stability or instability;
- when demand falls, we may face competitive pressures to lower our prices; and
- low barriers to entry in certain markets may result in increased production capacity and supply in the relevant market, which is likely to affect the prices we charge.

We are particularly sensitive to economic cycles affecting the construction, infrastructure, agriculture and automotive industries.

Historically, demand for our products has been vulnerable in circumstances of economic uncertainty or downturn. This vulnerability may lead to significant changes in our quarterly operating results or in our annual results, thus limiting our ability to forecast our future long-term performance.

Our business is subject to the risks generally associated with international business operations spread across the globe.

We market our products in more than 100 countries. We participate in manufacturing and other commercial activities on six continents. Adverse economic conditions, conflicts, unrest and other unfavorable political, social and regulatory conditions in the countries where we conduct business may impact the demand for our products and services, our ability to successfully conduct business and ultimately, our sales and earnings in these countries. The global nature of our various businesses exposes us to risks related to the following, among other factors:

- governmental regulations applicable to manufacturing and foreign investment activities in each jurisdiction in which we operate;
- unpredictable changes to commercial or customs and tariff policies that impact our ability to efficiently and reliably import and export products and raw materials;
- vulnerabilities to disruptions and delays in the complex global supply and distribution chains;
- international conflicts and disputes;
- restrictions on currency conversion and volatility in the currency exchange markets;
- restrictions related to the international sale of products, including trademarks, in relation with ownership rights of intellectual property of third parties;
- the complexities of complying with multiple legal systems and bodies of national and international law and regulations;
- complex international environmental regulations;

- force majeure events;
- disruptions in local infrastructure, energy supplies and other public services;
- limitations on the supply of qualified workforce and changes in local labor conditions;
- the difficulties of being subject to multiple complex and evolving tax laws and regulations;
- global and national recessionary conditions or negative or slow economic growth rates;
- changes in local or international interest rates; and
- austerity measures and reduction or loss of subsidies and incentives in the industries in which we operate.

Certain of our facilities and operations are located in countries experiencing varying degrees of social and political instability, which could interfere with our ability to operate or result in damages to our properties and assets. Sales of our products could be adversely affected by such instability and the factors listed above.

The outbreak of COVID-19 has had and may continue to have an adverse effect on our business, results of operations and financial condition.

Since December 2019, a novel strain of coronavirus (referred to as COVID-19) has spread throughout the world. On March 11, 2020, COVID-19 was categorized as a pandemic by the World Health Organization. The COVID-19 pandemic has resulted in numerous deaths and the imposition of local, municipal and national governmental “shelter-in-place” and other quarantine measures, border closures and other travel restrictions, causing unprecedented commercial disruption in a number of jurisdictions, including Mexico. Many countries around the world, including Mexico, are suffering significant economic and social crises as a result of the ongoing COVID-19 pandemic and measures taken to contain or mitigate it, which have had dramatic adverse consequences on demand, operations, supply chains and financial markets, as well as contributed to significant oil price volatility. While the nature and scope of the consequences to date are difficult to evaluate precisely, and their future course is impossible to predict with confidence, these events may continue for a sustained period of time.

The jurisdictions in which we operate have adopted certain measures intended to help mitigate the spread of COVID-19. For example, the Mexican Government introduced a color-coded system that ranges from red to green and clarifies what level of activities are permitted depending on the percentage of local hospitalizations and the trend in positive COVID-19 cases. In the case of a red color, only essential activities are permitted. We cannot predict the range of future policies that may be enacted by the governments in the jurisdictions in which we operate, including the Mexican Government, or the impact these policies will have on our business and operations. Certain of our operations have remained active during the pandemic – however, in accordance with our business continuity plan, we have limited our workforce’s access to our facilities, implemented alternating shifts and allowed a portion of our workforce to work remotely. Despite these precautions, a significant portion of our workforce has contracted COVID-19 and regrettably, some of our employees have died. The COVID-19 pandemic, or any future pandemic or epidemic, has and may further impact the places where we operate or our workforce. In turn, this could significantly disrupt our operations and lead us to implement health restrictions in respect of our workforce and, therefore, impact the operation of our facilities. These conditions may adversely affect our business, results of operations and financial condition.

In addition to the operational impacts of the COVID-19 pandemic, international prices for oil, oil products and natural gas are volatile and strongly influenced by conditions and expectations of world supply and demand. The COVID-19 pandemic has and will likely continue to cause a significant decrease in worldwide oil demand in 2020 and 2021. The decrease in oil demand has led to significantly lower oil prices and, consequently, has significantly adversely affected our business, results of operations and financial condition.

Given that the impact of the COVID-19 pandemic will likely continue for an extended period of time, it could adversely affect our ability to operate our business in the manner and on the timelines previously planned. Further, it could have accounting consequences, such as decreases in our revenues and the value of our inventories, foreign exchange losses, impairments of fixed assets, and affect our ability to operate effective internal control over financial reporting.

The extent to which COVID-19 or other health pandemics or epidemics may continue to impact Mexico, the Mexican economy and the global economy and, in turn, our business, results of operations and financial condition is highly uncertain and will depend on numerous evolving factors that we cannot predict, including, but not limited to:

- the duration, scope, and severity of the COVID-19 pandemic;
- ongoing reduced oil demand and oil price volatility;
- the impact of travel bans, work-from-home policies, or shelter-in-place orders;
- staffing shortages;
- interest rate and inflation rate volatility;
- general economic, financial, and industry conditions, particularly conditions relating to liquidity and financial performance, which may be amplified by the effects of COVID-19; and
- the long-term effects of COVID-19 on the national and global economy, including on consumer confidence and spending, financial markets and the availability of credit for us, our suppliers and our customers.

Fluctuation in the price of our key raw materials, natural gas, plastic resins, ethane and ethylene, among others, may adversely affect our business and operating results.

Prices for natural gas, plastic resins, ethane and ethylene that we use in our manufacturing processes for our products are strongly influenced by conditions and expectations of international supply and demand. These prices have historically experienced significant volatility in the regional and international markets, which have affected our production costs. In addition, variations in the prices of oil and its by-products affect the selling price of certain products made with plastic resins, such as PVC, polyethylene and polypropylene in some regions of the world.

Future fluctuations in the prices of such products could result in a cost increase in the inputs used in our operations, or in a reduction in sale prices, a situation that could have an adverse effect on our results of operations. Although we generally transfer any price increase in raw materials to our customers, we are not always able to do so. In such cases, increases in raw material prices may have an adverse negative effect on our results of operations.

Any interruption in the supply of raw materials could disrupt our manufacturing operations.

Our capability to achieve our strategic objectives continues to depend largely on a successful, timely, and profitable acquisition of electric power and raw materials such as natural gas, ethane, VCM, PVC, polyethylene and other raw materials. We currently depend on a limited number of suppliers for the production and delivery of such materials. We cannot ensure stability in gas supply, the availability of inputs at reasonable prices, or that suppliers will continue providing them. Therefore, any interruption, stoppage, or any other alteration in the supply of electric power and raw materials, or a substantial increase in their costs, could negatively affect our financial position and operating results. Likewise, a reduction in the supply of certain raw materials, or in the number of their suppliers, could lead to an increase in the prices paid for such raw materials, in which case our results of operations and financial condition could also be negatively affected.

Maintenance of, increases in, and improvements related to our production capacity generally require significant investments, but there can be no assurance that we will be able to realize the expected return on these investments.

We have recently made and plan to continue to make significant capital investments related to our production capacity, environmental security, efficiency and modernization. For example, in 2020, 2019 and 2018, we made capital investments of US\$204 million, US\$261 million and US\$283 million, respectively, for these purposes. We also have plans to expand and upgrade certain of our existing facilities.

We have acquired or formed, and plan to continue acquiring or forming, partnerships and joint ventures to increase our production capacity.

We may be unable to realize the expected return on our investments if adverse developments arise in the markets for our products, including if our decisions relating to the timing or the manner of such investments are based on projections regarding future market demands or other developments that prove to be inaccurate, or if we cannot secure sufficient resources to make any necessary capital expenditures. In addition, we may be unable to complete our current projects in a timely manner, or at all, due to factors such as our inability to obtain financing, regulatory changes, noncompliance, logistical problems or the unavailability of contractors and subcontractors. This could have a material adverse effect on our results of operations, including as a result of asset impairment charges.

Our mining concessions could be subject to nullification, cancellation, suspension or annulment according to applicable legal provisions, or we could not be able to renew our existing concessions, which could have a significant adverse effect on our operations and financial condition.

Our mining operations are located in Mexico and are governed by the regulations and under the supervision of the corresponding Mexican government agencies. Under the laws of Mexico, mineral resources belong to Mexico and government concessions are required to explore and exploit mineral potential. We hold the rights to several renewable mining concessions granted by the Mexican Ministry of Economy (*Secretaría de Economía*), pursuant to the Mexican Mining Law (*Ley Minera*) and regulations thereunder. Within our Koura Business Group, there are several mining concessions that will expire in 2029 and others that will expire in 2061, all of which are renewable in accordance with article 15 of Mexican Mining Law (*Ley Minera*). The Koura Business Group intends to undertake the necessary procedures, in accordance with the times established by the Mexican Mining Law (*Ley Minera*), to ensure the renewal of the concessions that will expire in the near future. However, we cannot assure that such renewals will be granted. Additionally, and in accordance with Mexican legislation, the Koura Business Group has the duty to evidence the exploration and exploitation investments within these concessions, which to this date have been undertaken in due time and form. In respect to PMV, it has a mining concession for the salt dome in Veracruz that expires in 2043.

Mexican law stipulates that the Federal Government has the right to declare the nullification, cancellation, suspension, or annulment of rights of the concessions granted. Likewise, concessions may be subject to cancellation and renewal denial for the reasons set forth in Article 42 of the Mexican Mining Law (*Ley Minera*), which include, among others, termination of the term of the concession, the concession holder desisting from it or judicial resolution. Accordingly, the concessions we hold in Mexico may be revoked without right to compensation in case we are unable to meet the applicable terms and conditions established for said concessions.

Additionally, mining concessions may be expropriated by the Mexican government for public policy reasons. In the event of such expropriation, the government is required to make an indemnification payment to the former concession holder. In the event our mining concessions are expropriated, we cannot assure you that the indemnification payment will be made in a timely manner or that the amount of the payment would be sufficient to compensate us for our costs or our losses, including losses resulting from future expected revenues.

The lands covered by the mining concessions could be expropriated for reasons of public interest, with right to compensation. Such compensation could be limited to less than the market value of the assets. In case of dispute over the compensation amount, we may ask a competent court to determine such amount. The compensation amount will be paid in Mexican pesos, notwithstanding an agreement for payment in kind. However, the Mexican Mining Law (*Ley Minera*) and its regulations do not stipulate, as opposed in the case of a taking or expropriation, that, if a concession is cancelled in virtue of a decision of a competent court, the Mexican government has to pay any compensation to the holder of the concession.

Likewise, Mexican legislation provides that the mining concessions will have a duration of fifty years, counted from the date of registration in the Public Registry of Mining and can be renewed for a term equal to that of the original concession, if the renewal is requested within five years prior to the expiration date of the original concession and all the requirements set forth in the concession agreement and in the governing laws are met. Although we plan to request such renewals and will meet all necessary conditions to obtain the concession renewals, we cannot ensure that the concessions will be renewed since the government has discretionary powers regarding the renewal of concessions. Our inability to renew any of our concessions could have a significant adverse impact on our operations, results of operations and financial condition.

According to the terms and conditions of the concessions, we are bound to meet certain obligations set forth in the Mexican Mining Law (*Ley Minera*). We are also obligated, among other things, to explore or exploit the relevant concessions, to pay any relevant fees, to comply with all environmental and safety standards and to provide

information to, and allow inspections by, among others, the Mexican Ministry of Economy (*Secretaría de Economía*), Mexican Environmental Protection Ministry (*Procuraduría Federal de Protección al Medio Ambiente*), the Mexican Secretary of Labor and Social Protection (*Secretaría del Trabajo y Previsión Social*), and the Mexican National Water Commission (*Comisión Nacional del Agua*). Failure to comply would result, among others, in administrative sanctions imposed by the Mexican Ministry of Economy (*Secretaría de Economía*) or, if applicable, the cancellation of the concessions. This could result in an important adverse effect on our results of operations and financial condition and would hinder our capability to conduct our business as we do as of this date of this offering memorandum.

Additionally, in certain situations, the consent of indigenous communities should be obtained in the event a concession request could cause significant impacts to their rights or territories, and failure to obtain such consent may affect our existing concessions and/or the granting of new concessions in Mexico. Furthermore, to exploit many of our concessions, we require easements, temporary occupations, expropriation or purchase of real properties. The failure to possess or occupy such necessary real properties where our mining concessions are located, or our inability to perform our obligations under any of our concessions, may result in the termination or cancellation of the relevant concessions, without any compensation.

Thus, termination by the Mexican government of any one or more of our mining concessions (either by nullification, cancellation, suspension or annulment of rights), or in the case of an expropriation of the assets used to exploit the mining concessions, or our impossibility to renew our existing concessions, in which case a timely or adequate compensation may not be received, our results of operations and financial condition may be adversely affected.

Furthermore, for the implementation and development of new projects, we may require new mining concessions or the renewal of existing concessions. The Mexican government grants or renews mining concessions in a discretionary manner, and as of the date of this offering memorandum, the current Mexican government has not granted any new mining concessions and has announced its intent to limit and not grant additional concessions. The inability to renew or obtain new mining concessions, or other concessions, from the Mexican government may affect the implementation of our expansion and development projects, which may have a material adverse effect on our business, results of operations and financial condition.

We are exposed to the risk of potential expropriation, nationalization of our assets in some of the countries where we operate.

We are exposed to the risk of potential expropriation or nationalization of our assets that are located in the various countries in which we operate. We are also exposed to the risk of domain extinction (*extinción de dominio*), which is a remedy available to the Mexican government pursuant to which the government can take on and/or extinguish property or assets derived from, a product of or, directly or indirectly, related to the commission of crimes, without payment or consideration. Certain of the countries in which we operate have been subject to volatile political conditions in the recent past, and there can be no assurance that local governments will not impose changes retroactively that could affect our business, or that would force us to renegotiate our current agreements on unfavorable terms with such governments. The occurrence of such events could materially affect our financial condition and results of operations.

Our relationship with OxyChem, our partner in the ethylene production facility in Ingleside, Texas, or the decision-making process of Kibbutz Hatzerim regarding its investment in 20% of Netafim's capital stock, could have a material adverse effect on our financial and business situation.

We have a strategic alliance with OxyChem for the construction, operation and production of ethylene in Ingleside, Texas in a 50:50 joint venture called Ingleside Ethylene, LLC, which was formed in October 2013. In February 2017, Ingleside Ethylene, LLC began operations, on time and within budget, of the ethylene cracker at the OxyChem complex located in Ingleside. In the second quarter of 2017, the cracker began commercial operations.

On August 8, 2017, we announced that Mexichem Soluciones Integrales Holding, S.A. de C.V. (MSIH), one of our subsidiaries, had reached an agreement with Kibbutz Hatzerim for the acquisition of: (i) voting shares representing 80% of the subscribed and paid-in capital stock, (ii) all non-voting shares representing approximately 0.4% of the subscribed and paid-in capital of Netafim, and (iii) certain loans granted by some of the shareholders of Netafim, Bluedrip S.ar.l, and Netafim Hatzerim Holdings. Kibbutz Hatzerim will retain the remaining 20% of Netafim's capital stock.

We cannot anticipate the extent and consequences that OxChem's decisions may have, or the manner in which Kibbutz Hatzerim will exercise its minority rights contained in the shareholders' agreements, nor the effects this may have on the production and business relationships between the parties, including the Ingleside joint venture or the Netafim partnership.

As a result, Orbia cannot make any guarantees as to how OxChem, Kibbutz Hatzerim, or any other strategic partner, may act in the future, nor the response time of its decision-making process, nor how the new business conditions adopted by such business partners and their subsidiaries will affect us, which could result in a material adverse effect on our business and operating results.

Our contracts executed with OxChem and with ethane, ethylene and VCM suppliers may be insufficient to meet all of our operational and commercial needs, which may affect our production costs due to increases in the price of our raw materials or lack of production capacity.

The supply contracts we enter into with OxChem, ethane or ethylene suppliers or other VCM suppliers may not be sufficient to meet all of our operational and commercial needs, which could have an effect on our production costs due to an increase in the price of raw materials or the services we require, or due to a lack of production capacity at our plants that prevents us from absorbing costs efficiently, as well as the loss of opportunities to sell our products due to lack of access to the raw material used to manufacture them. Ethane is a raw material used to produce ethylene, which in turn is used in the production of VCM, the raw material necessary for the manufacture of PVC. Also, variations in PVC, caustic soda and/or ethane prices in the future could affect our operating results and hinder or delay the recovery of our investment in Ingleside.

The volume and quality of the fluorspar reserves amount that we recover and our rate of production may be different than anticipated.

Our fluorspar reserve amounts and quality are determined in accordance with established mining industry practices and standards, using geological and engineering data to measure the estimated quantities and qualities of the fluorspar deposits that can be recovered economically and processed through its extraction.

We have prepared reserve estimates by applying the usual methods of evaluation and the assumptions generally used throughout the mining industry. Although we believe that the results of such surveys are reasonable, they are subject to a number of uncertainties that are beyond our control and which could negatively affect our future fluorspar production levels. Fluorspar bodies may not conform to standard geological expectations, and estimates may change as new data becomes available. Because fluorspar bodies do not contain uniform grades and types of minerals, our metal recovery rates will vary from time to time.

We cannot assure you that the estimates of our fluorspar reserve amounts and qualities will not materially differ from the amounts that are ultimately recovered. In addition, fluctuations of market prices and of operating and capital costs may prevent some of our fluorspar reserves from being economically recoverable. If this were to occur, we may be unable to obtain sufficient raw materials to meet our production targets and other commitments, which would have a materially adverse impact on our business and results of operations.

Our customer base has some degree of concentration and the loss of all or part of our business with certain important customers may adversely affect our operating results.

In 2020, ten of our major customers together represented 11.3% of total net sales. Our largest individual customer represented 2.6% of our total net sales in the same year. Since our profitability depends on maintaining a high capacity utilization rate, the loss of all or a substantial part of the volume of sales to an important customer or end user, could have a negative effect on our sales or operating results. If any of our key customers faces financial difficulties, it could affect our operating results, by reducing our sales, or result in our inability to collect accounts receivable and recover the investment made in our production facilities. Additionally, a further consolidation of our customers could reduce our net sales and profitability, particularly if one of our most important customers was acquired by a company related to any of our competitors.

We face intense international competition in the markets in which we operate.

The global markets for the products and services we sell are highly competitive. We generally have no or limited control over the prevailing pricing on international markets of the products we sell. While the competitiveness of our

products and services is generally driven by their price, performance, quality and customer service, it is difficult to protect our market position for many of our products and services. This competitiveness may prevent us from being able to pass on cost increases for products and services to our customers.

Our ability to adjust our product mix based on market conditions is limited due to the limitations inherent in many of the production processes involved. Our competitors include larger companies that may be better established within the international markets we serve, or companies with more competitive advantages due to factors such as access to greater financial resources, benefits from integration and economies of scale, availability of raw materials at lower costs or diversification and risk management. Our main competitors have received considerable capital investments, which has allowed them to keep a significant market share in the markets where we compete. These factors, as well as any increase in competition, may have an adverse effect on our profitability.

We have done, and may make in the future, significant acquisitions which, if not successfully integrated with our company, could adversely affect our operating results.

In addition to building our businesses organically, we have historically driven significant growth through the acquisition of other businesses. However, the integration of new businesses and their operations is a complex and demanding process. Before each acquisition, the acquired businesses operated independently, with their own business plans, corporate cultures, locations, employees and systems. Any integration of other businesses to our business model could involve difficulties, costs and delays, including:

- distraction of management from daily operations;
- loss of the services of key executives;
- a potential incompatibility of corporate cultures;
- inability to achieve expected savings arising from synergies;
- inability of the acquired business to achieve expected results;
- costs and delays in the integration of operations, technologies, and control systems;
- possible inability to hire or retain key personnel of the acquired operations;
- possible inability to achieve the expected economies of scale;
- unforeseen liabilities; and
- unforeseen economic competition and regulatory considerations.

We may face difficulties in integrating the operations and accounting systems of some of the companies acquired. In case we are not able to integrate or manage successfully the operations acquired, we may not achieve the expected cost savings, income increase and levels of integration. This could result in reduced profitability or losses in the operations arising from asset impairment tests. Additionally, we expect to incur significant expenses associated with the integration of the accounts and systems of the companies acquired. Such costs and impacts may have a negative effect on our results of operations and financial condition.

Our inability to manage our growth effectively could adversely affect our business and operating results.

We believe that we will require additional growth to expand the scope of our operations and the size of our customer base in the future. Our success will depend partly on the ability of our key executives to manage this growth efficiently.

To manage our business and growth effectively, we have to continue improving our operational, financial and administrative processes, controls, systems and procedures, as well as our reporting systems and procedures. Additionally, the hiring of new personnel may increase costs. In the event that we are unable to manage our growth efficiently, our expenses will increase more than expected, our revenues may decrease or increase at a slower rate than

anticipated, and we may not be able to implement our business strategy, which could affect our operations, financial condition, and results.

Failure to develop new products and production technologies, to respond to changes in customer demand, regulatory requirements and technological developments or to implement productivity and cost-reduction initiatives successfully, may adversely affect our competitive position.

The markets for many of our products and technologies require innovation and continuous improvements in quality and performance. Our ability to adapt quickly and to develop new products and technologies at reasonable prices will determine our competitiveness within the markets in which we operate. However, our competitors may develop competing products or technologies that are superior to ours, discover more efficient or effective methods for providing related products and services, or adapt more quickly than we do to changing market conditions or customer demands. To continue to be competitive, we need to develop and distribute products that address the market's needs in a timely manner. Our business, financial position and operating results could be adversely and significantly affected if we are unable to quickly respond to changes in customer needs, develop and obtain access to new technologies, or efficiently use our research and development resources to develop a pipeline of profitable products for the highly competitive markets we serve.

Impacts related to climate change could result in disruptions to our operations and business activities, additional legal or regulatory requirements, increased costs and require significant investments to manage.

We operate a large number of manufacturing plants and other facilities throughout the world, many of which are located in countries experiencing impacts from climate change. The climate change effects identified within the different zones where we operate are desertification and drought, increase in the sea level, changes in the pluvial patterns, diminishment in water availability, deforestation and illnesses, which could affect our results of operations and financial condition, among other things, due to the need to undertake investments from the operation's adaptation, to the increase in price of the inputs and energetics, the closing of affected operations and relocation of suppliers, protection measures as a result of natural phenomena (for example, dike construction at maritime facilities, protection against flooding or fire), relocation of facilities to locations with more favorable conditions and greater environmental regulatory requirements.

At the 24th Conference of Parties to the United Nations Framework Convention on Climate Change in 2018, an international framework was finalized setting forth the rules for the implementation and monitoring of national emission reduction plans, and at a subsequent conference in 2019, the parties focused on implementing the Paris Agreement. This framework, which became effective in 2020, also includes: (i) the process for implementing new financial targets for developing countries to reduce their emissions by 2025; (ii) the manner in which the climate change plan will be evaluated in 2023; and (iii) the assessment of the development and transition to low carbon technology. The participating countries also agreed to update their carbon emission reduction targets for 2020.

In order to comply with these agreements, Mexican regulatory authorities will seek to ensure that companies in all sectors, including the energy sector, conduct their businesses in strict compliance with the Mexican General Law on Climate Change (*Ley General de Cambio Climático*), its regulations related to the National Emissions Registry, the Mexican National Strategy on Climate Change (*Estrategia Nacional de Cambio Climático*), and the Mexican National System on Climate Change (*Sistema Nacional de Cambio Climático*), and reduction results will be shown in biannual reports. Accordingly, we will be required to assume and take into increased consideration the climate-related challenges posed by our operations or facing our existing partners and customers, such as Pemex and CFE, which could force us to incur additional costs and could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

As part of such measures, SEMARNAT began the Emissions Trading System Test Program (*Programa de Prueba del Sistema de Comercio de Emisiones*). This program does not have economic effects for the participants during the trial phase, and began on January 1, 2020, and shall conclude on December 31, 2022, to be followed by a transition to the final system. The program has two phases: the pilot phase, which will conclude on December 31, 2021 and the transition phase, which will commence on January 1, 2022 and conclude on December 31, 2022. Such final system will apply emission caps, which will be determined by SEMARNAT, for greenhouse gases of large emitters in different sectors (the energy and industrial sectors will be the only sectors during the trial phase), along with additional reporting and compliance obligations, including the right to offset a limited percentage of emissions via compensation mechanisms to comply with the emission caps. The establishment of emission caps for greenhouse gases and reporting

and compensation obligations may result in additional costs for us in our Gas, Storage and Power business segments to which such obligations are applicable.

We are exposed to risks related to extreme meteorological events, extreme weather conditions, natural disasters, regional or global health pandemics, fires, accidents, and other events that could adversely affect our operations.

Extreme meteorological events may also have significant impacts on our operations and ability to carry out the complex logistics underlying our business. Our production facilities could become isolated and unable to receive raw materials or ship products by land or sea. Severe weather events in areas we do not have operations but which are strategic for the transportation of merchandise (for example, closed ports in the United States due to hurricanes or inaccessible borders in connection with flooding in Europe) could interrupt our supply chains and product deliveries. The Intergovernmental Panel on Climate Change, or IPCC, estimates that extreme meteorological events will grow in number and intensity. Consequently, our facilities are exposed to hurricanes, cyclones and tropical storms derived from climate change and if they are affected by said phenomena, our results of operations and financial condition could be affected.

Natural disasters, such as storms, droughts, floods, hurricanes and earthquakes, could disrupt operations, damage infrastructure or adversely affect our production plants. Additionally, we are subject to acts of vandalism or riots that could affect the infrastructure and/or our distribution network. Any of these events could increase our expenses or required investments and/or result in *force majeure* events under certain of our contracts and consequently affect our results of operations and financial condition.

Our operations are subjected to dangers such as fires, explosions and other accidents related with the manufacturing, storage and transportation of chemical products. These dangers may cause injuries to individuals to loss of lives, material damages and/or asset and equipment destruction, as well as environmental damages. A relevant incident in one of our plants or storage facilities could force the temporary suspension of operations, and it could result in incurring significant compensatory costs and loss of income from net sales.

We have insured the plants against damages caused from accidents or other similar occurrences as well as resulting consequential damages, such as business interruption. However, if losses are generated from these events, they may exceed the limits of the insurance policies or if they do not exceed them, they may not be completely recovered. Damages that significantly exceed insurance policy limits, damages that are not able to be recovered for any cause, even if they are within the limits of the insurance policies, or that were not foreseeable or covered by the same, could have an important negative effect in our operations, operating results, financial situation and prospects. Additionally, even if we receive payment from the insurance policies as a result of an event, the facilities could suffer production interruptions while the repairs are made, which could materially and adversely affect our results of operations, financial conditions and prospects.

Extreme weather conditions could negatively affect our business and results of operations. For example, frequent or unusually heavy rainstorms or other extreme weather conditions over a prolonged period could reduce our sales and profitability. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could reduce demand for a portion of our inventory and thereby reduce our sales and profitability. In addition, extreme weather conditions could result in disruption or delay of production and delivery of materials and products in our supply chain.

Additionally, our business and results of operations could also be negatively affected if a regional or global health pandemic were to occur, depending upon its location, duration and severity. A regional or global health pandemic might also result in disruption or delay of production and delivery of materials and products in our supply chain.

The costs of noncompliance with environmental protection, health, and safety laws, and of any contingency arising in relation to such laws may increase, adversely affecting our operations, operating results, cash flows, or financial position.

We produce, distribute and transport hazardous materials as part of our operations, which involve risks of leaks and spills that could potentially impact both ordinary persons and the environment. We also produce, distribute and sell products, which are hazardous or have certain levels of global warming potential that could become restricted in the future. As a result, we are subject to various environmental protection, health and safety laws and regulations

governing, among other things, the generation, storage, handling, use, remediation, disposal, transportation, emission and discharge of hazardous materials into the ground, air or water, and the health and safety of our employees. In addition, chemical producers are sometimes subject to unfavorable market perceptions as a result of the environmental impact of their business, which can have an adverse effect on their results of operations. In addition, we could be subject to the imposition of sanctions, third party actions and investigations by the regulatory authority if we are unable to comply with current or future approved environmental legislation.

We are also required to obtain permits from governmental authorities for certain operations. We cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators. We could also be held liable for any and all consequences arising out of human exposure to hazardous substances or other environmental damage.

Environmental laws are complex, change frequently and have tended to become more stringent over time. As in other industrialized countries, environmental laws in Mexico have become increasingly stringent over the last decade, imposing stricter standards and enforcement, increasing fines and penalties for non-compliance, requiring more stringent environmental assessments of proposed projects and imposing a heightened degree of responsibility for companies and their officers, directors and employees. Under such laws, the Mexican government has implemented an aggressive program to protect the environment by promulgating rules and regulations concerning water, land, air and noise pollution, and hazardous substances. This trend is likely to continue and may be influenced by the environmental agreements entered into by Mexico or as a result of pressure from other governments. As of the date of this offering memorandum, several initiatives have been submitted to the Mexican congress, seeking reforms to laws that are applicable to us, including reforms to the General Law on Ecological Balance and Environmental Protection of Natural Areas (*Ley General del Equilibrio Ecológico y la Protección al Medio Ambiente*), reforms to the Mexican Mining Law (*Ley Minera*), reforms to the National Waters Law (*Ley de Aguas Nacionales*), and several reforms to incorporate evaluations of social impact and environmental issues into the regulatory framework of several industries.

While we have budgeted for future capital and operating expenditures to maintain compliance with environmental laws, we cannot assure you that environmental laws will not change or become more stringent in the future, or that regulations applied in certain countries or regions will be equally applied and/or adjusted in other countries or regions as part of international treaties adoptions. Subsequent changes in or additions to existing laws or regulations, or stricter enforcement or application of such laws or regulations could force us to make significant additional capital expenditures, which could affect our profitability or financial condition in the future. Therefore, we cannot assure you that our costs of complying with current and future environmental and health and safety laws, or arising from stricter or different interpretations of such laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances will not adversely affect our business, results of operations, cash flow or financial condition. See “Business—Environmental matters.”

Labor disputes could affect our operating results.

At the end of the 2020 fiscal year, approximately 56% of our employees were subject to collective bargaining agreements executed with unions. During the last three years, we have not had any important labor conflicts at our plants and have been able to maintain a positive relationship with the unions. However, we may be subject to labor stoppages or strikes in connection with the negotiation of collective bargaining agreements in the ordinary course of business, as a result of political or economic conditions, or for any other reason. Any work slowdown, strike or other labor interruption could have a material adverse effect on our activities, results of operation or financial condition.

We are exposed to product risks that could cause damages to third parties.

We could be exposed to third party liability risks or damages resulting from the use of our products; as well as for the resulting litigation, regardless of whether such products are used contrary to their indication. Also, we could be exposed to damages related to the use of our products in medical grade applications and for the food and beverage industry.

We believe we have procured appropriate market-standard insurance coverage with respect to these types of risk. However, we cannot ensure that the safety measures taken to prevent product risk are sufficient or that our insurance

coverage will be sufficient to fully cover the liabilities that we could incur, in which case, our operating results or our financial condition could be adversely affected.

We are a holding company and have no significant assets other than shares of our subsidiaries; as a result, we may not be able to comply with our obligations.

We are a holding company with no independent operations or substantial assets other than the equity of our operating companies. Accordingly, we depend on the results of the operations of our subsidiary companies. Our ability to service our debt and other obligations, including the Notes, depends on the generation of cash flow by our subsidiaries and their ability to make such cash available to us in the form of interest payments, debt repayment, as dividends or otherwise. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. Furthermore, under Mexican law, our Mexican subsidiaries may only pay dividends out of retained earnings and after a legal reserve has been created and all losses from prior fiscal years have been absorbed. In addition, the distribution of dividends may be taxable, unless they are made from a profits account. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Notes, or honor our other obligations. Any adverse change in the financial condition or results of operations of our subsidiaries could affect our financial condition.

The inability to obtain enough capital to finance acquisitions or necessary capital expenditures could delay or impede the implementation of our commercial strategy.

We expect that the expansion and continued development of our operations will require significant amounts of capital. We may not be able to obtain in whole, or at least under acceptable terms, the capital necessary to finance investments and operating expenses, including working capital needs.

Additionally, our operations may not generate sufficient cash flow to meet cash requirements, or capital requirements may vary significantly with respect to planned capital spending. In such cases, additional financing may be required sooner than planned, or else some of the new development and expansion plans would have to be delayed, or market opportunities could be wasted. It is probable that future credit instruments, such as lines of credit, will contain restrictive clauses and may require us to pledge assets to guarantee disbursements from said lines of credit. The inability to obtain additional capital under satisfactory terms may delay or impede our expansion and negatively affect our results of operations.

We are subject to certain restrictive performance and non-performance obligations by virtue of the execution of our credit agreements, which could limit our future commercial activities.

As of December 31, 2020, we had total debt of US\$3,971 million (US\$3,626 million in respect to covenants contained in debt agreements and US\$345 million in leases). In accordance with the agreements that govern our long-term credits, we are obliged to comply with certain obligations that limit our operations and financial decisions. These obligations could affect our capacity to obtain additional financing, finance our expansion or refinance existing debt. Compliance with our obligations in accordance with the credit agreements could limit our capacity to undertake future acquisitions including future financing or the refinancing of our debts, which could have a negative impact in our operations, operating results and prospects.

Our capacity to sell additional shares to obtain capital for the expansion of our business will depend, in part, of the market price of our shares, and not complying with the market's expectations in respect to our business could have a negative effect in the market price of the shares and limit our capacity to sell shares.

Our capacity to finance ourselves through equity depends, in part, on the market price of our shares, which in turn, depends on several market conditions and other factors that could change from time to time, including:

- investor interest;
- our credit ratings and overall financial condition;
- analysts reports with respect to us and the economic, political and social climate in Mexico, or the countries where we operate;

- general conditions of the capital and debt markets, which depend greatly, on the cash flows of our operations, which in turn, depend on the increase of income derived from occurrences, acquisitions or rents;
- other factors such as, changes in governmental regulations or fiscal policies;
- judicial or administrative procedures in any jurisdiction where we operate, which could have an adverse effect on our financial situation or results; and
- our inability to finance ourselves with capital, due to any of the mentioned circumstances or any other, could affect our plans and future projections, and could negatively affect our financial position results.

Our inability to finance ourselves through capital, due to any of the circumstances mentioned above or any other circumstance could affect our future plans and projects and could negatively affect our financial position results.

Orbia has opted to hedge a portion of the risk associated with fluctuations in interest rates and/or foreign exchange rates using certain derivative products.

We are exposed to interest rate risk (because we have debt at a variable interest rate) as well as foreign exchange risk (because we have debt and investments in currencies other than the U.S. dollar). Our vulnerability to interest rates is primarily concentrated in the Interbank Equilibrium Interest Rate (TIIE) and LIBOR, which are used for financial liabilities when exchange rate exposure is primarily due to debt and investments in currencies other than the U.S. dollar. A stress test is conducted to determine our exposure to fluctuations in interest rates, based on total financial debt linked to floating rates that are not hedged, and exchange rates, based on the amounts of principal debt and investments in assets made in currencies other than the U.S. dollar, resulting in quarterly reports on exposure to interest rate and exchange rate risks that are submitted to our Board of Directors and the corporate governance bodies delegated by the latter. Corporate Finance and Corporate Treasury monitor and manage financial risks related to different operations through internal risk reports, through which risk exposure is analyzed by degree and magnitude. These risks include market risks (currency, exchange rate, interest rate and market value risks), credit risk, liquidity risk and cash flow interest rates.

Hedging transactions are regularly evaluated to ensure that they are aligned with interest rates and related risks thereby guaranteeing the most effective hedging strategy is in place. Had the TIIE and LIBOR interest rates increased 100 basis points in each reporting period and all other variables remained constant, pre-tax earnings for the 2020, 2019 and 2018 fiscal years would have decreased by \$2 million, \$4 million and \$4 million, respectively. This is mainly due to the Company's exposure to Libor and TIIE interest rates on long-term loans.

Orbia performs sensitivity analyses for a 10% increase or decrease in U.S. dollars against relevant foreign currencies. The sensitivity analysis only includes monetary items listed in currencies other than the functional and reporting currencies and adjusts their conversion at the end of the period by a fluctuation of 10%. Thus, by weakening the foreign currency (other than the dollar) by 10% against the main currencies, the greatest effect in terms of results in 2020, 2019 and 2018 would have been in Euros with \$107 million, \$123 million and \$91 million, respectively. Secondly, the effect would have been in Pesos with \$20 million, \$24 million and \$18 million for the years 2020, 2019 and 2018, respectively.

The Company cannot assure that the stress tests it performs or the hedging strategies it engages in will be sufficient to cover possible contingencies derived from the stress scenarios considered, or from significant fluctuations in interest rates and exchange rates, which would adversely affect its financial position and operating results. In addition, transactions with financial derivatives involve certain risks other than currency and interest rate risks, such as counterparty risk (collection risk), risks posed by unusual transactions in underlying or benchmark assets, and risks arising from the need to increase the collateral provided, among others. In the event that any such risks arise, we may suffer a material adverse effect to our results and financial position. Market practices and documentation of derivative financial instruments in Mexico may differ from those in other countries. The execution and enforcement of these types of operations depends on our ability to develop adequate management and control systems and to hire and retain qualified personnel. These factors could further increase the risks associated with such operations and, as a result, could have a material adverse effect on our operating results and financial position.

The adoption of new accounting standards, as well as changes in existing accounting standards, could have a material adverse effect on our operating results and financial position.

From time to time, the IASB reviews and updates its accounting standards, issues interpretations of existing standards and issues new ones. We report our results and financial position pursuant to IFRS. Changes in the IFRS, its interpretations and the issuance of new standards may cause our future reported results and financial position to differ from current expectations, or our historical results to differ from those previously reported due to the adoption of such changes, interpretations or new accounting standards.

We regularly monitor possible accounting changes, interpretations and the issuance of new standards and when these are concluded by the IASB, we determine the possible impact and disclose significant future changes in our financial statements. Several new accounting standards, applicable to annual periods after January 1, 2019, have been issued by the IASB and have not been fully applied to the preparation of our Financial Statements.

As a result of the foregoing, our consolidated financial statements may not be comparable against prior periods if we do not adopt a retrospective method of presentation that takes these new standards into consideration. We are currently evaluating the effect that the adoption of these accounting standards may have on our operations and cannot guarantee that the initial application of these new accounting standards will not have a material adverse effect on our operating results and financial position.

We may be unable to protect our intellectual property rights.

We may be unable to prevent third parties from utilizing our patents and trademarks without our authorization or from violating our intellectual property rights in any other way. Intellectual property laws of several jurisdictions where we operate and the enforcement of such laws by authorities in such jurisdictions may not be efficient, which may impair our ability to protect our rights over the intellectual property we own. We cannot assure you that we will be successful if we attempt to enforce our intellectual property rights. Because we believe our patents and our trademarks are one of our competitive advantages, to the extent we are unable to enforce these intellectual property rights, our business could be materially and adversely affected. Furthermore, any legal proceedings to enforce our intellectual property rights may be costly, and could adversely affect our results of operations.

We use and develop technologies that may infringe certain third-party intellectual property rights.

We cannot ensure that our processes and products do not infringe on, or will not infringe on at any time, intellectual property rights of third parties, or that third parties will not file claims or take legal action in this regard in the future. We cannot ensure that third parties will not take any legal action for possible infringement by us of their intellectual property rights, or that such third parties will not win any of such legal actions.

Any legal action or proceeding by a third party could:

- be time-consuming;
- result in a lawsuit or arbitral proceeding, distraction of attention on the part of the administrative and technical personnel of our main business, and diversion of financial resources of our operating businesses to use them to protect us against such actions;
- require the development of products and services that do not infringe third-party intellectual property rights, or that seek to fit into royalty schemes or license agreements; and
- require suspending the use of any product or process that infringes third-party rights.

Thus, if any or all of these cases arise, our results of operations and financial condition could be adversely affected.

We may become obligated to offer additional compensation to employees for inventions and innovations.

In some of the countries in which we operate, inventions conceived by any employee during his or her employment by a company will be considered an "invention service" and will belong to the employer, as is the case, for example, with the Israeli Patent Law 5727-1967. Thus, employees who develop an "invention service" may be entitled to receive royalties derived from the profits generated by the employer as a result of the commercialization of

said "invention service", unless such employee waives his or her right to receive royalties. Although our employees generally agree to waive such claims, we may face claims for royalties or other compensation relating to "invention service" from employees who do not waive their right. As a result of such claims, we would be required to pay royalties or additional compensation to employees, or be forced to litigate such claims, which could adversely affect our business and operating results.

We are subject to legal and administrative proceedings in certain countries in which we operate, the results of which could adversely affect our business.

We currently have operations in more than 50 countries around the world, and distribute in more than 100 countries. From time to time, we may be involved in judicial, arbitral or administrative proceedings or investigations in many of these jurisdictions. While we accrue reserves for contingent liabilities in accordance with applicable accounting rules and policies, as of the date of this offering memorandum, we are unable to estimate the amount of such potential liabilities or likelihood. We are unable to predict the results of said proceedings and whether any of them could result in the incurrence of additional liabilities, which could materially adversely affect our financial results and condition.

We are subject to significant compliance risks in the jurisdictions in which we operate.

Our global operations and commercial activities make us subject to complex legal and regulatory frameworks, the enforcement of which is becoming increasingly strict. Our corporate governance practices and the processes we use to ensure compliance with the legal provisions to which we are subject may be insufficient to prevent violations of applicable laws, regulations and accounting or corporate governance standards. We may be affected by violations of our code of ethics, anti-corruption policies and business conduct protocols, as well as instances of fraudulent conduct and corrupt or dishonest practices by our employees, contractors or other representatives. Failure to comply with applicable laws and regulatory measures could damage our reputation, lead us to incur significant fines or penalties and adversely affect our operations, our ability to use the financial markets and, therefore, our financial position.

Changes in information technology could negatively affect our operation.

Our business growth should go hand in hand with the evolution and constant progress in information technology (IT) and the various hardware and software updates released. If our information systems become unstable or obsolete, it could affect our business, by reducing the flexibility of our customer value propositions or by increasing the operative complexity. Any such consequences could have a material adverse effect on our business and results of operations.

Our operations could be affected by a failure, interruption, or breakdown of our IT system.

The efficient development of our operations is based on the implementation of IT-related processes and systems, which are used to manage effectively the data, communications, network connectivity, and other operating and business processes. Although we are constantly improving our IT systems and protecting our data with advanced security measures, system errors, interruptions, or security failures can occur, such as computer viruses or theft of information or data. These failures, interruptions, or breakdowns could have a material adverse effect on our results of operations or financial condition.

Security breaches of our information and technological systems and processes could materially affect our subsidiaries, affiliates, suppliers, and customers, as well as restrict or adversely affect access to our operating systems and networks, or expose us to significant legal, financial, operating, and even reputation-related consequences.

The development of our businesses requires the use and storage of personally identifiable information (PII) of customers, employees and business partners. This information can include, among other data, names, addresses, telephone numbers, e-mail addresses, contact preferences, tax identification numbers, and payment account information. Due to our profile and to the amount of PII that we handle in our business, and the amount of strategic information of industrial and technological nature stored in our different internal systems, we are vulnerable to cyber-attacks and data breaches.

We require usernames and passwords to access our IT systems. We also use authentication and encryption technology designed to secure data transmission and storage and restrict access to our data or accounts. These security measures are exposed to third-party breaches or to human errors, alterations, incorrect password management, or other irregularities. For example, third parties can attempt to fraudulently induce employees or customers to reveal usernames, passwords, or other sensitive information that could be used to gain access to our IT systems, directly affect our Treasury Department, and extract confidential or sensitive information for illegal transactions. E-mails with executable attachments containing malware that, due to their complexity, are difficult to block and change the send pattern, can cause data breaches.

We dedicate significant effort and resources to protect our IT network and take various other security measures to protect our systems and data, but these security measures cannot be expected to provide absolute protection against ever-evolving and increasingly aggressive cyber threats. If we suffer a breach of our IT systems, and are unable to carry out our normal operations or protect sensitive or strategic data, such breach could cause a material adverse change in our business and operating results, damage our relationships with our business partners and customers and harm our reputation.

Cyber-attacks or other disruptions to our network or information systems could have an adverse effect on our business.

Cyber-attacks and disruptions to networks and systems, including the introduction of computer viruses, malicious code, denial of service, faulty software and other disruptions or unauthorized access to company systems, have increased in frequency, range and impact in recent years. The preventive actions we take to reduce the risk of cyber incidents and protect our network and information may not be enough to stop a massive cyber-attack in the future. The costs associated with a potential massive cyberattack on our systems include increased expenses associated with strengthening cyber security measures and decreased losses associated with disruption of our services, lawsuits, and damage to our reputation.

Cyber-attacks or other disruptions to our security network or information systems could cause equipment failure or disrupt our operations. Such failures, even when they occur over a short period of time, could cause significant losses or declines in the market price of our shares. In addition, potential losses from cyber-attack events and disruptions to our network could exceed our insurance coverage. Furthermore, cyber-attacks may lead to the distribution, without our consent, of valuable financial information and confidential data of our customers and business, resulting in failures to protect the privacy of our customers and business, which could have adverse effects on our operating results, reputation or financial position.

Our contract model for HDPE products implies certain risks related to customer retention, and any failure to retain our customers or maintain sales volume could have a material adverse effect on our business and financial condition.

We sell a substantial portion of our HDPE products under short-term contracts. We also have long-term agreements, particularly for voice and data telecommunication products, in the United States, Europe and India, among others. Most of our agreements contain price-related terms and conditions, including provisions for any type of resin cost transfer and, in general, our customers are not required to purchase a minimum volume, and contracts can usually be terminated without cause or notice. As a result, customers have the option to discontinue or substantially reduce the volume of our products that they purchase at any time. The loss of customers representing a significant volume of sales, as well as a significant reduction in customer orders for any reason whatsoever, changes in manufacturing practices, transfer of part of the business to competitors, a recession of the economy, or the impossibility of adapting services to our customers' needs, may have a material adverse effect on our business and financial condition.

The operations of our Dura-Line, Netafim and Wavin Business Groups largely depend on the telecommunications, agriculture and construction industries, respectively.

Our Business Groups of Dura-Line, Netafim and Wavin are significantly dependent on the health and growth of the telecommunications, agriculture and construction industries. Reduced growth in the construction, agriculture and energy industries, adverse changes in the economic and demographic factors influencing said industries, could have a material adverse effect on our results of operations, cash flows and financial condition.

Changes in investment levels in the data and voice telecommunications industry could affect the production and sales of our Dura-Line Business Unit.

The different investments required by telecommunications industry participants to implement fiber optic and broadband communication systems extensively influence this industry, including those markets where we compete. Investment in this industry depends on a variety of factors, including:

- Federal and local laws and regulations on foreign investment in telecommunications, which, in certain jurisdictions, limit foreign investment.
- Consumer demand for fiber optic, broadband, and wireless networks for products and services.
- Regulatory decisions limiting the installation of new networks and the improvement of existing networks.
- Minimum quality or technical requirements for networks and infrastructure.
- Rights of way and state and local government access permits required for the construction of new networks.
- Evolution and acceptance of new industry standards.
- Pressures related to competition within the sector, including prices.
- Annual budget cycles.
- Impact on industry consolidation.
- Access to financing and general economic conditions of the market.

The lack of investment in data and voice telecommunications for any of the above reasons could have a material adverse effect on our sales, results of operations and financial condition.

Netafim sales are highly dependent on the dynamism of the agricultural industry, including government support to this sector.

In addition to normal seasonal fluctuations in the demand for Netafim's products, Netafim's sales are cyclical and depend largely on the need for agricultural production of irrigated crops which, in turn, depends on many factors, including total global crop production, profitability of agricultural production (including return on investment for the end users of our products), agricultural product prices, farm incomes, availability of financing for farmers, government subsidies for farmers, government policies and support for agricultural infrastructure, water supply and transport, regular rainfall and regional climate change. The state and trend of government support for farms, financial aid and policies regarding the ability to use water for agricultural irrigation can affect the demand for our irrigation products and irrigation system solutions. As farm incomes decline, producers can postpone investments, including the purchase of our products, or look for less expensive irrigation alternatives.

In addition, uncertainty or changes in government subsidies, policies and government support for agriculture may adversely affect our business, financial position or operating results.

A decrease in prices or agricultural activity caused by weather or other conditions, crop diseases and natural disasters could lead to a decrease in demand for our products and adversely affect our business, financial condition or operating results.

Farmers require access to capital to buy Netafim's products. Crop prices are a factor in boosting sales of these products. Several factors influence crop prices and profitability, including climate, financial markets and water, as well as other supplies. Weather conditions, especially before the planting season, can significantly affect the purchasing decisions of consumers of irrigation equipment, projects and services in the particular locations in which we operate. Natural disasters, such as regional floods, hurricanes or other storms, and droughts, along with crop diseases, can have significant effects on the demand for seasonal irrigation. Drought conditions, which generally

positively affect the demand for long-term irrigation equipment, can adversely affect demand if water sources are not available, governments impose water restriction policies, or if farms reduce land for cultivation. Extreme weather conditions over an extended period of time or consecutive seasons, could reduce the availability of funds for farmers to purchase our technology and adversely affect our business, financial position or operating results.

Our operations could be disrupted or affected as a result of the key management team's duty to perform military service.

Some of the employees in the countries in which we operate are required to report for military service, depending on age and rank within the armed forces. In addition, in emergency circumstances, they may be called to the active reserve service at any time for extended periods of time. For example, Netafim's operations could be interrupted by the absence of, for a significant period, one or more of its key employees as a result of military service. Thus, any duty of our management team or key personnel to perform military service or to report for active reserve service at any time could cause disruptions in the operation of our business and adversely affect our operating results or financial position.

Risk Factors Related to Mexico and the Principal Countries Where We Operate

Our financial condition and results of operations are exposed to the general economic conditions of the countries in which we operate. We have a presence in different markets such as the construction, refrigerant gas, industrial, automotive, retail, and rural, telecommunications (voice and data), energy, urban and rural infrastructure markets. We actively contribute to Mexican development and to the development of the countries in which we have industrial and commercial presence through our subsidiaries, by serving each of our strategic sectors and channeling products to intermediate and end users. We have assets and manufacturing and distribution operations in several countries in the Americas, such as: Mexico, Argentina, Brazil, Canada, Colombia, Costa Rica, Ecuador, El Salvador, the United States, Guatemala, Honduras, Nicaragua, Panama, Peru and Venezuela. We also have operations in Europe, Africa, Middle East and Asia as a result of the acquisitions of AlphaGary (today known as Mexichem Specialty Compounds), Wavin, Vestolit, and Dura-Line. In accordance with this, we have 129 plants distributed in 50 countries with commercial activity in over 110 nations. As a result, our activities, financial situation and operating results are subject to fluctuations in these regional economies and to changes in the purchasing power of the local population.

Changes in governmental policies in Mexico and in other main countries in which we operate could adversely affect our business, results of operations, financial condition and prospects

Mexico's federal government, as well as the governments of other main countries where we operate, including the United States, Brazil, Germany, United Kingdom, Colombia, India, and other European countries, have had, and continue having, significant influence on the economy of their respective countries or on their political communities.

In 2020, of our net sales to third parties per geographical area of destination, Europe generated 34%, United States generated 22%, Mexico generated 10%, and Brazil generated 7%, among others.

In recent years, some of the governments in the countries where we operate, such as the U.S. and Mexico, have implemented and may continue to implement significant changes in laws, public policy or regulations that could affect the political, economic and social conditions in the U.S. and Mexico, in the other countries where we operate, as well as in other countries. Any such changes may have a material adverse effect on our business, financial condition, liquidity and results of operations. Further, presidential, legislative, state and local elections have taken place, or are scheduled to take place in 2021 in several of the countries where we operate, including mid-term federal and local elections in Mexico during June 2021, pursuant to which the House of Representatives (*Cámara de Diputados*) will be renewed and 15 Mexican states will elect new governors.

A change in federal government and the political party in control of the legislature in any of these countries could result in sharp changes to the countries' economic, political or social conditions, and in changes to laws, regulations and public policies, which may contribute to economic uncertainty and could also materially impact our business, financial condition, liquidity and results of operations. Similarly, if no political party wins a clear majority in the legislative bodies of these countries, legislative gridlock and political and economic uncertainty may result.

Particularly, the Mexican government has in the past intervened in the local economy and occasionally made significant changes in policies and regulations, which may continue in the future. Furthermore, the Mexican

government drastically cut spending for the 2019 budget and it may cut spending in the future. For example, on July 2, 2019, the Mexican Federal Republican Austerity Law (*Ley de Austeridad Republicana*) was approved by the Mexican Senate. Such actions to control inflation, federal spending cuts and other regulations and policies have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on imports. Furthermore, in August 2020, the Mexican government announced new measures to be taken in order to comply with the Federal Republican Austerity Law (*Ley de Austeridad Republicana*), including cutting certain governmental agencies. Our business, financial condition and results of operations may be adversely affected by changes in governmental policies or regulations involving or affecting our management, operations and tax regime or changes in the governmental structure to which we are subject. We cannot assure you that changes in the Mexican federal government policies or its structure will not adversely affect our business, financial condition and results of operations. Tax legislation in Mexico, in particular, is subject to constant change and we cannot guarantee that the Mexican government will not change its tax or any of its existing political, social, economic or other policies, which changes may adversely affect our business, financial condition or results of operations. Mexico's legal framework has expressly permitted class action lawsuits for the protection of collective interests or rights in the following subject matters: environmental matters, consumer products and the provision of services (including financial services). Even if the initiation of a class action lawsuits is difficult and needs multiple and specific requirements to proceed, we cannot predict the outcome of any actions brought under such laws, including the scope of any liability and the impact of such liabilities on our business, financial condition or results of operations.

Furthermore, in June and July of 2020, the Mexican congress approved several new laws and reforms to existing laws in connection with the enactment of the USMCA, including: (i) the new *Ley Federal de Protección a la Propiedad Industrial*, which replaced the *Ley de Propiedad Industrial*, (ii) the new *Ley de Infraestructura de Calidad*, which replaced the *Ley Federal de Metrología y Normalización*, (iii) several reforms to the *Ley Federal de Derechos de Autor*, (iv) several reforms to the *Código Penal Federal*, (v) reforms to the *Ley de los Impuestos Generales de Importación y Exportación* and (vi) reforms to the *Ley Aduanera*. Although we do not foresee material changes in our business and operations as a result of these reforms and new laws, we cannot assure you that there will not be further reforms or new laws approved by the Mexican congress including in connection with the USMCA or further treaties or arrangements entered into by the Mexican government, which may have a material adverse effect on our business.

On March 26, 2021 the executive branch submitted to the Mexican Congress a preferential proposal to amend the Hydrocarbons Law (*Ley de Hidrocarburos*). The primary purpose of the proposal is to strengthen the participation of Mexico's state-owned companies in the oil downstream products market, specifically in the gasoline and diesel markets, however if the amendment is enacted, it could also affect other activities regulated by the Hydrocarbons Law, including those related to crude oil, natural gas and petrochemicals. If approved by the Mexican Congress, we cannot predict exactly how the amendment to the Hydrocarbons Law will affect our business, financial position and results of operations.

We cannot assure that political or social developments in the countries where we operate or elsewhere, such as the election of new administrations, changes in laws, public policy or regulations, political disagreements, civil disturbances and the rise in violence and perception of violence, are not expected to have a material adverse effect on global financial markets, or on our business, financial condition, liquidity and results of operations.

Further geopolitical challenges, such as U.S.-China conflict, have the potential to impact the global economy and the countries in which we operate. The confrontation between the U.S. and China began in 2018, after the U.S. imposed tariffs on Chinese goods, and China retaliated against U.S. imports. The tensions among the world's two largest economies has continued to escalate and has now reached different sectors, including trade, defense, technology, media and diplomacy, among others. The uncertainty around the U.S.-China conflict could cause important disruptions in global economic, financial and trade dynamics which could impact the markets in which we operate and adversely affect our business, reputation, liquidity and results of operations.

Consequently, the actions and policies of the governments of abovementioned countries, relative to the economy in general, and to the sectors where we operate in particular, could have a significant impact on us and, in a broader sense, in the conditions, prices and yield of our securities that are traded today in local and international markets.

We cannot assure that the changes in policies of the governments of the countries where we operate, will not adversely affect our operations, operating results, financial situation and prospects.

The recently approved labor reform may affect our operations in Mexico.

On November 12, 2020, the executive branch proposed to the Mexican Congress an amendment to several labor regulations, including the Mexican Labor Law (*Ley Federal del Trabajo*) with respect to subcontracting and, specifically, outsourcing. This reform was approved by the Congress and published in the Mexican Official Gazette (*Diario Oficial de la Federación*) on April 23, 2021, becoming effective the day after its publication with certain exceptions. The labor reform has three main streams: (i) severely limiting indirect hiring (both outsourcing and insourcing), (ii) limitation on the amount of employers' profit-sharing obligation, and (iii) inclusion of new penalties in respect of tax deductions and fines.

Specifically, as it relates to limiting indirect hiring, the reform prohibits all types of indirect hiring, except those types of hiring that are pure intermediation (such as recruiting), and specialized services or works which refer specifically to those services or works not included in the corporate purpose or the main economic activity of an entity and require a specific authorization from and registration with the labor authority. It is possible that this prohibition may extend to both third-party outsourcing service providers and within entities of the same corporate group (insourcing). With respect to the amendments relating to Mexican entities' profit sharing obligations, the labor reform sets forth a limit as to the maximum amount that a company will have to pay an employee in connection with the profit sharing obligation (the highest of three month salary or the average of the amounts paid for profit-sharing for the last three years), this limit may reduce the amounts paid by several companies for profit sharing purposes; however, those companies that do, mostly, indirect hiring will have the obligation to pay profit sharing starting three months following the date on which the reform becomes effective. Finally, the labor reform establishes that no deductions will be available in connection with outsourcing services and that simulating outsourcing services will be considered tax fraud crime.

As a consequence of the approval and enactment of the labor reform, several Mexican entities may be bound to modify their current labor structure, labor costs may increase and the type and number of labor obligations Mexican companies will have to observe will change significantly. We cannot predict exactly how the labor law, as amended, will affect our business, financial position and results of operations.

Conditions in Israel could affect the business' operations.

Our Netafim business segment's main offices and three of its production plants, including all of its sprinklers plants are located in Israel. Netafim's operations in Israel depend on imported materials and they also export a significant amount of its products from Israel. Additionally, all of its information and data is located in Israel. Since the establishment of the State of Israel in 1948, several military conflicts have taken place in Israel and its neighboring countries, and Islamic military movements, as well as terrorist activities incidents and other hostilities (including the Second Lebanon War during the summer of 2006 and the Israeli military campaigns in Gaza during December 2008, November 2012 and the summer of 2014).

Political, economic and safety conditions in Israel, may directly affect Netafim's operations. Netafim could be adversely affected by the hostilities that involve Israel, including terrorist attacks or any other hostility or threat to Israel, the interruption or reduction of treaties between Israel and its commercial allies, a significant increase in the inflation or a significant reduction of the economic and financial conditions in Israel. Any conflict, terrorist attack, or present of future tension within Israel's borders or political instability in the region may interrupt the international commercial activities, adversely affecting Netafim's business and it could damage its financial conditions and operative results. Additionally, these military conflicts could damage the production plants in Israel, which would not be easy to replace. Even though Israeli legislation obliges the Israeli government to pay for the reinstallation value for damages caused from terrorist attack or acts of war, we are unable to ensure that the government policy will be maintained, or sufficient to compensate Netafim for all expenses that it could incur. Additionally, indirect damages could not be covered. Any loss or damage incurred by Netafim, and not paid by the Israeli government could have an adverse effect in its business. Certain countries, as well as certain companies and organizations continue or intend to participate in boycotting Israeli companies, companies with important operations in Israel and others. The current boycotts and future strikes or embargos, restrictive laws, policies or practices that involve Israel or Israeli businesses or citizens or directly against Israel, could adversely affect our business, financial conditions or future operative results.

We are subject to foreign exchange controls in some countries where we operate.

We are currently subject to exchange controls in some of the countries where we operate, such as Venezuela, Brazil, Argentina, India, South Africa, and China, among others. These controls restrict access to foreign currencies and limit the ability to transfer funds outside such countries, including funds for interest or principal payment on outstanding debt. Additionally, these controls affect the ability to receive dividends and other distributions from subsidiaries in those countries.

If we are unable to transfer funds outside the countries mentioned above, or if we are subject to similar restrictions in other countries where we operate, our operating results and financial position could be adversely affected.

The Mexican government does not currently restrict the ability of Mexican companies or individuals to convert Mexican pesos into U.S. dollars or other currencies, and Mexico has not had foreign exchange controls policy since 1982. However, in the future, the Mexican government could impose a restrictive exchange control policy or devalue the Mexican peso, as it has done in the past. We cannot provide assurances that the Mexican government will maintain its current policies with regard to the Mexican peso or that the Mexican peso's value will not fluctuate significantly in the future.

Political, geopolitical, and economic events around the world, especially in the countries where we operate, or to which we export our products and services, could adversely affect our business plans, financial position, and operating results.

Our financial performance may be significantly affected by the economic, political and social conditions in the markets in which we operate. In the past, many countries such as Mexico, Brazil, Colombia, India, and now the United Kingdom, have suffered major economic, political and social crises. We cannot predict whether changes in government will result in reforms of government policies and, if so, whether such reforms will affect our operations. In particular, our operations may be affected by conditions in Mexico, the United States, Germany, the United Kingdom, Colombia, Brazil and India, which represent our largest markets. For example, the presidential election and federal congressional elections in Mexico were held on July 1, 2018. Mr. Andrés Manuel López Obrador, a member of the Morena party (*Movimiento Regeneración Nacional*), was elected President of Mexico and took office on December 1, 2018. The new president's term will expire on September 30, 2024. The newly-elected members of the Mexican Congress took office on September 1, 2018. The Mexican president influences new policies and governmental actions regarding the Mexican economy, and the new administration could implement substantial changes in law, policy and regulations in Mexico, which could negatively affect our business, financial condition and results of operations. As of the date of this offering memorandum, the Morena political party holds an absolute majority in the Chamber of Deputies (*Cámara de Diputados*). The administration of Mr. López Obrador has taken actions that have significantly undermined investors' confidence in private ventures following the results of public referendums, such as the cancellation of public and private projects authorized by previous administrations, including the construction of the new Mexican airport, which immediately prompted the revision of Mexico's sovereign rating and the cancellation of the construction of a brewing facility of "Constellation Brands" in Baja California, Mexico. Investors and credit rating agencies may be cautious about the Morena political party administration's policies, which could contribute to a decrease in the Mexican economy's resilience in the event of a global economic downturn. We cannot predict the impact that political developments in Mexico will have on the Mexican economy nor can we provide any assurances that these events, over which we have no control, will not have an adverse effect on our business, financial condition and results of operations.

According to the latest World Economic Outlook of the International Monetary Fund (IMF), published in January 2021, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022. The IMF recognized that there is a higher than usual degree of uncertainty around this forecast, as the baseline projection rests on key assumptions about the fallout from the COVID-19 pandemic. The magnitude and persistence of the adverse economic shock depend on several uncertain factors, such as (i) the duration of the pandemic and required lockdowns; (ii) voluntary social distancing, which affects spending; (iii) displaced workers' ability to secure employment in other sectors; (iv) the potential damage to supply due to firm closures and unemployed workers exiting the workforce; (v) the impact on business costs in connection with the required changes to strengthen workplace safety; (vi) the effects on productivity of global supply chain reconfigurations; (vii) the extent of cross-border spillovers from weaker external demand, and (viii) funding shortfalls and the resolution in connection with the current disconnection between asset valuations and prospects for economic activity.

Furthermore, downside risks as a result of the COVID-19 pandemic are significant. New waves of infections may trigger new generalized restrictions. A further decline in economic activity as a result of closures, company hesitation to hire jobseekers and unemployed workers leaving the labor force entirely could lead to further scarring of the economy. Financial conditions may tighten again, as in January to March 2020, and expose vulnerabilities among borrowers, which could tip some economies into debt crises and cause a further slowdown of economic activity. More generally, cross-border spillovers from weaker external demand and tighter financial conditions could magnify the impact of a country or region-specific shock on global growth. Moreover, the sizable policy response following the initial sudden stop in economic activity may end up being prematurely withdrawn or improperly targeted due to design and implementation challenges, leading to misallocation and the dissolution of productive economic relationships.

Beyond the COVID-19 pandemic-related downside risks, escalating tensions between the United States and China on multiple fronts, frayed relationships among the Organization of the Petroleum Exporting Countries (“OPEC”) coalition of oil producers and widespread social unrest generate additional challenges for the global economy. Moreover, in a context of low inflation and high debt (particularly in advanced economies), protracted weakness of aggregate demand could lead to further disinflation and debt service difficulties that, in turn, weigh further on economic activity.

Therefore, on balance and given our geographical presence in more than 40 countries, any political, geopolitical, or economic event in the world, and especially in those countries where we operate, or to which we export our products and services, may adversely affect our business plans, results of operation and financial condition.

Thus, given that we use raw materials in our products whose prices have not decreased at the same pace as oil prices, and that, on the other hand, we sell our products in markets where the prices of the end products have decreased at the same pace as oil prices, the operating margins have been affected and, with them, our financial condition. Consequently, any political, geopolitical, or economic condition, or any other event that affects the raw materials that substitute those used by us, leading to changes in the market prices of our end products, could affect our operating margins and financial condition.

We may feel an impact from the new U.S. presidential administration.

Following the change in the U.S. administration for the four-year period from 2021 to 2024, there is uncertainty regarding future U.S. policies with respect to matters of importance to Mexico and its economy, particularly trade and migration. On October 1, 2018, the United States, Canada and Mexico formally agreed to renegotiate the terms and conditions of the North American Free Trade Agreement (“NAFTA”), under the United States Mexico Canada Agreement (“USMCA”). Unlike NAFTA, the USMCA includes a sunset provision that requires it to be analyzed and modified, if applicable, after six years and after 16 years shall be renegotiated and restated. This treaty also includes amendments to the rules of origin in practically all sectors, rules to deter artificial changes to exchange rates to obtain commercial advantages, additional intellectual property protections, as well as amendments in labor matters and information technologies, among other provisions. The USMCA effectively replaced NAFTA on July 1, 2020. There can be no assurance as to the outcome of the USMCA or any subsequent trade agreements made as a response thereto, and the impact on the industries in which we operate with respect to these measures or any other measure adopted by the United States cannot be predicted.

In addition, illegal immigration from Mexico to the United States has caused friction between the two countries and could reduce economic activity between them. On June 7, 2019, Mexico and the United States signed a joint declaration committing both countries to undertake specific actions to control illegal immigration. While the Mexican and U.S. governments were able to reach an understanding, we cannot assure you that the U.S. government will not have future plans to impose tariffs on Mexico and that we will not be adversely affected by such plans or tariffs in the future. Moreover, in the event of certain changes in U.S. policy implemented by the current U.S. administration, the Mexican government could implement retaliatory actions, such as the imposition of restrictions on Mexican imports of products from the United States or imports and exports of products to the United States or remittances from the United States to Mexico. If the United States were to impose tariffs on Mexican products, this could result in higher prices and a lack of competitiveness for our products, which would adversely affect our business and results of operations.

Events in other countries could adversely affect the Mexican and other Latin American economies, the market value of our Notes and our financial condition and results of operations.

The economic conditions in some of the countries where we operate have had and may continue to have a material adverse effect on our business, financial condition, liquidity and results of operations worldwide. Our results of operations are highly dependent on the results of our operating subsidiaries worldwide.

By the end of 2018, the global economy appeared to have overcome a long period of turbulence and volatility, which began in 2007 with the global financial crisis. However, in 2019, the global economy saw its slowest growth rate in a decade, the result of a prolonged trade dispute among various key players. These conflicts fueled uncertainty over the course of the world's economy and a slowdown in domestic investment in Mexico. In 2019, the Chinese economy grew by 6.1%, its lowest rate in almost three decades. At the same time, political tensions persisted in various regions of the world. In contrast to the previous year, the United States Federal Reserve lowered interest rates to stimulate the economy. In this context, the prices of chemicals, commodities and industrial metals were depressed throughout the year. Certain economic indicators continue to evolve, and the long-term effects of current global events, including the COVID-19 pandemic and the United States-China trade war, are uncertain. Investor sentiment regarding the outlook of the global economy has fluctuated and we cannot assure you that past developments will not occur again in the future or that recent volatility in the international markets will not affect us, including our results of operations. A deterioration in Mexico's economic condition, social instability, political unrest or other adverse social developments in Mexico could adversely affect our business and financial condition. Those events could also lead to increased volatility in the foreign exchange and financial markets, thereby affecting our ability to obtain new financing and service our debt.

Moreover, Mexico was downgraded last year by each of the three major credit rating agencies. On March 26, 2020, S&P cut Mexico's rating from BBB+ to BBB, and on April 15, 2020, Fitch cut Mexico's debt rating from BBB to BBB-, both downgrades due to expected economic consequences of the COVID-19 pandemic and lower oil prices. On April 17, 2020, Moody's downgraded Mexico's debt rating from A3 to Baa1 and maintained its negative outlook, citing a material decline in Mexico's medium-term economic growth prospects and continued weakening of the financial and operational condition of Pemex. Mexico's current ratings and the rating outlooks currently assigned to it depend, in part, on economic conditions and other factors that affect credit risk and are outside the control of Mexico, as well as assessments of the creditworthiness of its productive state-owned enterprises. Certain ratings agencies have recently downgraded Pemex's credit ratings and their assessment of Pemex's creditworthiness may affect Mexico's credit ratings. There can be no assurances that Mexico's or Pemex's credit ratings will be maintained or that they will not be downgraded, suspended or cancelled. Furthermore, the COVID-19 pandemic has and may continue to disrupt economic activity, which may intensify the slowdown in the Mexican economy. Any recent or future downgrades could adversely affect the Mexican economy and, consequently, our business, financial condition, operating results and prospects.

In addition, many countries around the world, including Mexico, are suffering significant economic and social crises as a result of the ongoing COVID-19 pandemic as well as oil price volatility, and these events may continue for a sustained period of time. In addition to these economic effects, the COVID-19 pandemic has, and continues to adversely impact the places in which we operate and our workforce, and could significantly disrupt our operations. Given that the impact of the COVID-19 pandemic will likely continue for an extended period of time, it could adversely affect our ability to operate our business in the manner and on the timelines previously planned. The extent to which COVID-19 or other health pandemics or epidemics may impact Mexico and the Mexican economy and, in turn, our results of operations will depend on future developments, which are highly uncertain and cannot be predicted.

On April 12, 2020, Saudi Arabia, Russia and the members of OPEC agreed to decrease oil production by 9.7 million barrels a day in May and June 2020, the deepest cut ever agreed to by the group. After the agreed-upon duration of decreased oil production ends, OPEC members will steadily ramp up production until the agreement expires in April 2022. Although oil prices have slightly recovered, lockdown measures designed to slow the spread of COVID-19 continue affecting energy markets. There can be no assurances about the impact of this agreement or other trends affecting international oil prices on the Mexican economy, and the related impact on our business and results of operations.

The global economic slowdown in general, in addition to the considerable decline in oil prices since 2014, have had, and may continue to have a negative impact on the Mexican economy as well as on our business, financial condition and results of operation.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation and other economic problems. These problems may worsen or reemerge, as applicable, in the future and could adversely affect our business and ability to service our debt. A deterioration in international financial or economic conditions, such as a slowdown in growth or recessionary conditions in Mexico's trading partners, including the United States, or the emergence of a new financial crisis, could have adverse effects on the Mexican economy, our financial condition and our ability to service our debt.

The market value of securities of Mexican companies is affected by economic and market conditions in developed and other emerging market countries. Although economic conditions in those countries may differ significantly from economic conditions in Mexico, adverse economic conditions may expand regionally or investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, for example, prices of both Mexican debt and equity securities have sometimes suffered substantial drops as a result of developments in other countries and markets.

In addition, in recent years, economic conditions in Mexico have been linked increasingly to economic conditions in the United States and Europe as a result of the free trade agreements signed by Mexico with the United States and the European Union. Mexican economic conditions have also been linked to increased economic activity among these countries. The Mexican economy is still strongly influenced by U.S. and European economies. Therefore, the termination of free trade agreements and other related events, further deterioration in economic conditions or delays in the recovery of the U.S. or European economies could affect the economic recovery in Mexico and Latin America. These events could have a material adverse effect on our results operations, which could affect our liquidity, financial condition and the market price of the Notes.

Inflation and government measures to curb inflation may adversely affect the economies in the countries where we operate, our business and operations, and the market prices of our Notes.

In the past, Mexico and certain countries in which we operate, including Argentina, Colombia and Brazil, have experienced high rates of inflation. Although inflation rates in many of these countries have been low in the recent past, no assurances can be given that this trend will continue. The measures taken by the governments of these countries to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in many of these countries and to heightened volatility in their securities markets.

These countries may experience high levels of inflation in future periods. Periods of higher inflation may slow the rate of growth of their economies, which could lead to reduced demand for our products and decreased sales. Inflation is also likely to increase some of our costs and expenses, which we may not be able to pass on to our customers and, as a result, may reduce our profit margins and net income. In addition, high inflation generally leads to higher domestic interest rates, and, as a result, the costs of servicing any floating-rate debt may increase, resulting in lower net income. Furthermore, inflation and its effect on domestic interest rates can lead to reduced liquidity in the domestic capital and lending markets, which could affect our ability to refinance our indebtedness in those markets. Any decline in our net sales or net income and any deterioration in our financial performance could affect our liquidity and financial situation.

Exchange rate fluctuations of the currencies of the countries where we operate, with respect to the U.S. dollar, and a significant change in variable interest rates, could negatively affect us.

As of January 1, 2013, we considered that the functional currency applicable to certain subsidiaries was the respective local currency. In that same year, we conducted a review of the functional currency and decided that, according to current operating circumstances, including new operations and expansion of plant capacity, the functional currency should be changed to the U.S. dollar. Consequently, we are exposed to the foreign-exchange risk with respect to the U.S. dollar in those subsidiaries with operations in which the reporting and functional currency is other than the U.S. dollar. The currencies to which we are exposed are the Mexican peso, the Brazilian Reais, the Colombian peso, the Euro, the British pound, the Czech koruna (crown), the South African rand, the Turkish lira, the Indian rupee, and the Polish zloty, among others.

Approximately 83% of outstanding loans and substantially most of our capital investments are denominated in U.S. dollars; however, if we account for hedges in place, 97% of our outstanding credits are stated in U.S. dollars, 2%

in Mexican pesos and 1% in other currencies (including the Turkish lira, Argentinian pesos, Indian rupees and British pounds). For 2020, approximately 58% of our total income was denominated in a local currency other than the U.S. dollar and 66% was denominated in U.S. dollars and euros. Loans in U.S. dollars generate interest based on fixed and variable interest rates. Our loans in U.S. dollars that have a fixed interest rate represent 79% of our total loans and 95% of our loans in U.S. dollars.

On the other hand, 4.5% of our loans are denominated in Mexican pesos (and, if we account for hedges in place, 2.1%), of which 90.7% (or 4.1% of our total loans) generate interest at a fixed rate, while 9.3% (or 0.4% of our total loans) generate interest at a variable rate (linked to the TIIE). Any devaluation, with respect to the U.S. dollar, of the different currencies of the countries where we operate and which have a functional currency other than the U.S. dollar, particularly the Mexican peso, or any increase of interest rates in the countries whose currency is the base currency of any of our variable rate loans, would have an adverse impact on our net profits, results of operation and financial condition.

Antitrust laws in Mexico and in other countries where we operate may limit our ability to expand operations.

In Mexico and in other countries where we operate, antitrust laws and related regulations could adversely affect our ability to acquire, sell, and execute joint venture agreements. Significant acquisitions, transfer and sale of securities, and joint venture agreements require the approval of Mexico's Federal Antitrust Commission (*Comisión Federal de Competencia Económica*, or *Cofece*) and of the competent authorities of each country. Failure to obtain authorizations from antitrust authorities could result in penalties in the form of fines, mandatory disinvestment of assets, termination of relevant acquisition agreements, or inability to continue business acquisitions or to complete acquisitions already agreed. We continue expanding our operations and, therefore, it is possible that we may face stricter inspections by competent antitrust authorities in the different countries where we operate or in those countries where we intend to operate.

We currently hold a leading position in most of the markets where we operate in both Latin America and in Europe, according to data contained in reports published by IHS Chemical WVA, IHS Chemical Market Advisory Service: Global Chlor-Alkali, Eurostat, and The Economist Intelligence Unit, as well as in market studies conducted by us. Therefore, as our operations and market position increase, the effect that future acquisitions may have given the antitrust regulations could also increase, and this situation could have a substantial adverse effect on our results of operation and financial condition.

Economic conditions and regulatory changes caused by the United Kingdom's exit from the European Union could adversely affect our business.

The United Kingdom ceased to be a member state of the European Union on January 31, 2020, commonly referred to as Brexit, and the transition period provided for in the withdrawal agreement entered by the United Kingdom and the European Union ended on December 31, 2020. In December 2020, the United Kingdom and the European Union agreed on a trade and cooperation agreement that covers the general objectives and framework of the relationship between the United Kingdom and the European Union, including as it related to trade, transport, visas, judicial, law enforcement and security matters, and provides for continued participation in community programs and mechanisms for dispute resolution. Notably, under the trade and cooperation agreement, United Kingdom service suppliers no longer benefit from automatic access to the entire European Union single market, United Kingdom goods no longer benefit from the free movement of goods and there is no longer the free movement of people between the United Kingdom and the European Union. Brexit has caused, and may continue to result in, significant volatility in global stock market and currency exchange rate fluctuations of the U.S. dollar relative to other foreign currencies in which we conduct business. Brexit has impacted our supply chain, making it harder for us to quickly and efficiently import goods into the United Kingdom. Adjusting to new trade and cooperation agreements may be time consuming and costly. Brexit has also impacted our ability to move people back and forth from the United Kingdom. Brexit has not had a material adverse effect on our business to date, but the full extent of the impact of Brexit is not yet known and it could have a material adverse effect on our business, financial condition, liquidity and results of operations, particularly in the United Kingdom, in the future.

If we fail to comply with, or become subject to, more onerous government regulations, our business could be adversely affected.

We are subject to various federal, state and municipal laws and regulations in the countries in which we operate, including those relating to mining, manufacturing, hazardous materials, environmental protection, workplace safety, consumer protection, among others. We are required to obtain, maintain and renew, on a regular basis, concessions, permits, licenses and authorizations from various governmental authorities to carry out our projects. We seek to maintain compliance with these laws and regulations. If we are unable to maintain or achieve compliance with these laws and regulations, we could be subject to fines, plant shutdowns, cancellation of licenses, revocation or expropriation of authorizations or concessions, imposition of fees greater than those originally set forth in our concessions and authorizations or other restrictions on our ability to operate, which could have an adverse impact on our financial condition.

Regulations governing the chemical industry have tended to become more restrictive over time. We cannot assure you that new and stricter standards will not be adopted or become applicable to us, or that stricter interpretation of existing laws and regulations will not apply. Any such event may require us to spend additional funds to achieve compliance with such new rules, if possible, and therefore may increase our cost of operation.

The Mexican Congress and the authorities of the countries where we are present could pass legislation resulting in increased tax obligations.

In recent years, the Mexican government and the governments of some of the other countries where we operate have implemented different reforms to tax legislation applicable to companies, including us. If the Mexican government, or any of the governments of the countries where we operate, were to carry out tax reforms resulting in significant increases in tax obligations, we would be required to pay more money in accordance with such changes, which could have a significant negative impact on our results of operation.

Our business, financial condition and results of operations could be adversely affected by the changes mentioned above and as a result of the increase in taxes on salaries and the cost increase due to additional measures to be met, including an increase in taxes and contributions on mining activities.

Other governments may make significant changes to their tax policies as a response to their weakened economies. Also, adverse or unanticipated fiscal consequences regarding our business can have a substantial adverse impact on our results of operation and financial condition.

Additionally, taxation in several of the jurisdictions where we operate or do business is frequently complex and subject to different interpretations. The fiscal position of the authorities could differ from our current or historical fiscal position. This could imply the payment of greater contributions in cases in which we did not pay tax before, as well as to conduct audits on past fiscal years and contributions and to the imposition of additional taxes. Some of these actions and assessments may be exhaustive and result in material sanctions, fines, or restatements. We require an analysis focused on each one of the jurisdictions where we operate to assess the various fiscal positions of current authorities and be able to undertake the corresponding actions. Diverse unfavorable rulings from the authorities, the payment of additional taxes, the imposition of penalties, the payment of fines, sanctions, costs, or adjustments resulting from changes and restatements in the fiscal position of the different authorities in any of the jurisdictions where we have businesses, could materially and unfavorably affect our results of operations, financial condition and cash flow.

IFRS differ in several aspects from the financial information standards of the United States or of many of the countries where we operate or trade our securities.

Mexico, the United States, and other countries have enacted laws in matters of securities that promote a full and accurate disclosure of corporate information to investors. However, we are not bound to comply with most of the securities-related legislation in force in the United States or other countries and, therefore, the reported information may differ from, and presented in a different manner, the available information of companies that operate in the United States or in other countries and that must report their information or securities listing standards pursuant to such regulations. Our financial statements are prepared in accordance with IFRS, which are different from U.S. GAAP for financial reporting in several aspects.

Risk Factors Related to our Notes and this Offering

The Notes are not “green bonds” and may not satisfy an investor’s requirements or future standards for assets with sustainability characteristics.

Although the interest rate in respect of the Notes is subject to upward adjustment if we fail to satisfy the Sustainability Performance Target, the Notes may not satisfy an investor’s requirements or any future legal or quasi-legal standards for investment in assets with sustainability characteristics. The Notes are not being marketed as green bonds. We expect to use the net proceeds of this offering to retire certain outstanding indebtedness, pursuant to the redemption of part or all of our Peso 2022 notes and our USD 2022 notes, and for general corporate purposes, and, therefore, we do not intend to allocate the net proceeds specifically to projects or business activities meeting environmental or sustainability criteria or be subject to any other limitations associated with green bonds.

Although we intend to satisfy the Sustainability Performance Target, there can be no assurance of the extent to which we will be successful in doing so or that any future investments we make in furtherance of this target will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by our own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact.

Adverse environmental or social impacts may occur during the design, construction and operation of any investments we make in furtherance of this target or such investments may become controversial or criticized by activist groups or other stakeholders. It will not be an event of default under the Notes nor will we be required to repurchase or redeem the Notes if we fail to satisfy the Sustainability Performance Target.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion of any third party (whether or not solicited by us) that may be made available in connection with our Sustainability Performance Target or the Notes. For the avoidance of doubt, any such opinion is not and shall not be deemed to be incorporated into and/or form part of this offering memorandum. Any such opinion is not, nor should be deemed to be, a recommendation by us or any underwriter, or any other person to buy, sell or hold the Notes. Any such opinion is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion and/or the information contained therein and/or the provider of such opinion for the purpose of any investment in the Notes.

Currently, the providers of such opinions are not subject to any specific regulatory or other regime or oversight. Any withdrawal of any such opinion or any additional opinion or statement that we are not complying in whole or in part with any matters for which such opinion is opining may have a material adverse effect on the value of the Notes and/or result in adverse consequences for certain investors with mandates to invest in securities to be used for a particular purpose.

We have a significant amount of indebtedness and we may be able to incur more debt which could further exacerbate the risks associated with our indebtedness.

As of December 31, 2020, our total financial debt was US\$3,971 million (including US\$345 million in leaseings) and our stockholders’ equity was approximately US\$3,180 million. Our level of debt may have important consequences to you. Among other things, it may:

- make it more difficult for us to generate sufficient cash flow to satisfy our obligations to make payment on the Notes, particularly if an event of default arises under our existing debt instruments;
- limit our ability to use our cash flow, or obtain additional financing, for future working capital, capital expenditures, acquisitions or other general corporate purposes;
- restrict our ability to pay dividends;
- require a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry conditions;
- limit our ability to undertake additional acquisitions;

- place us at a competitive disadvantage compared to our competitors with lower levels of indebtedness; and
- increase our vulnerability to the impact of adverse economic and industry conditions and, to the extent of our outstanding debt under our floating rate debt facilities, the impact of increases in interest rates.

We cannot assure you that we will continue to generate sufficient cash flow in amounts sufficient to enable us to service our debt, meet our working capital and capital expenditure requirements or undertake our expansion plans. To the extent that we are unable to generate sufficient cash flows from operations, or if we are unable to borrow additional funds, we may be required to sell assets, reduce capital expenditures, refinance all or a portion of our existing debt, or obtain additional financing through equity or debt financings. We cannot assure you that we will be able to refinance our debt, sell assets, or obtain additional financing on terms acceptable to us, if at all. In addition, our ability to incur additional debt will be restricted under the covenants contained in our credit facilities. See “Management’s discussion and analysis of financial condition and results of operations—Liquidity and capital resources.” Moreover, we may incur additional debt in the future. The indenture governing each series of Notes will permit, and the instruments governing our existing debt currently permit, us and our existing and future subsidiaries to incur additional debt. If we incur additional debt, the risks described above could be exacerbated.

The indenture governing the Notes, and the instruments governing our existing indebtedness, impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities.

The indenture governing each series of Notes, and the instruments governing our existing indebtedness, contain covenants that limit future actions to be taken, or transactions to be entered into, by us and our subsidiaries. In addition, under some of our existing indebtedness, we are required to satisfy and maintain specified financial ratios and tests at all times. Events beyond our control may affect our ability to comply with those provisions and we may not be able to meet those ratios and tests.

The breach of any of these covenants would result in a default, which could, in turn, lead to all the outstanding amounts under those debt documents becoming immediately due and payable. The covenants in the indenture, and the instruments governing our existing indebtedness, could limit our ability to seize attractive growth opportunities for our business that are currently unforeseeable, particularly if we are unable to incur financing or make investments to take advantage of these opportunities.

The debt agreements and securities, including the Notes, contain cross-default clauses that may cause all debt issued under such agreements and securities to become due in advance and immediately payable as a result of a noncompliance event resulting under another unrelated debt instrument.

The indenture governing each series of Notes contains certain covenants and the instruments or securities that regulate other debt also set forth covenants and, in some cases, require that we and our subsidiaries comply with and demonstrate compliance with certain financial ratios. Any failure to comply with these covenants could lead to an event of default with respect to the corresponding agreement or security, which may, in turn, result in the related debt or other credits and loans under different instruments becoming due in advance and immediately payable. In such event, we would need to obtain financial resources from alternative sources, which may not be available to us on favorable terms, on a timely basis, or else be unable to obtain any funds at all. Alternatively, any such default could require us to sell our assets or otherwise curtail operations in order to satisfy our obligations to our creditors. The events mentioned above could affect our growth capability, results of operations or financial condition.

We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the Notes.

Under the indenture governing each series of Notes, if a Change of Control Triggering Event (as defined in the indenture) occurs, we must offer to purchase each series of Notes for a price equal to 101% of the principal amount of each series of Notes, plus any accrued and unpaid interest to the date of purchase. In the event of a Change of Control Triggering Event, we may need to refinance large amounts of our debt, including the Notes and indebtedness under certain of our credit facilities or other debt instruments. We may not have sufficient funds available to us to make any required repurchases of each series of Notes upon a Change of Control Triggering Event. If we fail to repurchase the Notes in those circumstances, we will be in default under the indenture, which default may, in turn, trigger cross-default provisions in our other debt instruments. Any future debt that we incur may also contain restrictions on repurchasing the Notes upon a Change of Control Triggering Event.

The subsidiary guarantees may not be enforceable.

Each series of Notes are fully and unconditionally guaranteed, jointly and severally, by certain of our subsidiaries. The guarantees being given by the subsidiary guarantors provide a basis for a direct claim against the subsidiary guarantors. However, it is possible that such guarantees may not be enforceable.

Under Mexican law, in the event that a subsidiary guarantor is determined to be insolvent, bankrupt, in *concurso mercantil*, *quiebra* or became subject to a reorganization proceeding, its guarantee, including the Guarantees, may be deemed to have been a fraudulent transfer and declared void if such subsidiary guarantor failed to receive fair consideration or reasonably equivalent value in exchange for such guarantee. In addition, under applicable bankruptcy provisions, if we are judicially determined to be insolvent or bankrupt, our obligations under each series of Notes would (1) be converted into pesos and then from pesos into UDIs (a unit that is adjusted to the inflation rate officially recognized by Banco de México) and would not be adjusted to take into account any devaluation of the peso relative to the U.S. dollar occurring after such conversion; (2) be satisfied at the time claims of all our creditors are satisfied; (3) be subject to the outcome of, and priorities recognized in, the relevant proceedings; and (4) rank *pari passu* with other secured claims and will be subordinated to certain statutorily preferred creditors, such as those holding labor, tax and social security related claims, which will have preference over any other claims, including claims by any investor in respect of the Notes or such guarantees. Furthermore, the validity of each guarantee of the Notes is subject to the existence and validity of the primary obligation being guaranteed. As a consequence thereof, its enforcement is not independent or irrespective of such primary obligation being guaranteed.

A bankruptcy or other court might make such rulings if it found, among other things, that when a subsidiary guarantor executed its guarantee or granted its lien (or, in some jurisdictions, when it became obligated to make payments under its guarantee):

- such subsidiary guarantor received less than reasonably equivalent value or fair consideration for the incurrence of its guarantee or granting of the lien; and
- such subsidiary guarantor:
 - was (or was rendered) insolvent by the incurrence of the guarantee;
 - was engaged or about to engage in a business or transaction for which its assets constituted unreasonably small capital to carry on its business;
 - intended to incur, or believed that it would incur, obligations beyond its ability to pay as those obligations matured; or
 - was a defendant in an action for money damages, or had a judgment for money damages docketed against it and, in either case, after final judgment, the judgment was unsatisfied.

If the guarantees of the Notes were legally challenged, any guarantee could be subject to the finding of a court that, because the guarantee was incurred for our benefit, and only indirectly for the benefit of the guarantor, the obligations of the applicable guarantor were incurred for less than reasonably equivalent value or fair consideration. A court could thus void the obligations under the guarantees and related security agreements, subordinate them to the applicable guarantor's other debt or take other action detrimental to the holders of each series of Notes.

Although courts in different jurisdictions measure solvency differently, in general, an entity would be deemed insolvent if the sum of its debts, including contingent and unliquidated debts, exceeds the fair value of its assets, or if the present fair salable value of its assets is less than the amount that would be required to pay the expected liability on its debts, including contingent and unliquidated debts, as they become due.

If the guarantees become unenforceable under the conditions described above, each series of Notes would effectively be subordinated to all liabilities, including trade payables, of the subsidiary guarantors. On December 31, 2020, our subsidiary guarantors had total liabilities, excluding intra-company liabilities, of US\$1,214 million. A court could also enter a judgment against noteholders ordering them to return any amounts previously paid under such guarantee or enforcement proceeds from the collateral. If any guarantee or lien were avoided, noteholders would cease to have a direct claim against the applicable subsidiary guarantor, but they would retain their rights against us and any

other subsidiary guarantors, although there is no assurance that our entities' respective assets would be sufficient to pay the Notes in full.

Provisions of Mexican law may make it difficult for holders of the Notes to convert payments that they receive in pesos into U.S. dollars or to recognize the full value of payments to them.

We are required to make payments in respect of each series of Notes in U.S. dollars. However, under the Mexican Monetary Law (*Ley Monetaria de los Estados Unidos Mexicanos*), obligations to make payments in Mexico in foreign currency, whether by agreement or upon enforcement of a judgment, may be discharged in pesos at the exchange rate for pesos prevailing at the time and place of payment or judgment. Accordingly, we will be legally entitled to make payment of amounts due on the Notes in pesos if payment of the Notes is sought in Mexico, whether by seeking payment directly or through the enforcement of a non-Mexican judgment. If we elect to make payments due on the Notes in pesos in accordance with the Mexican Monetary Law, we can make no assurance that the amounts paid may be converted by the payee into U.S. dollars or that, if converted, such amounts would be sufficient to purchase U.S. dollars equal to the amount of principal, interest or additional interests due on the Notes.

You may not be able to effect service of process on us or to enforce judgments against us in Mexican courts.

We and certain of our subsidiary guarantors are companies organized under the laws of Mexico. Many of our directors and executive officers, and the directors and executive officers of many of our subsidiary guarantors, are Mexican residents. A majority of our assets and the assets of certain of our subsidiary guarantors are located in Mexico, and a majority of our net sales and the net sales of certain of our subsidiary guarantors are derived from sources in Mexico. As a result, it may not be possible for investors to effect service of process outside Mexico on us or our directors or executive officers or on those subsidiary guarantors, or to enforce against such parties judgments of courts located outside Mexico predicated on civil liabilities under the laws of jurisdictions other than Mexico, including judgments predicated on the civil liability provisions of the U.S. federal securities laws or other laws of the United States. See "Service of process and enforcement of civil liabilities."

The collection of interest on interest may not be enforceable in Mexico.

Mexican law does not permit the collection of interest on interest and, as a result, the accrual of default interest on past due ordinary interest accrued in respect of the Notes may be unenforceable in Mexico.

Payments on the Notes and the subsidiary guarantees will be junior to our secured debt obligations and effectively junior to debt obligations of our non-guarantor subsidiaries.

Each series of Notes will constitute our unsecured obligations and will rank equal in right of payment with each other and with all of our and our subsidiary guarantors other existing and future unsecured indebtedness, including our unsecured senior notes due 2022, 2024, 2027, 2042 and 2048. Although the holders of the Notes will have a direct but unsecured claim on our assets and property, payment by us in respect of the Notes will be subordinated to our secured debt to the extent of the assets and property securing such debt. Payment by us in respect of the Notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of our non-guarantor subsidiaries. As of December 31, 2020, we and the Subsidiary Guarantors had US\$3,436 million of total indebtedness, none of which is secured, and US\$190 million of which is unsecured debt of our non-guarantor subsidiaries, all of which is structurally senior to the Notes. In addition, under Mexican law, our obligations under the Notes are subordinated to certain statutory preferences, including claims for salaries, wages, secured obligations (to the extent of the security provided), social security, employee housing fund contributions, taxes and court fees and expenses. Similar statutory preferences may be applicable in other jurisdictions where the subsidiary guarantors are incorporated. In the event of our liquidation, such statutory preferences will have a preference over any other claims, including claims by any holder of the Notes.

We face risks related to fluctuations in interest rates.

We are exposed to fluctuations in interest rates. As of December 31, 2020, after giving effect to this offering and the use of net proceeds therefrom and taking into account related derivative financial instruments, approximately 4.2% of our outstanding indebtedness will bear interest at a variable rate. Accordingly, changes in interest rates would affect the cost of these interest-bearing borrowings. If interest rates increase, our debt service obligations on such variable rate indebtedness would increase even though the amount borrowed would remain the same, and our net income and

cash available for servicing our indebtedness, including the Notes, would decrease. As a result, our financial condition, results of operations and liquidity could be materially adversely affected. Furthermore, our attempts to mitigate interest rate risk by financing long-term liabilities with fixed interest rates and our use of derivative financial instruments, such as floating-to-fixed interest rate swaps in connection with certain of our indebtedness, to manage our risk could result in our failure to realize savings if interest rates fall.

Our controlling shareholders may exercise their control in a manner that differs from your interests as a noteholder.

As of the date hereof, our main shareholder is Kaluz, who is controlled by the Valle Perochena family and which owns approximately 47% of our outstanding voting capital stock. These shareholders therefore have the ability to direct the outcome of substantially all matters submitted to a vote of our shareholders, including the election of the majority of directors and, as a result, any decisions taken by the board of directors (including those decisions affecting our future growth and strategy). See “Principal shareholders.” These shareholders may exercise their control in a manner that differs from your interests as a noteholder. For example, they may have an interest in pursuing acquisitions, combinations, divestitures, financings or other transactions which in their judgment could enhance their equity interest, even though such transactions may involve risks to you as a noteholder.

A downgrade in our credit ratings could adversely affect our ability to access credit markets.

If any of our credit ratings are downgraded or if our existing ratings become subject to negative actions by the rating agencies, our ability to access credit markets could be adversely affected and our borrowing costs could be increased. Changes in ratings could also affect the price of the Notes.

There are restrictions on your ability to transfer the Notes.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to persons reasonably believed to be qualified institutional buyers as defined under Rule 144A under the Securities Act. For a discussion of certain restrictions on resale and transfer, see “Transfer restrictions.”

We cannot assure investors that an active trading market for the Notes will develop.

Each series of Notes constitutes a new issue of securities, for which there is no existing market. Although we will apply to admit each series of Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market, we cannot provide investors with any assurances that the application will be accepted. Further, no assurance can be provided regarding the future development of a market for the Notes, the ability of holders of the Notes to sell their Notes, or the price at which such holders may be able to sell their Notes. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, prospects for other companies in our industry, political and economic developments in and affecting Mexico or in the countries in which our main subsidiaries operate, risk associated with Mexican issuers of such type of securities and the market for similar securities. The liquidity of the Notes may be negatively affected in case a secondary market does not develop and their holders may not be able to transfer them in the primary market. For this reason, holders must be prepared to keep the Notes until their maturity and assume all resulting risks. Neither we nor the initial purchasers are bound to create a secondary market for the Notes or to guarantee its development. Therefore, the holders must assume the risk of not finding buyers for said securities in the future. If an active market for the Notes does not develop or is interrupted, the market price and liquidity of the Notes may be adversely affected.

No assurance or representation is given by us, the initial purchasers, the Sustainability-Linked Bond Structuring Agent to the Issuer, the second party opinion providers or the External Verifier as to the suitability or reliability for any purpose whatsoever of any opinion, report, certification or validation of any third party in

connection with the offering of the notes or the Sustainability Performance Targets to fulfil any green, social, sustainability, sustainability-linked and/or other criteria.

The second party opinion providers and providers of similar opinions, certifications and validations are not currently subject to any specific regulatory or other regime or oversight. Any such opinion or certification is not, nor should be deemed to be, a recommendation by us, the issuer the initial purchasers, any second party opinion providers, the External Verifier or any other person to buy, sell or hold notes. Further, any such opinion, report or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this offering memorandum. Noteholders have no recourse against us, the issuer, any of the initial purchasers or the provider of any such opinion or certification for the contents of any such opinion or certification, which is only current as at the date it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion, certification or validation and/or the information contained therein and/or the provider of such opinion, certification or validation for the purpose of any investment in the notes. Any withdrawal of any such opinion or certification or any such opinion, certification attesting that we are not complying in whole or in part with any matters for which such opinion, certification or validation is opining on or certifying on may have a material adverse effect on the value of the notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements within the meaning of the United States securities laws. These statements are subject to certain known and unknown risks, uncertainties and other circumstances out of our control that could cause actual results and expectations on such statements to differ materially from those included in the forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include “consider,” “believes,” “expects,” “foresee,” “intends,” “plans,” “projects,” “predict,” “forecast,” “estimates” or “anticipates” and similar expressions and appear in, among others, the sections in this offering memorandum captioned “Summary,” “Risk factors,” “Management’s discussion and analysis of financial condition and results of operations,” “Industry” and “Business.” Specific forward-looking statements contained in this offering memorandum include, among others, statements regarding:

- risks and hazards associated with the mining business and all the businesses in which we participate;
- the availability of, and important price variations that may affect the cost of, raw material and electricity;
- the expected cost and timing of the planned expansion and upgrade of our plants and our current and projected estimated capital expenditures;
- our plans regarding new products and services and estimated increases in our sales, EBITDA and return on equity;
- growth trends and projected sales of competitors in our industry;
- general economic, political, social and business conditions in Mexico, Latin America, North America and Europe, including changes in currency exchange and interest rates;
- trends in the chemical industry, including changes in capacity, industry price movements and costs;
- trends in the construction industry, particularly in North America, Latin America and Europe;
- changes in market prices, customer preferences, competitive conditions and general level of demand for our products;
- the loss of key executives or personnel;
- trade barriers;
- our ability to successfully undertake or complete potential acquisitions or joint ventures and to integrate acquisitions that we have entered into or completed recently;
- the need to spend more on capital investments than anticipated, including investments arising from compliance with environmental laws;
- global or national health concerns, including the outbreak of pandemic or contagious disease, such as the ongoing COVID-19, commonly known as coronavirus, pandemic, and the government measures to contain the spread of the virus on the global and Mexican economy, including our operations;
- extraordinary events affecting our operations and facilities, including unexpected equipment failures, strikes, emergency safety measures, military or terrorist attacks, and natural disasters;
- our ability to manage, implement and monitor billing and operational support systems;
- the performance of financial markets and our ability to service our debt, fund our working capital requirements and comply with financial covenants in certain of our debt instruments and to refinance our financial obligations; and
- other factors as set forth in the offering memorandum, including factors under “Risk factors.”

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict. For additional information on factors that could cause our actual results to differ from expectations reflected in forward-looking statements, please see “Risk factors.”

We caution you not to place reliance on forward-looking statements, which merely reflect our management’s view as of the date of this offering memorandum.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the Notes in the offering (after fees and commissions to the initial purchasers but before other transaction fees and expenses payable by us) will be approximately US\$1,089 million. We intend to use the net proceeds of the offering,

- i. in part, toward the payment of all or a portion of the redemption price for all or part of our Peso-denominated 8.12% Notes due 2022 (the “Peso 2022 notes”);
- ii. in part, toward the payment of all or a portion of the redemption price for all or part of our U.S. dollar-denominated 4.875% Notes due 2022 (the “USD 2022 notes”);
- iii. in part, for our general corporate purposes, including the refinancing or repayment of our indebtedness.

The outstanding principal amount of the Peso 2022 notes, which are scheduled to mature on March 9, 2022, is Ps. 3,000,000,000, which is equivalent to US\$145,597,849 using the exchange rate of Ps. 20.6047 to US\$1.00 (announced by Banco de México for March 31, 2021), and we plan to give a notice of redemption of part or all of the Peso 2022 notes pursuant to their terms promptly following the settlement of the offering of the Notes. The outstanding principal amount of the USD 2022 notes, which are scheduled to mature on September 19, 2022, is US\$750,000,000, and we plan to give a notice of redemption of part or all of the USD 2022 notes pursuant to their terms as promptly as practicable following the settlement of the offering of the Notes.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2021 and as adjusted to give effect to the sale of the Notes after fees and commissions to the initial purchasers but before other transaction fees and expenses payable by us. You should read this table together with the information under the section entitled “Management’s discussion and analysis of financial condition and results of operations” and our consolidated financial statements, and the notes thereto, included elsewhere in this offering memorandum.

	As of March 31, 2021	
	Actual	As adjusted
	(in thousands of U.S. dollars)	
Short-term debt ⁽¹⁾	635,057	635,057
Long-term debt ⁽²⁾	2,947,814	3,141,050
Total debt	3,582,871	3,776,107
Total stockholders’ equity	3,051,161	3,051,161
Total capitalization	<u>6,634,032</u>	<u>6,827,268</u>

(1) Includes current portion of long-term debt.

(2) Represents bank loans and long-term debt.

Since March 31, 2021, there has not been any material change in our capitalization other than as described above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion is based on and should be read in conjunction with our audited financial statements and the notes thereto, and other financial information included elsewhere in this offering memorandum, all of which have been prepared in accordance with IFRS. See “Presentation of financial and other information” and “Risk factors—Risk Factors Related to Mexico and the Principal Countries Where We Operate— IFRS differ in several aspects from the financial information standards of the United States or of many of the countries where we operate or trade our securities.” This discussion does not include all of the information included in our consolidated financial statements.

Overview

Orbia is a community of companies bound by a shared purpose: advance life around the world. Orbia intends to achieve this purpose by designing value-add client-centric proposals through its platform of leading businesses focused on advanced and basic materials, rural and urban infrastructure as well as services and solutions.

Orbia's Business Groups include:

Netafim (Precision Agriculture, 15% of revenues in 2020). Netafim's leading-edge irrigation systems, services and digital farming technologies enable stakeholders to achieve significantly higher and better-quality yields while using less water, fertilizer, and other inputs. By helping farmers grow more with less, Netafim is contributing to feeding the planet more efficiently and sustainably. Netafim is a world leader in the production and sale of intelligent precision agriculture solutions.

Dura-Line (Data Communications, 11% of revenues in 2020). Dura-Line believes that every organization, every community, and every person around the world deserves a chance to make the most of modern technology. The company annually produces more than 400 million meters of essential and innovative infrastructure—conduit, cable-in-conduit and accessories that create physical pathways for fiber and other network technologies that connect cities, homes, and people. Dura-Line is the leading global producer of conduits and a global leader in HDPE products for cable and fiber optics, as well as natural gas pressurized piping and solutions.

Wavin (Building & Infrastructure, 32% of Revenues in 2020). Wavin is redefining today's pipes and fittings industry by creating innovative solutions designed to last longer and require less labor to install. Serving customers on three continents, Wavin is also developing sustainable technologies around water management and indoor climate systems. Wavin is a leading producer of above and below-ground solutions in Latin America and Europe.

Koura (Fluorinated Solutions, 11% of revenues in 2020). Koura provides fluorine and downstream products that support modern living in a vast number of ways. Koura operates the world's largest fluorspar mine and produces intermediates, refrigerants and propellants used in automotive, infrastructure, semiconductor, health, medicine, climate control, food cold chain, energy storage, computing, and telecommunications applications. Koura is the leading global producer of fluorspar and the world's largest producer of integrated hydrofluoric acid.

Polymer Solutions (Vestolit & Alphagary, 34% of revenues in 2020). Polymer Solutions focuses on PVC general and specialty resins and zero-halogen specialty compounds with a wide variety of applications in solutions that undergird everyday life, including pipes, cables, flooring, auto parts, household appliances, clothing, packaging, and medical devices. The Polymer Solutions businesses are leading global vinyl players, with strong positions in the Americas and Europe.

These five Business Groups have a collective focus on ensuring food security, reducing water scarcity, reinventing the future of cities and homes, connecting communities to data infrastructure, and expanding access to health and wellness with advanced materials.

In 2020, we generated US\$6,420 million in revenue and employed more than 21,500 people in more than 50 countries, where we operate 129 production plants, concessions for the exploitation of two fluorspar mines in Mexico, eight formation academies, 19 research and development laboratories, a venture studio in San Francisco and offices in Mexico City, Boston, Amsterdam and Tel Aviv. Due to our global presence, we decided to name our businesses and business groups in English and changed our name from Mexichem S.A.B. de C.V. to Orbia Advance Corporation S.A.B. de C.V. on August 26, 2019.

During its recent history, Orbia implemented a growth strategy based on acquisitions which allowed us to expand our global presence and market share in a significant manner. Following the acquisition of Netafim, our executive team announced that the strategy going forward would focus on organic growth complemented with bolt-on mergers and acquisitions initiatives in line with our profile. This strategy will continue under Sameer S. Bharadwaj's leadership, Orbia CEO since February 1, 2021.

Significant events

Formation and acquisition of new businesses

During 2018, we established and acquired new businesses as described below:

- On January 22, 2018, we announced the acquisition of Sylvin Technologies Inc. ("Sylvin"), a manufacturer specializing in PVC compounds based in Denver, Pennsylvania, for US\$39 million free of cash and debt. On the date it was acquired, Sylvin had 30 years of experience serving a wide range of industries including cable, electrical, industrial, automotive, medical and food products. We added Sylvin to the Polymer Solutions Business Group under the Compounds Business Unit. On February 7, 2018, we announced the acquisition of Netafim LTD (Netafim), Israel's leading micro irrigation solutions company, after obtaining all government authorizations and complying with the conditions set forth in the share purchase agreement signed in August 2017. Kibbutz Hatzerim retained the remaining 20% of Netafim's share capital. In addition, we signed a put and call rights agreement with Kibbutz Hatzerim pursuant to which Kibbutz Hatzerim will have, beginning after the fifth anniversary of the closing of the Netafim acquisition and for a period of 10 years, the right to sell us its participation in Netafim and we will have the obligation to acquire it at the price set forth in the put and call rights agreement. Also pursuant to the put and call rights agreement, we will have the right to purchase Kibbutz Hatzerim's participation in Netafim beginning after the eighth anniversary of the closing of the Netafim acquisition and for a period of 10 years, and Kibbutz Hatzerim will have the obligation to sell it on the terms stipulated in the put and call rights agreement. The total amount of the acquisition was US\$1,424 million, of which US\$239 million was paid from cash generated by our operations, US\$200 million was paid with funds obtained from a new short-term loan, and US\$985 was paid with the funds obtained from the placement of the 2027 Notes and the 2048 Notes.
- On July 6, 2018, we announced that in line with our strategy of consolidating key businesses, we reached an agreement to acquire 44.09% of the shares representing the equity interest of Pemex in Petroquímica Mexicana de Vinilo, S.A. de C.V. (PMV), through our subsidiary PPQ Cadena Productiva S.L., after the approval by both our and Pemex's boards of directors. The transaction amount was approximately US\$159.3 million.

During 2020 and 2019, we did not establish or acquire any material new businesses.

Other Factors affecting our results of operations

Impacts of the COVID-19 pandemic

On January 30, 2020, the World Health Organization ("WHO") declared a global state of emergency due to the spread of COVID-19. On March 11, 2020, it declared COVID-19 as a pandemic outbreak. Starting in March 2020, government authorities in various jurisdictions imposed confinement or other restrictions to contain the virus, causing the suspension or reduction of business activities in various sectors of the economy.

Our business and financial performance has been affected, and continues to be affected, by the COVID-19 pandemic. This impact includes a decline in revenue as a result of interruptions to supply chains and decreased demand for our products in April and May of 2020. However, by the end of 2020, we had a recovery mainly due to our Vestolit and Wavin business groups. The impact COVID-19 could have on our business in 2021 is uncertain.

During the COVID-19 pandemic, we have sought to safeguard our employees' health and well-being and maintain our operations by:

- maintaining strict health and safety measures in all operating locations;

- introducing phased return-to-work protocols where applicable for essential sites and facilities, which are still ongoing;
- continuing restrictions on all non-essential business travel while encouraging employees across geographies to work remotely, where possible; and
- utilizing digital tools to efficiently collaborate, deliver our products to customers and drive innovation while enhancing digital infrastructure to accommodate volume increases and expanded stakeholder needs.

As an extension of our human-centered approach, we undertook additional measures to support our people, including:

- Expanding remote learning and training while offering remote health support and physician access to all employees;
- Implementing an employee assistance program in Latin America, which will continue after the COVID-19 pandemic; and
- Continuing to support innovation and internal crowdsourcing efforts.

Most of our facilities have remained operational since the start of the COVID-19 pandemic, and we have not experienced any meaningful supply chain disruptions. We have adapted our manufacturing processes and streamlined prototyping timelines to produce and deliver essential medical equipment and materials, including tens of thousands of inhalers that use our medical propellants, flexible critical care infrastructure, rapid COVID-19 testing devices, sanitation tents and intelligent health assessments and medical-grade personal protective equipment made from its plastics.

On the other hand, the company continues with its business strategy for the medium and long term, as well to adapt to market conditions, based on the resilience of its main businesses and the rapid recovery shown from the second half of 2020. However, there is still some uncertainty around the long-term potential impact that the coronavirus will have.

Among the impacts from COVID-19 in Orbia's financial performance, the most important was a decline in sales derived from a decrease in demand, mainly during the months of April and May of 2020. Likewise, as mentioned in the following paragraph, Orbia made use of several credit lines as a measure against the pandemic-derived uncertainty. Global macroeconomic conditions

Our business is affected by several industries, including the construction, refrigeration, manufacturing, automotive, consumer goods and urban and rural infrastructure industries, among others. We have commercial activities in more than 110 countries and assets and manufacturing and distribution operations in 50 countries throughout the Americas, Africa, Asia and Europe, including Argentina, Brazil, Canada, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Venezuela, the United States, among others. As a result, our activities, financial condition and results of operations are largely dependent upon the general economic conditions and the purchasing power of the population in each of the countries in which we operate, regional relations and tariff agreements and treaties. In the past, the economies of these countries have been affected by a number of adverse factors, including:

- The global economic cycles generally and, particularly, in each country and in the chemical, residential and commercial construction, refrigeration and air conditioning, automotive and agricultural industries, among others. The following table shows the economic growth, measured in terms of real GDP growth for the last three years, reported by the countries that contribute most significantly to our results of operations:

	Real GDP Growth		
	2020	2019	2018
Mexico.....	(9)%	(0.3)%	2.2%
United States	(4.3)%	2.2%	3%
Brazil	(5.8)%	1.1%	1.3%
Colombia	(8.2)%	3.3%	2.5%
Euro Zone (27 countries)	(6.6)%	1.3%	1.9%
United Kingdom.....	(9.8)%	1.5%	1.3%
Germany	(6)%	0.6%	1.3%
Netherlands.....	(5.4)%	1.7%	2.4%
France	(9.8)%	1.5%	1.8%
Belgium	(8.3)%	1.4%	1.5%
Denmark	(5)%	2.3%	2.4%
Norway	(2.8)%	1.2%	1.3%
Sweden	(4.7)%	1.3%	2%
Finland.....	(4)%	1.1%	1.5%
Ireland.....	(3)%	5.9%	9.3%
India.....	(10.3)%	4.2%	6.1%

Source: International Monetary Fund, except for the 27 Euro Zone countries, for which the source was Bloomberg.

- Inflation and high interest rates. In the past, high interest rates in the countries where we operate have had a significant effect on some of the major components of our cost of sales and operating expenses because of an increase in the price of non-commercial goods, such as the cost of electricity, natural gas and sulfur. In addition, price increases in petroleum and petroleum derivatives increase the costs associated with some of the primary components of our cost of sales (*i.e.*, direct and indirect commodities), but can sometimes favorably affect the price of certain of our products. See “Risk factors—Risk factors related to our business and industry—Fluctuations in the price of natural gas, energy, sulfur, ethane, Ethylene, petroleum and petroleum derivatives, our key raw materials, may adversely affect our business and operating results.”
- Uncertainty with respect to future political, social and economic conditions, particularly during the years immediately preceding presidential and legislative elections.
- The volatility of, and uncertainty with respect to, the global credit and capital markets.
- The potential devaluation of local currencies with respect to the U.S. dollar, and the potential imposition of foreign exchange restrictions. During 2020, 2019 and 2018, the currency used in many of the countries in which we operate depreciated against the U.S. dollar, which had a negative impact on our consolidated financial statements in the form of lower revenues from export sales and in the translation effects associated with consolidating financial statements under local currencies into our financial statements, which are in U.S. dollars, as the dollar is our functional and reporting currency.
- Hedging of foreign-currency denominated obligations. Our business strategy is aimed at achieving diversification through our presence and participation in the global markets. Accordingly, we have significant levels of export activity around the world, which generate revenue in currencies other than the U.S. dollar, which is our functional currency. A benefit of these U.S. dollar-denominated revenue is that it serves as a natural hedge to service our foreign-currency denominated debt, which as of December 31, 2020, was US\$3.04 billion out of our total debt (swapped) of US\$3.6 billion. See “Risk factors—Risk factors related to our business and industry—We have a significant amount of indebtedness and we may be able to incur more debt which could further exacerbate the risks associated with our indebtedness” and “—Liquidity and capital resources.”

An economic recession or significant increase in inflation and interest rates in the United States, Mexico, Brazil, Colombia and Europe, could have a material adverse effect on our business activities, results of operations, financial condition and prospects since, among other things, the demand for the products that we manufacture and our operating margins could be reduced. See “Risk factors—Risk factors related to Mexico and the principal countries where we operate—Inflation and government measures to curb inflation may adversely affect the economies in the countries where we operate, our business and operations, and the market prices of our Notes.”

Principal trends in our business

There is currently a market for our products in various industries, including infrastructure and housing, water management, heating and cooling, irrigation, datacom, and medicine, among others. Our business strategy emphasizes the importance of being a vertically integrated company, focused on specialty products for the purpose of reducing the volatility of our raw materials and, in this manner, focus on the production and marketing of products with higher profitability and added value. We have grown through the acquisition of companies operating along our production chains, which has allowed us to be vertically integrated, consolidate our leadership and to maintain a geographical presence in countries where we sell our products. This business strategy has enabled us to become one of the world's top producers of chemical products, the sixth largest global producer of PVC resins and the largest global producer of specialty PVC resins, as well as one of the global leaders in manufacturing plastic pipes and fittings of PVC and PE, among others. In addition, we are one of the fully vertically integrated fluorochemical company in the world.

There are also certain macroeconomic trends that we believe could impact our strategy and business operations:

Urbanization

By 2030, the UN projects that 4.9 billion people will be urban dwellers. By 2050, the world's urban population is expected to have increased by 72% from 3.6 billion in 2011 to 6.3 billion in 2050, and to make up two thirds of the world's population, according to UN Department of Economic and Social Affairs. Many of the world's largest cities already have GDPs larger than mid-size countries. With increased urbanization, cities are expected to be important agents for job creation, and will likely have increased construction and infrastructure needs.

According to the IHS, demand for PVC over the last four years has increased by 6.6%. Developing countries are expected to drive growth in demand, as investments in infrastructure and housing are needed to keep up with growing populations. The key markets for Orbia's PVC products are the United States, Mexico, much of Latin America, particularly Brazil and Colombia, Eastern Europe, and the Middle East.

PVC is one of the most widely used plastics in the world due to its versatility, durability and resilience. When plasticized, PVC offers a wide range of high performance, flexible applications such as membranes for water treatment, insulating films or durable electrical cables and wires. These and many other flexible PVC solutions effectively contribute to reduce energy consumption and enhance resource efficiency. The largest application for PVC is pipes and fittings, and profiles and tubes is the second largest category in the building and construction sector. Together, both account for 60% of global PVC demand.

Deficiencies in infrastructure create serious safety risks and affect long-term economic growth, but adapting to climate change raises the bar for an infrastructure push. Moreover, China may be looking to front-load transport infrastructure investment over the next few years as a way to support economic growth. According to IHS, overall PVC global consumption is projected to grow by an average of 4.6% until 2025, with mainland China being the key demand driver followed by the United States.

Technological breakthroughs

Automation, robotics and the internet of things are developing quickly, all of which is dramatically changing the nature and number of jobs available. Technology has the power to improve our lives, raising productivity, living standards and average life span, and free people to focus on personal fulfilment. But it also brings the threat of social unrest and political upheaval if economic advantages are not shared equitably; thus, we have micro conduit solutions under the Dura-Line brand. We have developed a line of micro conduit solutions, designed to be used inside and outside of buildings to improve the network requirements of companies. Our technology provides wide-ranging solutions to meet future growth requirements with affordable installation costs.

We also sell an extensive range of fittings and accessories for the voice and data telecommunications sector and for cable TV and equipment installation, such as connectors and woven fiber-optic fabric tapes, designed to improve and make the installation of pipe and conduit solutions more efficient. Investments required to enable new broad band networks, 5G connectivity and fiber optics around the world can greatly impact sales in our Data Communication (Dura-line) business group. Investment in this industry is influenced by government regulation, consumer demand for new services, development and implementation of technology and industry standards, competitive landscape in the telecommunications sector, price levels and access to capital.

Resource scarcity and climate change

Demand for energy and water is forecasted to increase by as much as 50% and 40%, respectively, by 2030. New types of jobs in alternative energy, new engineering processes, product design and waste management and re-use will need to be created to deal with these needs. Traditional energy industries, and the millions of people employed by them, will see a rapid restructuring. We have solutions in water management and irrigation in Europe, Latin America, Asia and Africa.

The agriculture industry is also an important growth industry for us in Latin America. For example, it is estimated that Mexico currently has five million hectares of operating farmland that require irrigation. As a result of this significant potential, our agricultural solutions manufacturing process focuses primarily on providing water-management solutions for major projects in the biofuels and food segments.

Organic growth and growth through acquisitions and joint ventures

During our recent history, we have implemented a growth strategy based on acquisitions which allowed us to expand its global presence and market share in a significant manner. Following the acquisition of Netafim, the executive team announced that the strategy going forward would focus on organic growth complemented with bolt-on mergers and acquisitions initiatives in line with the profile.

We are developing a global organic growth model with an approach of strengthening our product categories in the countries where we already operate as well as entering into new geographies. This strategy is expected to maximize our current capabilities, thus improving margins, and driving our organic growth through cross selling. In recent years, we have improved our positioning in the North American and European markets. As of December 31, 2020, these regions account for 53% of sales. We are continuously working to strengthen a platform that offers comprehensive solutions for our customers while creating long-term relationships.

Cyclicality

The Chlor-Alkali (also known as Chlorine-Alkali) industry experiences cyclical behavior in light of global economic trends, such as periods of low profitability or growth, which are followed by periods of considerable margins. Demand for Chlorine depends on the construction industry, and the demand for Caustic Soda depends on the manufacturing center.

We are the largest producer of PVC in Latin America, the sixth largest PVC producer worldwide, and the largest producer of specialty resins worldwide. The PVC market is subject to significant fluctuations in both demand and price, which respond to growth or contraction in the global economy.

As of the date of this offering memorandum, and since the second half of 2020, we have been experiencing a supply and demand imbalance triggered by supply disruptions in several regions. This has been coupled with strong demand recovery in the global construction sector which has resulted in PVC prices reaching historic highs. Our operations in the northern hemisphere in our Wavin and Dura-Line business lines experience similar market seasonality. Typically as a result of the colder winter months, we experience a decrease in demand and sales during the first and fourth quarters of each year. However, recent climate conditions have resulted in milder winters, and demand has decreased less during the first and fourth quarter than in prior years. We cannot assure that future winters will continue to be mild, or that winter-time demand will not decrease as it has in prior years.

Netafim tends to experience seasonality based on weather conditions with the first and third quarters of each year being relatively weaker due to winter and raining conditions respectively. It also affects the crop season.

Demand for fluorspar from the Koura business line does not tend to be cyclical.

Market position

As a result of our organic growth in addition to our acquisitions of businesses that provide synergies and further our vertical integration, we have positioned ourselves as a leader in the markets and regions in which we operate. We are the largest producer of PVC in Latin America, the sixth largest PVC producer worldwide, and the largest producer of specialty resins worldwide. There is significant competition in the international market which has resulted in high levels of excess supply in some of our product categories and led to market consolidation by competitors through

mergers and acquisitions. Our competitors in the Wavin market have made significant investments, increasing the level of competition in Latin America.

Basis for the presentation of financial information

Our consolidated financial statements as of December 31, 2020, 2019 and 2018, have been prepared in accordance with IFRS. The amounts in the consolidated financial data for the years ended December 31, 2020, 2019 and 2018, including the analysis by business groups contained therein, are not necessarily comparable.

Revenues

We derive revenues from the production and sale of goods and services through the following major business lines:

- ***Dura-Line (Data Communications):*** Pipelines, accessories and solutions for cable and fiber optics for voice and data conduction, as well as pipelines for natural gas conduction and distribution which are produced and distributed through the Dura-Line business, primarily in the United States, Canada, Europe, and the Middle East;
- ***Koura (Fluor):*** Fluorite and HF, which is used in the production of refrigerant gases and other fluorinated products. These chemical compounds along with Fluorspar which is directly extracted from our mining concessions are produced through the Koura fluorine value chain mainly in plants located in North America and exported worldwide;
- ***Netafim (Precision Agriculture):*** Intelligent precision irrigation (drip irrigation) solutions produced through our Netafim business in Israel, Turkey, the Netherlands, Spain, South Africa, Mexico, Brazil, Peru, Chile, China, Colombia, Australia, India and the United States. Through our Netafim business line, we offer solutions in agricultural, civil and project engineering, related to the management, use and control of water in the agricultural, livestock and aquaculture areas;
- ***Vestolit (Polymer Solutions):*** Calcium-zinc stabilizer used in processing of PVC through our Vestolit business in North America, Europe and Colombia. Through this business line we manufacture (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; and
- ***Wavin (Building and Infrastructure):*** 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 in Latin America and Europe.

The following table shows the percentage of our net sales contributed by each of our business groups, as well as our holding company, as of the dates indicated (including the elimination for inter-business group transactions):

Business Group (in %)	Year ended December 31,	
	2020	2019
Dura-Line	11	11
Koura	11	12
Netafim	15	15
Vestolit	34	33
Wavin	32	32
Holding Company	3	1
Eliminations	(6)	(4)
Total	100	100

Expenditures

Costs of sales

The principal components of our cost of sales are our raw materials, freight and the depreciation of our plants and industrial equipment. In 2020, our cost of sales, as a percentage of our sales, decreased to 71.2% as compared with 72.0% in 2019 and 72.2% in 2018.

Operating expenses

Our principal operating expenses consist of:

- Selling and development expenses, including sales, marketing and advertising expenses, sales commissions and costs associated with our research and development center;
- Depreciation and amortization of assets other than plants and industrial equipment;
- Employee labor expenses, including wages, salaries, social security benefits and bonuses;
- General administrative expenses, including office and travel expenses, legal and auditing fees, advertising and other related expenses;
- Maintenance expenses associated with our production facilities; and
- Other operating expenses, which also include employee profit sharing expenses.

Taxes

Income Tax

Our subsidiaries are subject to income tax. Income tax is calculated based on our fiscal profit, which differs from our reported revenue in the consolidated statement of earnings and other consolidated results, as a result of taxable revenue or expenses or deductible items in other years and items that never are taxable or deductible. The tax liabilities of a subsidiary are calculated using the fiscal rates promulgated or substantially approved at the end of the reported period by the countries where the subsidiary is located.

The following table shows the income tax rates applicable for 2020 in each of the countries where we operate:

Country	%	Country	%
Argentina	35	Panama.....	25
Brazil.....	34	Austria.....	25
Germany.....	33	Italy	24
Colombia.....	32	Denmark.....	22
Morocco.....	31	Norway.....	22
El Salvador.....	30	Sweden.....	21
Nicaragua.....	30	Slovakia	21
Mexico	30	United States of America.....	21
Japan	30	Estonia	20
Kenya	30	Russia.....	20
Peru	30	Finland	20
Australia.....	30	Latvia	20
Costa Rica	30	Poland	19
Rwanda	30	United Kingdom	19
Belgium.....	29	Czech Republic.....	19
South Africa.....	28	Croatia.....	18
Chile.....	27	Romania	16
Canada.....	27	Lithuania	15
Ecuador	25	Serbia	15
China.....	25	Oman.....	15
Spain	25	Bulgaria.....	10

Results of operations

The following tables set forth the results of each of our business groups and the reconciliation of these results to our consolidated results of operations for the periods set forth below.

	Year ended December 31, 2019 and 2020			
	(in thousands of U.S. dollars)			
	2019	2020	2019	2020
	Net sales	Net sales	EBITDA	EBITDA
Vestolit.....	2,333,796	2,170,679	443,165	461,964
Koura	805,187	697,951	324,740	254,327
Wavin	2,238,757	2,071,265	269,205	261,072
Dura-Line.....	749,108	732,154	148,813	173,336
Netafim.....	1,063,447	972,015	179,236	181,168
Eliminations ⁽¹⁾	(300,032)	(408,014)	-	-
Holding Company.....	96,919	183,720	45	(13,610)
Consolidated	6,987,182	6,419,770	1,365,204	1,318,257

- (1) Eliminations are used to calculate third party sales, with the remaining US\$300 million constituting income from services, which corresponded to the operative expenses of the operating company.

Year ended December 31, 2020 compared with the year ended December 31, 2019

The following table sets forth our results of operations for the years ended December 31, 2020 and 2019.

	Year ended December 31,	
	2020	2019
	(in thousands of U.S. dollars)	
Net sales	6,419,770	6,987,182
Cost of sales	4,573,608	5,028,919
Gross profit	1,846,162	1,958,263
Operating expenses ⁽¹⁾	1,125,692	1,135,242
Operating income	720,470	823,021
Net financial expense and exchange rate variation ⁽²⁾	242,089	294,612
Equity in profits of associated companies	(867)	(4,142)
Income taxes	150,811	205,542
Income from continuing operations	328,437	327,009
Discontinued operations net	(9,657)	(107)
Consolidated net income	318,780	326,902

- (1) Operating expenses includes selling and development expenses, administrative expenses, depreciation, and amortization (not included in cost of sales) and other expenses (income).
- (2) Net financial expense and exchange rate variation includes: (a) monetary position gain by US\$1.4 million and US\$0.2 million and (b) change in fair value of redeemable non-controlling interests by US\$9.7 million and US\$18.5 million for the year ended December 31, 2020 and 2019, respectively, in addition to interest expense and foreign exchange gain.

Net sales

Our net sales decreased 8%, to US\$6,420 million in 2020, from US\$6,987 million in 2019. This decrease was mainly the result of a decrease in sales volumes due to a negative impact on our supply chain and low demand caused by the COVID-19 pandemic during the second quarter of 2020, which was not fully offset by the increase in net sales in the second half of 2020.

Vestolit's net sales decreased 7%, to US\$2,171 million in 2020, from US\$2,334 million in 2019. This decrease was mainly the result of lower sales volume and decreased VMC availability, both due to the impact of the COVID-19 pandemic earlier in the year, which was partially offset by an increase in derivatives volume, mainly in the sanitation markets. Furthermore, during the last quarter of 2020, PVC prices increased due to increased demand and decreased PVC supply.

Koura's net sales decreased 13%, to US\$698 million in 2020, from US\$805 million in 2019. This decrease was mainly the result of the impact of illegal imports of R34 refrigerant gas on prices and volume for our refrigerants business in Europe and the decline in prices and global sales volumes due to decreased demand related to the COVID-19 pandemic.

Wavin's net sales decreased 8%, to US\$2,071 million in 2020, from \$2,239 million in 2019. This decrease was mainly the result of the severe COVID-19 related impacts in the second quarter that led to a decrease in sales volumes and a decline on prices in the construction and infrastructure sector, which partially reversed in the second half of 2020.

Dura-line's net sales decreased 2%, to US\$732 million in 2020, from US\$749 million in 2019. This decrease was mainly the result of project delays in Europe, India, Middle East, and Latin America due to the COVID-19 pandemic, which was partially offset by higher sales in the second half of 2020 as compared to 2019 in the U.S. and Canada.

Netafim's net sales decreased 9%, to US\$972 million in 2020, from US\$1,063 million in 2019. This decrease was mainly the result of some project delays and the impact of the COVID-19 pandemic, particularly during the first half of the year and concentrated in certain markets in regions such as India, which was partly offset by growth in the United States, Middle East, Africa, China and Australian markets.

Cost of sales

Our cost of sales decreased 9%, to US\$4,574 million in 2020, from US\$5,029 million in 2019. This decrease was mainly the result of the implementation of various initiatives related to manufacturing efficiencies, restructuring

efforts and energy costs savings, among other things, to ensure cost containment throughout our organization, in addition to a decrease in sales.

Gross profit

Our gross profit decreased 6%, to US\$1,846 million in 2020, from US\$1,958 million in 2019. Our gross margin, which is calculated by dividing gross profit by net sales, increased to 29% in 2020, from 28% in 2019.

Operating expenses

Our operating expenses decreased 0.9%, to US\$1,126 million in 2020, from US\$1,135 million in 2019. Our operating expenses represented 18% of our net sales in 2020, from 16% in 2019. Our operating expenses represented 18% of our net sales in 2020, up 2 percentage points from 16% in 2019.

Operating Income

Our operating income decreased 12%, to US\$720 million in 2020, from US\$823 million in 2019. This decrease was mainly the result of reduced revenues and a 55 basis point decline in the operating margin to 11.2% at the end of 2020. This decrease was partially offset by a sustained recovery during the second half of 2020 led by Polymer Solutions and Wavin.

Net financial expense and exchange rate variation

Our net financial expenses and exchange rate variation decreased 18%, to US\$242 million in 2020 compared to US\$295 million in 2019. This decrease was mainly due to the implementation of a more efficient financing strategy in terms of cost, lower leverage at the end of 2020 as compared to the end of 2019, and a significant reduction in interest rates beginning in March 2020 as the COVID-19 pandemic crisis started, together with a one-off expense in 2019 related to the upfront costs of renegotiating our revolving credit facility in June 2019.

Income tax

Income taxes decreased 27%, to US\$151 million in 2020, from US\$206 million in 2019. This decrease was mainly the result of the depreciation of the Mexican Peso compared to the U.S. dollar.

Consolidated net income

Our consolidated net income decreased 2%, to US\$319 million in 2020, from US\$327 million in 2019.

Year ended December 31, 2019 compared with the year ended December 31, 2018

The following table sets forth our results of operations for 2019 and 2018.

	Year ended December 31,	
	2019	2018
	(in thousands of U.S. dollars)	
Net sales.....	6,987,182	7,198,136
Cost of sales.....	5,028,919	5,199,495
Gross profit.....	1,958,263	1,998,641
Operating expenses ⁽¹⁾	1,135,242	1,063,827
Operating income.....	823,021	934,814
Net financial expense and exchange rate variation (2).....	294,612	284,289
Equity in profits of associated companies	(4,142)	(4,272)
Income taxes.....	205,542	194,680
Income from continuing operations	327,009	460,117
Discontinued operations net.....	(107)	22,829
Consolidated net income	326,902	482,946

(1) Operating expenses includes selling and development expenses, administrative expenses, depreciation and amortization (not included in cost of sales) and other expenses (income).

(2) Net financial expense and exchange rate variation includes a) monetary position gain by US\$0.2 million and US\$12.7 million; b) change in fair value of redeemable non-controlling interests by US\$18.5 million and US\$18.6 million for the year ended December 31, 2019 and 2018, respectively, in addition to interest expense and foreign exchange gain.

Net sales

Our net sales decreased 3%, to US\$6,987 million in 2019, from US\$7,198 million in 2018. This decrease was mainly the result of (1) lower sales in our Vestolit business, which faced challenging market conditions that caused lower prices in caustic soda and PVC, (2) lower sales in our Wavin business in Europe and Latin America and in our Dura-Line business, and (3) illegal imports of R34 refrigerant gas which impacted prices and volume for our refrigerants business in Europe in our Koura business.

Cost of sales

Our cost of sales decreased 3% to US\$5,029 million in 2019 from US\$5,199 million in 2018. This decrease was mainly the result of a price reduction in some of our raw materials. In 2019, our cost of sales as a percentage of revenue decreased 20 basis points to 72.0%

Gross profit

Our gross profit decreased 2%, to US\$1,958 million in 2019, from US\$1,999 million in 2018. Our gross margin, which is calculated by dividing gross profit by net sales, represented 28% in 2019, and 2018.

Operating expenses

Our operating expenses increased 7%, to US\$1,135 million in 2019, from US\$1,064 million in 2018. This increase was mainly the result of an increase in Vestolit's legal reserve, additional monthly expenses in January of 2019 related to the Netafim consolidation which was not included in 2018 and higher expenses in other Business Groups. Our operating expenses represented 16% of our net sales in 2019, from 15% in 2018.

Operating Income

Our operating income decreased 12%, to US\$823 million in 2019, from US\$935 million in 2018. This decrease was mainly the result of an increase in operating expenses.

Net financial expense and exchange rate variation

Our net financial expenses and exchange rate variation increased 4%, to US\$295 million in 2019, from US\$284 million in 2018. This increase was mainly the result of the adoption of IFRS 16 which impacted net interest expenses as well as higher bank commissions related to the renewal of our \$1.5 billion revolving credit facility and the refinancing of one of Netafim's bank loans. These increased costs were partially offset by a decrease in foreign exchange losses.

Income tax

Income taxes increased 6%, to US\$206 million in 2019, from US\$195 million in 2018. This resulted in an effective tax rate of 39% driven by the appreciation of the Mexican Peso over the U.S. dollar as well as by the repatriation of dividends.

Consolidated net income

Our consolidated net income decreased 32%, to US\$327 million in 2019, from US\$483 million in 2018, due primarily to lower operating income.

Liquidity and capital resources

Liquidity

We can meet our liquidity needs through the generation of cash flows from ordinary business operations, the sale of discontinued businesses, financing through loans and the issuance of debt securities traded on the Mexican Stock Exchange (BMV) or in international markets, and through capital increases by our stockholders, either through subscription of current shareholders or through public offerings in the stock market.

Liquidity ratios	2020	2019	2018
Current assets/current liabilities	1.22	1.11	1.10
Current assets - inventories/current liabilities	0.89	0.78	0.78
Current assets/total liabilities	0.45	0.41	0.43

We have funding needs related primarily to the following purposes:

- working capital;
- interest payments, related to current debt;
- capital investments related to our operations, construction of new plants, maintenance of facilities, and plant expansions;
- funds required for potential acquisition of companies that align with our strategy; and
- payment of dividends.

As described above, the main sources of our liquidity have historically been the following:

- Cash generated from operations.
- Cash from short-, medium-, and long-term financing.
- Capital increases.
- Company divestitures.

Projected sources and uses of cash

We have, as of the date of this offering memorandum, access to a committed revolving line of credit with an undrawn balance of US\$1 billion with a consortium of Mexican and international banks. Additionally, we have a long-term revolving debt program of Mexican debt securities registered with the Mexican National Registry of Securities denominated “*certificados bursátiles*” (Cebur), for an aggregate principal amount of Ps. 10.0 billion or its equivalent in Investment Units (*Unidades de Inversión*), of which we have used Ps. 3.0 billion in 2012 (maturing in 2022), as of the date of this offering memorandum, and have the option to issue new debt, for an amount of up to an additional Ps. 7.0 billion or its equivalent in Investment Units (*Unidades de Inversión*).

Cash flows

Cash flows provided by (used in) operating activities

In 2020, 2019 and 2018, cash flows provided by our operating activities amounted to US\$1,093 million, US\$1,083 million and US\$1,293 million, respectively.

In 2020, cash flows provided by our operating activities were derived primarily from:

- US\$1,077 million in income before income taxes, depreciation and amortization;
- a US\$101 million increase from net changes in working capital;
- a US\$239 million increase from interest expenses; and
- a US\$(324) million decrease from other items.

In 2019, cash flows provided by our operating activities were derived primarily from:

- US\$1,075 million in income before income taxes, depreciation and amortization;
- a US\$(137) million decrease from net changes in working capital;
- a US\$272 million increase from interest expenses; and
- a US\$(127) million decrease from other items.

In 2018, cash flows provided by our operating activities were derived primarily from:

- US\$1,116 million in income before income taxes, depreciation and amortization;
- a US\$(98) million in decrease from changes in working capital;

- a US\$251 million increase from interest expenses; and
- a US\$24 million increase from other items.

Cash flows provided by (used in) financing activities

In 2020, 2019 and 2018, cash flows provided by (used in) financing activities were US\$(562) million, US\$(894) million, and US\$(622) million for 2020, 2019 and 2018, respectively.

In 2020, our principal uses of cash flows provided by (used in) financing activities consisted of:

- US\$(231) million in interest paid;
- US\$(89) million in lease payments;
- US\$(372) million in dividends paid;
- US\$(42) million from purchases of shares; and
- US\$173 million from net loan proceeds.

In 2019, the cash flows provided by (used in) financing activities were as follows:

- US\$(276) million in interest paid;
- US\$(92) million in lease payments;
- US\$(369) million in dividends paid;
- US\$(40) million from purchases of shares; and
- US\$(117) million from net loan proceeds.

In 2018, our principal sources of cash flows provided by (used in) financing activities consisted of:

- US\$(222) million in interest paid;
- US\$(342) million in dividends paid;
- US\$(67) million from purchases of shares;
- US\$168 million from net loan proceeds; and
- US\$(159) million from acquisition of non-controlling interest.

Cash flows provided by (used in) investing activities

In 2020, 2019 and 2018, cash flows used in our investing activities were US\$219 million, US\$274 million and US\$1,777 million, respectively.

In 2020, our cash flows provided by (used in) investing activities consisted of:

- the acquisition of machinery and equipment in the amount of US\$(204) million;
- the acquisition of associates in the amount of US\$(4) million;
- the investment in other tangible and intangible assets in the amount of US\$(31) million; and
- the sale of machinery and equipment in the amount of US\$21 million.

In 2019, our cash flows provided by (used in) investing activities consisted of:

- the acquisition of machinery and equipment in the amount of US\$(261) million;
- the investment in other tangible and intangible assets in the amount of US\$(36) million; and
- the sale of machinery and equipment in the amount of US\$23 million.

In 2018, our cash flows provided by (used in) investing activities consisted of:

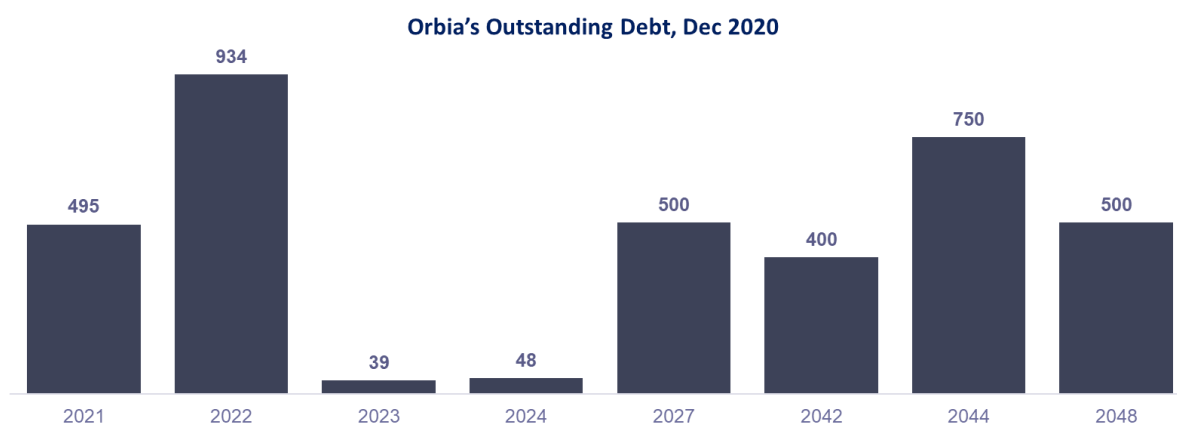
- the acquisition of machinery and equipment in the amount of US\$(283) million;
- the acquisition of subsidiaries, net of cash acquired in the amount of US\$(1,427) million;
- the investment in other tangible and intangible assets in the amount of US\$(71) million; and
- the sale of machinery and equipment in the amount of US\$4 million.

Effect of exchange rate gain (loss) on our cash and cash equivalents

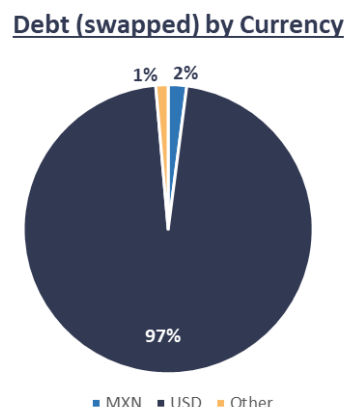
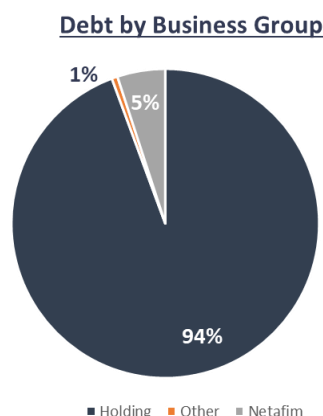
In 2020, 2019, and 2018, the effect of exchange rate gain (loss) on our cash and cash equivalents was US\$24 million, US\$29 million and US\$94 million, respectively.

Indebtedness and financing strategy

As of December 31, 2020, we had outstanding consolidated debt of US\$3,626 million, consisting of short-term debt of US\$495 million (including the current portion of our long-term debt) and long-term debt of US\$3,131 million, with unrelated parties. As of December 31, 2020, our total financial debt was US\$3,971 million (including US\$345 million in leaseings).



* For illustration purposes, debt issuance costs to amortize are not included in the graph above. As of December 2020, these costs amounted US\$40 million.



The acquisitions we made in 2018 were financed as follows:

- **Netafim LTD:** The acquisition price was US\$1,424 million and was financed: (i) US\$239 million was paid with cash generated from operations, (ii) US\$200 million was paid from funds obtained from a new short-term loan, and (iii) US\$985 was paid with funds obtained from the placement of Senior Notes on October 4, 2017.
- **Sylvin Technologies Inc.:** The acquisition price was US\$39 million free of cash and debt and was paid with cash generated from operations.
- **PMV:** we reached an agreement to acquire 44.09% of the shares representing the equity interest of Pemex in Petroquímica Mexicana de Vinilo, S.A. de C.V. (PMV), through our subsidiary PPQ Cadena Productiva

S.L., after the approval by the Boards of Directors of both Pemex and Orbia. The transaction amount was approximately US\$159.3 million.

The table below sets forth our leverage ratios for the specified periods:

Leverage Ratios	At December 31,		
	2020	2019	2018
Total liabilities/total assets (%).....	69%	69%	68%
Total liabilities/stockholders' equity.....	2.21	2.25	2.18
Interest-bearing liabilities(consolidated debt)/stockholders' equity.....	1.14	1.12	1.13

Historically, our financing strategy has been to allocate our positive cash flows to the repayment of our debt so as to maintain a ratio of net debt to EBITDA not higher than 2.0x. We believe that this strategy reduces our vulnerability during periods of recession or lower economic growth. As of December 31, 2020, this ratio, taking into account our LTM EBITDA, was 2.1x.

The following table shows the amount and scheduled maturities of our interest-bearing liabilities as of December 31, 2020:

Maturing in	Amount ⁽¹⁾ (in thousands of U.S. dollars)
2021	495,306
2022	929,562
2023	39,411
2024	42,932
2025 and thereafter.....	<u>2,118,801</u>
Total	<u>\$3,626,012</u>

(1) The above table includes debt issuance costs of US\$40.3 million as of December 2020.

Our net debt decreased 4% from US\$2,865 million as of December 31, 2019, to US\$2,751 million as of December 31, 2020. The following table contains a summary of our net debt. For additional information, see our financial statements that are included in this offering memorandum:

	As of December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Interest-bearing liabilities	3,626,012	3,451,016	3,571,790
Current portion.....	495,306	322,346	395,928
Letters of credit > 180 days	-	50	365
Long-term debt	3,130,706	3,128,620	3,175,497
Cash and cash equivalents	875,185	586,409	699,878
Net debt.....	<u>2,750,827</u>	<u>2,864,607</u>	<u>2,871,912</u>

We expect to finance our capital expenditure programs primarily through cash flows generated by our operating activities and, if needed, through the incurrence of additional debt.

Short-term debt

As of the date of this offering memorandum, we have short term financing lines and letters of credit, among others, with several banks. As of the date of this offering memorandum, we have lines of credit for approximately US\$2 billion, most of which correspond to letters of credit for the payment of raw material suppliers. We also have a US\$1 billion committed revolving line of credit, which has not been drawn and which remains fully available.

On March 27, 2020, due to global economic uncertainty as well as potential effects on global financial and capital markets as a result of the COVID-19 outbreak, we decided to draw US\$1 billion from our revolving line of credit as a precautionary measure to strengthen our liquidity and financial flexibility. On September 30, 2020, we repaid US\$400 million, on October 30 we repaid US\$350 million, on November 30 we repaid US\$175 million and on December 31, 2020 we repaid the remaining US\$75 million.

On September 16, 2020, we announced the establishment of a Commercial Paper Program in the UK and sold notes for £300 million directly funded by the Bank of England under the Covid Corporate Financing Facility program with a maturity date of May 18, 2021 and an annual equivalent cost in USD of 0.74%. We had access to the financing as a result of our relevant presence in the United Kingdom. The commercial paper program allowed us to reduce our overall financial costs.

Long-term debt

Covenants in our Debt Instruments

Some of our debt instruments include financial covenants and other restrictions on our activities. These covenants and restrictions include, among others:

- limitations on the creation of new liens;
- the maintenance of a consolidated interest coverage ratio of no less than 3.0 to 1.0;
- restrictions on a change in control;
- the maintenance of a net debt to EBITDA ratio not greater than 3.0 to 1.0;
- insuring and maintaining the properties, machinery and equipment in good operating conditions; and
- complying with all applicable laws, rules, regulations and stipulations.

The Senior Notes issued in 2009, 2012, 2014 and 2017 establish restrictions on liens, encumbrances, or mortgages on our properties, assets, or securities and those of our subsidiaries. These securities also establish restrictions for the sale and subsequent leasing of relevant assets for business operation (except temporarily). Likewise, the terms and conditions of the Senior Notes stipulate limitations on the consolidation, merger, or transfer of assets of our assets.

As of the date of this offering memorandum, we are in compliance with the covenants and restrictions contained in our credit facilities.

Local debt offerings

We have established a long-term revolving debt program of Mexican debt securities called *certificados bursátiles* (Cebur) in an amount of up to Ps. 10.0 billion. We placed Ps. 3.0 billion in 2012, which will mature in 2022. In connection with this program, we are subject to certain restrictions, including compliance with certain disclosure obligations and other obligations stipulated by these programs as well as the maintenance of certain financial ratios. As of the date of this offering memorandum, we are in compliance with the covenants and restrictions established by this debt program.

Off-balance sheet arrangements

As of December 31, 2020, we had no off-balance sheet arrangements.

Capital expenditures

The table below sets forth our capital expenditures for the periods indicated (including mergers and acquisitions).

	Year ended December 31,		
	2020	2019	2018
Acquisition of subsidiaries and associate.....	(4)	-	(1,427)
Plant and equipment	(204)	(261)	(283)
Proceeds from sale of machinery and equipment.....	21	23	4
Other assets and intangible assets.....	(31)	(36)	(71)
Total	(219)	(274)	(1,777)

We expect to make additional capital expenditures in 2021.

Research and development

We recognize the importance of innovation and development to remain a leader in the markets where we operate. We invest in research and development to improve our products' performance and comply with stricter regulations in the different geographic markets where we compete. During 2020 and 2019, we invested US\$61.5 million and, US\$61.1 million, respectively, in research and development.

We have 19 research and technology centers located in Mexico, the USA, the Netherlands, Italy, India, the Czech Republic, the United Kingdom, and Israel, which focus on the development of new products and the alignment of processes to achieve safety and optimization of our production chain. In total, we have more than 500 patented products.

We started an innovation laboratory in San Francisco, California to explore new products and innovative improvements to our existing products, and on November 28, 2020, we announced our first investment for Orbia Ventures. Through this fund, we work in collaboration with startups who share our vision for introducing cutting edge innovation and smart technology solutions. Orbia Ventures invested US\$3 million in SeeTree, a leading player in the agriculture tech space with a focus on tree farming and a goal of providing farmers with individual, per-tree insights to optimize resource usage in terms of land, water, fertilizers and crop protection. Our precision agriculture business group, Netafim will incorporate SeeTree into our digital farming offering and support the development of SeeTree's solutions.

In our Koura business line, we've developed cutting-edge technology in the HF process to purify fluorspar. This innovation has reduced the annual cost of HF production. Additionally, as a result of the acquisition of Wavin, we have obtained access to new technologies and products, with which we already had technology transfer agreements.

We have successfully developed value-added products known as PVC specialties tailored to customers' unique technical specifications in the construction, utilities, civil infrastructure, water supply, basic sanitation, transportation, energy, and telecommunications industries.

Quantitative and qualitative information concerning market risk

In the ordinary course of our business activities, we are exposed to various markets risks that are beyond our control, including fluctuations in exchange rates, interest rates and the price of our primary raw materials, and which may have an adverse effect on the value of our financial assets and liabilities, future cash flows and profit. As a result of these market risks, we could suffer a loss due to adverse changes in interest rates, exchange rates and the price of commodities in the international markets.

Our policy with respect to these market risks is to assess the potential of experiencing losses and the consolidated impact thereof, and to mitigate our market risks through a risk management policy. We maintain risk management policies that seeks to mitigate our exposure to the fluctuations in exchange rates so as to hedge the risk of an increase in our foreign-denominated financial obligations taking into account that the functional currency of several of our operations and our reporting currency is the U.S. dollar.

Foreign exchange risk and interest rate risk

We are exposed to foreign exchange risk (the functional currency of several of our operations and our reporting currency is the U.S. dollar) primarily in connection with the fluctuation in the value of the Mexican peso against the U.S. dollar. Approximately 2% of our outstanding debt as of December 31, 2020 is denominated in Mexican pesos. Our revenues are denominated in various currencies and some of our contracts with clients provide for product prices that are determined by reference to the exchange rate between the relevant local currency and the U.S. dollar.

The vast majority of our U.S. dollar-denominated debt and the majority of our Mexican peso-denominated debt bears interest at a fixed rate, and a small part of our debt in U.S. dollar and in Mexican pesos bears interest at a variable rate (LIBOR or TIIE). Any increase in these interest rates or in the value of the U.S. dollar with respect to the Mexican peso and/or the local currencies of the countries in which we operate could have a material adverse effect on our financial conditions and results of operations. For 2020, an increase in interest rates of 1% on outstanding loans and financing and debentures would have resulted in a variation in interest expense of approximately US\$2 million for that period.

Risks related to the price for basic products

We sell our primary products, including PVC, Chlorine, Caustic Soda, hydrofluoric acid and fluorspar, pursuant to long-term contracts with our clients using pricing formulas that are based on international market prices. This enables us to maintain stable margins through the various stages of the relevant production cycles in order to compensate for any short-term disparity between the price of our principal raw materials and the price of our finished products.

Derivative instruments

We use certain hedging instruments in order to mitigate price volatility of certain raw materials, interest rate risks and currency exchange rates, all of these instruments are related to our business and are previously approved by our audit committee and the corporate practices committee as well as our board of directors.

On December 31, 2020 we held the following derivative instruments:

Derivative financial instruments	Start date	Maturity date	Notional amount		Swap amount		Interest rate / exchange rate swap	Interest rate / exchange rate at year end	Fair value as of December 31, 2020
Exchange rate and interest rate swap ⁽ⁱ⁾	September/08/2015	March/05/2021	MXN\$	750,000,000	USD\$	56,775,170	4.11% / 13.2100	5.3360% / 19.9487	\$ (1,941)
Exchange rate and interest rate swap ⁽ⁱⁱ⁾	September/08/2015	March/05/2021	MXN\$	750,000,000	USD\$	56,775,170	4.49% / 13.2100	5.3360% / 19.9487	(1,953)
Exchange rate and interest rate swap	January/23/2014	March/05/2021	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	June/16/2017	March/09/2022	MXN\$	1,500,000,000	USD\$	83,892,617	3.09% / 17.8800	8.1200% / 19.9487	(7,049)
Principal-Only swap EUR/USD	June/10/2015	March/17/2022	USD\$	96,993,210	EUR\$	100,279,164	1.6006% / 0.9672	1.2298	(24,555)
Principal-Only swap EUR/USD	June/11/2015	March/17/2022	USD\$	97,402,597	EUR\$	101,050,000	1.7200% / 0.9639	1.2298	(24,787)
Principal-Only swap EUR/USD	May/05/2015	March/18/2025	USD\$	113,997,538	EUR\$	101,856,271	1.7087% / 1.1192	1.2298	(6,964)
Principal-Only swap EUR/USD	December/03/2015	March/17/2025	USD\$	121,011,000	EUR\$	114,000,000	1.7500% / 1.0615	1.2298	(15,706)
Principal-Only swap EUR/USD	December/03/2015	March/17/2025	USD\$	121,011,000	EUR\$	114,000,000	1.5500% / 1.0615	1.2298	(15,511)
Exchange rate forward	September/15/2020	May/17/2021	GDP\$	150,000,000	USD\$	195,318,750	1.3021	1.3625	9,663
Exchange rate forward	September/15/2020	May/17/2021	GBP\$	50,000,000	USD\$	65,107,250	1.3021	1.3625	3,261
Exchange rate forward	September/15/2020	May/17/2021	GBP\$	100,000,000	USD\$	130,240,000	1.3024	1.3625	6,354
Exchange rate forward	September/03/2020	March/11/2021	USD\$	20,996,935	BRL\$	111,897,703	0.1876	0.1924	(589)
Exchange rate forward	November/19/2020	February/10/2021	USD\$	8,224,431	BRL\$	43,885,562	0.1876	0.1924	(245)
Exchange rate forward	July/06/2020	November/30/2021	USD\$	5,687,763	EUR\$	4,850,000	1.1727	1.2298	(281)
Exchange rate forward	November/12/2020	June/15/2021	USD\$	24,434,016	TRY\$	193,805,910	0.1261	0.1354	(800)
Exchange rate forward	July/14/2020	June/30/2021	USD\$	8,901,073	EUR\$	7,420,000	1.996	1.2298	(217)
Exchange rate forward	September/16/2020	December/15/2021	USD\$	5,321,159	ZAR\$	84,400,000	1.0000	0.0684	(294)

Exchange rate forward	September/09/2020	April/15/2021	USD\$	4,004,557	INR\$	298,300,000	0.0134	0.0136	(62)
Exchange rate forward	September/03/2020	March/15/2021	USD\$	1,422,055	BRL\$	7,600,000	0.1871	0.1924	(39)
Exchange rate forward	September/03/2020	December/15/2021	USD\$	13,934,927	BRL\$	74,000,000	0.1883	0.1924	(164)
Exchange rate forward	July/13/2020	August/31/2021	USD\$	8,154,295	EUR\$	6,780,000	1.2027	1.2298	(175)
Exchange rate forward	November/16/2020	June/15/2021	USD\$	5,647,346	AUD\$	7,554,000	0.75	0.7686	(184)
Exchange rate forward	December/23/2020	January/21/2021	USD\$	5,964,730	TRY\$	46,000,000	0.1297	0.1354	(174)
Exchange rate forward	September/09/2020	July/15/2021	USD\$	7,181,043	INR\$	542,300,000	0.0132	0.0136	(117)
Exchange rate forward	October/09/2020	July/15/2021	USD\$	34,786,750	CNY\$	101,402,313	0.3431	0.1533	(169)
Exchange rate forward	September/09/2020	August//13/2021	USD\$	38,222,539	INR\$	2,849,000,000	0.0134	0.0136	(481)
Exchange rate forward	September/03/2020	October/15/2021	USD\$	20,306,572	ZAR\$	160,454,536	0.1266	0.0684	(374)
Exchange rate forward	December/09/2020	January/05/2021	EUR\$	1,817,799	USD\$	1,696,250	1.0717	1.2298	(11)
Exchange rate forward	December/29/2020	January/07/2021	USD\$	5,811,417	GBP\$	5,285,549	1.0995	1.3625	(23)
Exchange rate forward	December/11/2020	January/05/2021	USD\$	702,893	JPY\$	72,737,871	0.0097	0.0097	(3)
Exchange rate forward	November/16/2020	January/15/2021	USD\$	4,204,702	TRY\$	33,500,000	0.1255	0.1354	(160)
Exchange rate forward	July/13/2020	March/31/2021	USD\$	6,900,015	EUR\$	5,700,000	1.2105	1.2298	(99)
Exchange rate forward	November/18/2020	June/15/2021	USD\$	318,830	BRL\$	1,700,000	0.1875	0.1924	(7)
Exchange rate forward	December/17/2020	January/04/2021	EUR\$	5,511,200	USD\$	4,500,000	1.2247	1.2298	(10)
Exchange rate forward	December/14/2020	January/28/2021	USD\$	25,000,000	ILS\$	81,250,000	0.3077	0.3106	(285)
Exchange rate forward	October/24/2020	March/15/2021	USD\$	676,152	ZAR\$	11,000,000	0.0614	0.0684	(69)
Exchange rate forward	December/21/2020	January/04/2021	EUR\$	1,622,661	USD\$	1,333,000	1.2173	1.2298	(13)
Exchange rate forward	July/08/2020	January/29/2021	USD\$	1,418,412	EUR\$	1,200,000	1.1820	1.2298	(55)
Exchange rate forward	November/18/2020	March/2021	USD\$	3,077,538	INR\$	231,000,000	0.0133	0.0136	(59)
Exchange rate forward	July/06/2020	February/25/2021	USD\$	570,150	EUR\$	500,000	1.1403	1.2298	(44)
Exchange rate forward	November/05/2020	January/15/2021	EUR\$	384,580	ZAR\$	7,194,100	0.0534	0.0557	(18)
Exchange rate forward	September/18/2020	April/15/2021	USD\$	722,556	ZAR\$	11,338,538	0.0637	0.0684	(49)
Plain vanilla options	August/05/2020	July/30/2021	USD\$	2,295,550	EUR\$	1,900,000	1.2081	1.2298	(16)
Plain vanilla options	July/29/2020	March/31/2021	USD\$	3,389,010	EUR\$	2,840,000	1.1933	1.2298	(31)
Plain vanilla options	June/10/2020	November/30/2021	USD\$	26,496,500	EUR\$	22,120,000	1.1978	1.2298	(299)
Plain vanilla options	July/22/2020	November/30/2021	USD\$	14,548,960	EUR\$	12,160,000	1.1964	1.2298	(168)
									<u>\$ (88,746)</u>

- (i) In October 2013, the Entity acquired an exchange rate and interest rate swap with Morgan Stanley, with a term from October 9, 2013 to March 5, 2021, for a notional amount of MXN 1,500,000,000; in September 2015, the Entity negotiated a novation with Bancomer by transferring half of the total amount of the operation, with a resulting notional amount of MXN 750,000,000. In March 2018, a novation was negotiated with Bank of America, transferring the total amount of the operation that the Entity previously had with Morgan Stanley, which is currently in effect with a notional amount of MXN 150,000,000.

- (ii) In September 2015, the Entity negotiated a novation with Bancomer for an exchange rate and interest rate swap that the Entity previously had with Morgan Stanley, with a term from September 10, 2015 to March 5, 2021 for a notional amount of MXN 750,000,000. In March 2018, a novation was negotiated with J.P. Morgan by transferring the total amount of the operation that the Entity previously had with Bancomer, which is currently in effect with a notional amount of MXN 150,000,000.

INDUSTRY

Vestolit

PVC is a versatile plastic that has countless everyday uses, such as: pipes for transporting drinking water and for irrigation; coatings for electrical conduction cables; profiles for constructing windows, doors, facades or entire houses; tiles, floors, furniture coverings, automobile parts and household appliances, clothing and footwear, containers and packaging, medical devices, adhesive tapes, and many others. Vestolit also produces plastic resin compounds, specially formulated to meet the specific requirements of customers who transform this polymer into end use goods. Compounds incorporate the various additives necessary for the processing of plastic resins, and those required to obtain the functional properties unique to each use.

1. Salt-Chlorine-Soda-Ethylene-VCM Process

Products

Chlorine mainly used for the production of long-life products such as VCM, which is the basic raw material for PVC production, titanium dioxide production (raw material for white paints), bleaching of cellulose in the pulp and paper industry, production of agrochemicals, water treatment, disinfection and purification, and chemical and pharmaceutical industry in general.

Caustic soda has a vast number of applications; the main ones include: the production of oils, soaps and detergents, regeneration of ionic exchange resins for water treatment, cleaning of glass bottles, bleaching of cellulose in the pulp and paper industry, production of refined sugar, dyeing of cotton fabrics, production of agrochemicals, manufacturing of gelatins, cleaning products in general, among others.

Sodium hypochlorite is mainly used for the manufacturing of liquid bleach, as a general sanitizer, for the treatment and purification of water, manufacturing of industrial catalysts, for bleaching paper, among others.

Hydrochloric acid is used for making high fructose which in turn is used as a sweetener in the soft drink, candy and brewing industries; it is widely used for the drawing and pickling of metals, in the pharmaceutical industry for the production of medicines, manufacturing of pigments and dyes, and manufacturing of ferric chloride, which is used in the lithography industry, among others. In the manufacturing of plastics and rubber, in the oil industry, and ceramics, among others.

Ethylene is one of the most relevant petrochemicals and is converted into a large number of final and intermediate products such as plastics, resins, fibers and elastomers, including polyethylene (PE) and polyvinyl chloride (PVC), solvents, coatings, plasticizers and antifreeze coolants, among the most widely used.

Almost all VCM is used in manufacturing polyvinyl chloride or polyvinyl chloride resin (PVC), a very versatile product that has applications in the medical and construction industries, as well as in cable sheathing, piping, rigid and flexible profiling, and toys.

Industrial and food phosphates are used mainly for the manufacturing of detergents, fertilizers, animal feed, ceramics, water treatment, textiles, toothpastes, beverages, sausages, dairy products and bakery.

Raw Materials

The main raw materials in the Salt-Chlorine-Soda Process are salt, natural gas and electricity. In Mexico, these raw materials are sourced through long-term supply contracts, with periodic reviews, with state owned entities such as the National Water Commission (water) and Federal Electricity Commission (electric power), PEMEX Industrial Transformation (natural gas), and private companies, such as the electricity supply agreement signed with Iberdrola S.A. de C.V. to supply power to PMV, which started in September 2019. The only raw material that is not under a supply agreement is for the extraction of salt, which is the product from the concession for the exploitation of a salt dome.

Sales and Marketing

For product sales related to this process, we have established long-term contracts with certain customers, that include sales schemes that promote loyalty through discounts in exchange for product volume bought during specific periods. Long-term contracts are usually based on formulas referenced to North American commodity prices provided by IHS Markit and ICIS. The remaining volumes are sold on the spot market at prices calculated by reference to the prevailing sales price at that time. In Europe, most of the chlorine produced is used to produce VCM and derivatives, while caustic soda is sold to third parties.

Main Clients

The clients of the Salt-Chlorine-Soda-Ethylene-VCM Process are located mainly in the secondary sector (1) the petrochemical, secondary chemical, agrochemical and pharmaceutical industries; (2) PVC resin production, plastics processing; (3) soap and detergents, cellulose and paper, matches, and polymers such as polyurethane products for hygiene and cleaning of hospitals and homes; and (4) water treatment, bottling, and metal-mechanical industry.

Distribution Channels

The products of the Salt-Chlorine-Soda-Ethylene Process are basic raw materials and are marketed directly to the industries as a business to business model that require them as inputs for the production of other products. Sales are made by our own sales team through branches and third-party distributors.

Distribution Contracts

The sale of Salt-Chlorine-Soda-Ethylene Process products is mostly made directly by our own sales team to customers, with a limited number of distribution contracts for these products.

Cyclic Behavior

The chemical industry within the scope of raw materials production is driven by the global economy's expansion and contraction cycles and supply and demand conditions.

Positive and Negative Aspects of its Competitive Position

We maintain our leadership position in the domestic market and have managed to maintain competitiveness levels comparable to those of similar U.S. producers, which represent our main international competition, through significant investments and the commercialization of products with greater added value.

Market Share

In 2020, Vestolit's market share in the caustic soda market in Mexico and the US was 38% and 2% respectively (source: IHS Markit). The total production capacity of caustic soda in North America is 16.2M.

In Europe, caustic soda is consumed and produced locally due to the high transportation and storage costs. The market is fragmented, with local producers competing in specific geographic markets. We compete with producers integrated in the production of caustic soda such as Nouryon, Covestro and Dow.

In 2020, the total chlorine capacity in Europe reached 11.8 million tons. Our global market share for these products is not substantial, since we only export our excess production.

2. Chlorine and Caustic Soda Process

The chlor-alkali industry is cyclical due to the direct impact of economic growth on demand, where periods of low profitability and growth are often followed by periods in which attractive margins support capacity expansions. In general terms, demand for chlorine is driven by the construction sector, while demand for caustic soda is driven by the manufacturing sector.

Most chlor-alkali producers are regional, with Dow being a notable exception, as it is a multinational and global company with a strong presence in North America and Europe.

According to IHS Markit Chlor-Alkali 2020 World Analysis, chlor-alkali capacity was estimated at 94.5 million metric tons in 2020, approximately 8.5% above 2015.

Traditionally, chlorine demand is the driver for chlor-alkali production as chlorine production plants are often integrated by facilities producing chlorine derivatives such as vinyl and PVC resin. The demand for chlorine is highly dependent on the demand for vinyl (particularly PVC resin). Since most of the chlor-alkali production is not related to users of caustic soda, demand might vary significantly.

Vinyl production, particularly PVC resin, is the largest use of chlorine in Europe and North America, representing 47% of the chlorine produced in both markets in 2020 (based on the same IHS Markit study), which is used to manufacture PVC resins.

Caustic soda in the US is used in a large number of industrial applications in the manufacturing of organic chemicals such as propylene oxide and epichlorohydrin, inorganic chemicals such as titanium dioxide and aluminum, as well as in the production of pulp and paper. In 2020, the USA caustics soda capacity was 15 million tons, while total demand was 9.1 million tons per year. In addition, according to his, caustic soda production in Western Europe will reach 9.1 million tons in 2020.

Chlorine and caustic soda prices

In North America, consumers of chlorine tend to be more concentrated, while consumers of caustic soda are generally more fragmented. Some of the largest consumers of chlorine have multi-year supply contracts, which include maximum prices and/or discounts to mitigate price volatility in the Spot Market.

3. Vinyl and Composite Process

Products

The main products of the Vinyl Process are PVC Resins and plastic Compounds used for the manufacturing of pipes and fittings, profiles and floors for the construction industry, as well as upholstery, films, bottles, containers, footwear and medical applications, such as blood bags, dialysis and catheters.

The following are results from the Vinyl Process:

PVC resins with very diverse applications, mostly for the construction sector, such as cable coatings, window frames, pipes for carrying drinking and sanitary water, toys, balls, containers, hoses, chairs, decorative items, house, automotive industry and many more.

In the Composite Process, materials are produced for:

Cables, flexible profiles, footwear injections, automotive use, computer circuit-holders, injection of accessories for pipes and similar items, purified water bottles, production of containers and packaging by bio-orientation process, containers for edible oils, vinegar, detergents, cleaners, juices, sauces, coffee powder, among others.

Raw Materials

The main raw material used in the Vinyl Process is VCM, which in 2020 represented 68% of the production cost. We buy VCM from third parties, such as Westlake and OxyChem, among others. As of the end of 2020, we required approximately 1.8 million tons of VCM to supply the Vinyl Process in all our plants (1.4 million tons in the Americas and 0.4 million tons in Europe). With the operation of the Ingleside Ethylene Cracker, OxyChem produces VCM at a lower cost, which allows us to maintain competitive profit margins. In the Americas, we are approximately 85% integrated to Ethylene, while considering the PVC production capacity in Germany, our global integration is of approximately 70%.

At the production plant in Europe (Germany), the most important raw material purchased from third parties is ethylene, which is purchased through two supply contracts with prices set on a monthly basis, while salt is obtained from our subsidiary, SGW and electricity from Evonik Industries.

Sales and Marketing

In order to sell vinyl products and compounds, we maintain long-term contracts with our main customers and sales schemes that promote loyalty through volume discounts acquired during specific periods. Long-term contracts include pre-defined renewal clauses and are based on formulas linked to international price references. Some of these references influence the cost of VCM, which allows us to maintain differentials between the price of VCM and the price of PVC throughout the cycle.

Main Customers

PVC products are used by customers in the manufacturing of pipes and fittings, flexible and rigid profiles, upholstery, flexible and rigid films, bottles and containers, synthetic floors, blinds, laminated polystyrene, toy industry, footwear and articles for the medical industry, among others.

Distribution Channels

The products of this process are marketed directly to the industries that use them as inputs to produce other products. There is no specific sales method, as all sales are made through our own sales team through our branches and through third-party distributors.

PVC is sold directly to customers and as a result, we have a limited number of distribution contracts for these products.

Cyclic Behavior

The global PVC market is driven by the construction industry, which depends on the contraction and expansion of global regions and individual countries' economies. The balance between global supply and demand continues with a surplus of supply and the balance is increasingly better in the North American and European regions.

Positive and Negative Aspects of its Competitive Position

The Vinyl Process follows the strategy of vertical integration to increase competitiveness in the markets it serves.

In the recessionary stages of the national and international economic cycle, demand may contract, generating oversupply, affecting the international prices of the products we manufacture. The products we manufacture and trade compete in global markets, and are therefore subject to the supply and demand trends of such markets and, therefore, to international prices, which may affect our profit margins. The vertical integration strategy has allowed us to consume a high percentage of intermediate products for final processes, reducing the impact of a decrease in the prices of basic products.

The supply and co-investment contract with OxyChem, and the acquisition of Polycid (a major resin producer in Mexico) have contributed to strengthen our position in the PVC market. In addition, with the latest acquisition of Vestolit in Europe, we increased our portfolio of specialty products with high-impact suspension PVC resins (HIS-PVC). As far as we have gathered, we are the sole producer with this technology in Europe and, with the current capacity; we are one of the largest producers of specialty resins in the world.

The main competitors in the PVC market in Latin America and Europe are Shintech, Inc., Formosa Plastics (FPC), Westlake/Vinnolit, Inovyn, and OxyChem (OXY).

Market Share

We are one of the largest producers of polyvinyl chloride (PVC) in Latin America and the sixth largest in the world, as well as the largest producer of specialty resins globally.

According to IHS, Mexico accounts for 8% of the PVC capacity in North America. As of December 2020, we are the only PVC producer in Mexico. Our capacity stands at 783,000 metric tons per year.

In 2020, our market share in the Mexican market for PVC resins was of 40% (IHS Markit).

PVC is the third most used plastic in the world after polyethylene and polypropylene. According to IHS Markit, global demand for PVC reached approximately 43.5 million metric tons in 2020, with rigid PVC applications accounting for nearly 63% and flexible PVC accounting for 29%. Pipes and fittings represented more than 45% of all PVC consumption worldwide. The estimated annual average PVC demand by 2030 is of 3.7%.

According to IHS, three major regions drive PVC demand: Northeast Asia, North America and Western Europe, which together account for over 70% of global demand. Developing countries are expected to drive demand growth, as investments in infrastructure and housing are required to sustain population growth. The key markets for our PVC products are the United States, Mexico, certain countries of Latin America, particularly Brazil and Colombia, Western Europe, India, and Turkey.

In the USA and Western Europe, we focus on markets that enjoy constant growth in areas such as government investments and infrastructure and construction projects related to high housing deficits, particularly in countries such as Mexico, Brazil, Turkey, Peru, Colombia, and Ecuador.

In Mexico, Colombia, the US, India and Brazil, most of the PVC production is used for the manufacturing of pipes and fittings; while in Western Europe and Turkey the most relevant market is the manufacturing of profiles, while pipes and fittings is the second most relevant (Source: IHS Markit).

Wavin

Wavin is a global provider of plastic piping systems and innovative solutions for the Building & Infrastructure industry. It has a wide portfolio of products, which are used for drainage solutions, storm water management solutions, drinking water management solutions, indoor air conditioning solutions as well as waste management.

In Europe, Wavin operates 24 production facilities and 7 research and development facilities with over 4,200 employees. We are one of the market leaders in Europe, supported by a wide portfolio of products of around 32,000 items, a strong local presence and our commitment to innovation and after-sales support, which provide an advantage to our clients.

In Latin America, Wavin has 24 production facilities with over 6,100 employees in which we produce around 38,000 items. In this region, we market our products through our well-positioned and strong-recognized brands such as Pavco, Amanco and Plastigama. Our experience, technical expertise and strong-brand recognition have allowed us to position ourselves as one of the market leaders in this region.

In the Asian-Pacific region, we have relaunched activities and have begun the construction of new production facilities in 2020 for both Indonesia and India in order to pave the road for future growth and consolidate Wavin as a true global player.

Through Wavin, we are one of the leaders in Latin America and Europe in the production, distribution and marketing 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, focused on the construction and infrastructure markets.

Products

Wavin operates among two main sectors: (i) housing; and (ii) construction;

Housing: We produce PVC, polyethylene and polypropylene piping systems, with cemented joint (weldable) and a complete program of connections for applications in single-family homes, housing complexes, high-rise buildings, commercial buildings, hotels, swimming pools, landscaping and certain industrial applications under ISO or ASTM (American Society of Testing Materials) standards. We also produce systems for hot water, which allows for a whole range of solutions with the PVC sanitary and ventilation systems, and has recently introduced polypropylene solutions in addition to fittings and accessories. The aforementioned systems are available in two versions: rigid with solid walls and flexible with corrugated walls. The broad range of connections allows its application in domestic, commercial and industrial installations. Among the main benefits of its PVC, pipes are resistance to ultraviolet rays and corrosion as well as maintenance-free mechanical rubber union that avoids deformations due to temperature differences.

Construction: We produce ductile bio-oriented PVC for potable water conduction by bio-orientation of the PVC molecules, generating a laminated layered structure, which significantly increases the mechanical resistance and strength of the pipe. We have different types of offerings within its construction sector such as (i) Biaxial, which benefits from lower wall thickness making it more flexible, lighter and easier to handle; (ii) Novafort, which produces double-walled structured sanitary sewer and rainwater pipes. Novafort is manufactured in a double extrusion process, smooth inner wall and corrugated outer wall with a sealed “Elastomeric” joint, which ensures the tightness of the joint, rapid installation and prevents water filtration from the pipes ensuring no subsoil water is contaminated. Novafort is made of inert material, guaranteeing excellent resistance to the action of chemical substances and potential corrosive action of the materials it transports. We also produce HDPE water pipes enabled with technology that allows an easy location of the pipe from the surface. In addition, we also produce and sell solutions for the infrastructure market, with different applications such as for the electric lightning, motors for commercial agricultural machinery, power distribution, among others.

Wavin offers an extensive portfolio of innovative products. For example, in Europe it offers (1) Wavin AS +, which is the first Low Noise drainage system; (2) Tegra, the first plastic access (“manhole”) industrially manufactured in the world; (3) Q-bic +, the first modular high-performance infiltration unit in the world; and (4) K5 / M5, which is the world's first acoustic leak alert product. Wavin Europe has a large and robust portfolio of patents for 125 product families, for a total of approximately 500 patents.

In Latin America, Wavin is recognized among other qualities for its Novafort product range for rainwater solutions, the Biaxial products, oriented to the potable water and drainage pipe, its CPVC Fire product line for hot and cold water protection, as well as it is also a recognized provider of Geosynthetics for water management solutions pluvial.

Raw materials

In Latin America, the main raw materials we use are PVC and CPVC resin.

In Europe, the main raw materials we use are (1) PVC resin; (2) Polyolefin, comprised of polyethylene (PE), naphtha-based polypropylene (PP); and (3) additives, of which the Polymer Solutions business group provides approximately 11%.

The main raw materials used by Wavin come from PVC resin, Polyolefin, Polyethylene and naphtha-based polypropylene. For the PVC resins, we purchase an important part of our raw materials through U.S. and local suppliers in countries where logistics costs or tariffs make the PVC resin we produce uncompetitive. The internally sourced PVC resin is obtained from the PVC resin subsidiary of Vestolit.

The Market

The growth of the construction industry is expected to continue to drive the demand for PVC pipes, which are widely used within the industry given (1) its low maintenance cost when compared to iron or steel pipes; and (2) its durability and flexibility. The rise in water management projects in its different verticals, such as drinking water, water waste management, pluvial water management, etc., is expected to drive as well the demand for PVC pipes.

The European Union stimulus program would fuel a new renovation and maintenance wave by providing sizeable incentives for adoption of energy-efficient solutions. In order to achieve the European Union climate targets announced as part of its renewed initiatives in 2020, around EUR 275bn of additional investments with respect to renovation is needed per year.

According to Mordor Intelligence, the construction market in Latin America is expected to grow at a CAGR of 5% from 2020 to 2025 despite the increasing foreign trade tensions, uncertainty in public policies and fiscal pressures. The market is expected to observe a growth supported by infrastructure projects with a focus on sustainable infrastructure and social infrastructure in order to meet the demands on the population growth in the region.

Main clients

Wavin's main clients operate within the construction and infrastructure industry. As such, our client base includes small, medium and large construction companies, municipal governments as well as government agencies in charge of building public infrastructure. A medium-and-large network of wholesale distributors served the majority of our

customers. Wavin directly distributes its products to a handful of key, relevant customers in Europe. Wavin's client's portfolio in Latin America is more concentrated when comparing to Europe.

Distribution Channels

Wavin distributes its products to its end-consumers both directly and indirectly. Among the channels used for indirect distribution, include wholesalers, retailers, specialized construction stores, dealers, plumbing specialists, civil engineering specialists, among others.

In Europe, Wavin mainly uses indirect distribution through wholesalers, retailers and retail outlets, which leverage its centralized distribution and storage centers. Our products are available in approximately 65,000 points of sale, which include direct and indirect distribution.

In Latin America, our products are available in approximately 50,000 points of sale in which we have a more direct contact to end-consumers. We also distribute our products through construction companies.

Seasonal Behavior

Wavin's business performance is influenced by economic cycles in each of the countries in which we operate, specifically for the economic sectors of construction and housing. Additionally, in Europe there is a seasonal effect related to the winter season during some months of the first and fourth quarters, in which lower levels of sales are generated.

During 2020 specifically, the COVID-19 pandemic had a strong impact in the second quarter, after which activity rebounded strongly in the third quarter and to a lesser extent in the fourth quarter.

The macroeconomic and political environment, specifically the ones related in each of the countries in which we operate influence the sales behavior of the products within the Building & Infrastructure business segment.

The macroeconomic and political environment of each of the countries in which we operate influences the sales behavior in the Building & Infrastructure products especially for the housing and construction industries. Normally, the first and fourth quarter of each year have the lowest activity caused by winter. It is worth noting that climate change may have some effect in the seasonal behavior.

Competition

Wavin's leadership position has been built across the years on the back of (1) strong positioned brands such as Wavin (with 65 years of history), Amanco, Pavco and Plastigama; and (2) a significant track record in developing innovative products, systems and solutions.

Wavin has differentiated from its competitors with innovation. It currently offers a broad portfolio of products and solutions keeping the customer needs in mind and focused on facilitating its usage as well as the installation process

Wavin's leadership position is supported by its well positioned brands and Wavin's main competitors are the Aliaxis Group, Uponor, Pipelife, Aalberts Industries, Geberit and GF Piping Systems. It should be noted that Wavin is considered the largest PVC pipes and fittings producer in Latin America.

Key trends

Residential and infrastructure construction are expected to be resilient through the upcoming cycle supported by a gradual economic recovery underpinning the need for PVC pipes and fittings. Additionally, the repair and remodel market is expected to remain resilient as well supported by environmental measures, further enhancing the potential in the industry.

Market share

According to Orbia's estimates, Wavin's business in Latin America has approximately 31% of the market share on the PVC pipe market. Wavin's business in Europe has approximately 14% of the market share in a wide variety of indoor and outdoor building applications as well as infrastructure.

Dura-Line

Dura-Line develops and commercializes high-density polyethylene (HDPE) products. We have positioned ourselves as a leader in the production and distribution of pipes and fittings, solutions for the conduction of cables, solutions for the conduction of voice and data through fiber optics as well as pipes for the conduction and pressurized distribution of natural gas in the energy and infrastructure industries.

We have 19 production facilities mainly located in North America and Europe. We have focused on positioning ourselves mainly in the regions of the United States, Canada, Europe, Asia and Middle East regions.

Products

Dura-Line produces highly advanced engineered ducts, micro-ducts and cable ducting solutions for voice and data telecommunication markets, electric power, cable for television and offers multiple conduction solutions under the Dura-Line brand. Through its different product offerings, Dura-line is considered to be one of the leaders in the development and manufacturing of pipelines in short diameters as well as the leading provider of pre-installed cable duct solutions, both by volume and sales, in North America. Key product offerings of Dura-Line include:

- **SILCORE** is a micro-duct system duct, which has a high-density polyethylene (HDPE) rigid cover and solid polymer coating. The duct has an outer jacket and a slippery center that eliminates the need for lubrication, reduces friction and protects the cable before, during and after its installation. SILICORE is primarily used for broadband and cable television solutions as well as telecommunications applications;
- **Wave Rib** duct is lined with backward oscillating waves to reduce friction and facilitate the placement of the cable, which reduces installation costs;
- **Tornado Plus** conduit is specially designed to facilitate a smooth installation, since it creates an air chamber that enables cable installation over long distances; and
- **CableCon** is a system in which fiber optic, coaxial or power cables are pre-installed in the manufacturing facilities, which helps reduce customer's installation costs. The increased adoption of our CableCon solution has been supported by the customization options offered to our clients.

Dura-Line's technological advances provide comprehensive solutions to meet future growth needs and with affordable installation costs. We have developed several micro-duct solutions designed to be used, both inside and outside buildings, in order to improve network capabilities for our clients. We provide as well a wide range of accessories for the telecommunications sector such as connectors, fiber optic woven tapes, cable television, and equipment installation. The accessories are designed to increase the efficiency and improve the installation easiness of the piping and ducts solutions.

Raw materials

The main raw materials used by Dura-Line come from medium and high-density polyethylene resin. The price of this raw material is heavily dependent on market conditions such as oil price. Dura-Line usually purchases these materials from a small number of local suppliers usually under 1 to 3 years contracts. Additionally, we have long-standing business relationships with regional resin suppliers. It should be noted that all contracts are based on market prices applicable to its respective region.

The Market

The proliferation of smart devices and mobile broadband, real-time streaming video, social networks, online gaming, machine-to-machine connectivity, big data analytics, and cloud computing will continue to drive substantial consumer and business demand for bandwidth. According to GSMA Intelligence, mobile data consumption alone is expected to grow 5.3x times from 2019 to 2025 with similar trends in the domestic and business data consumption.

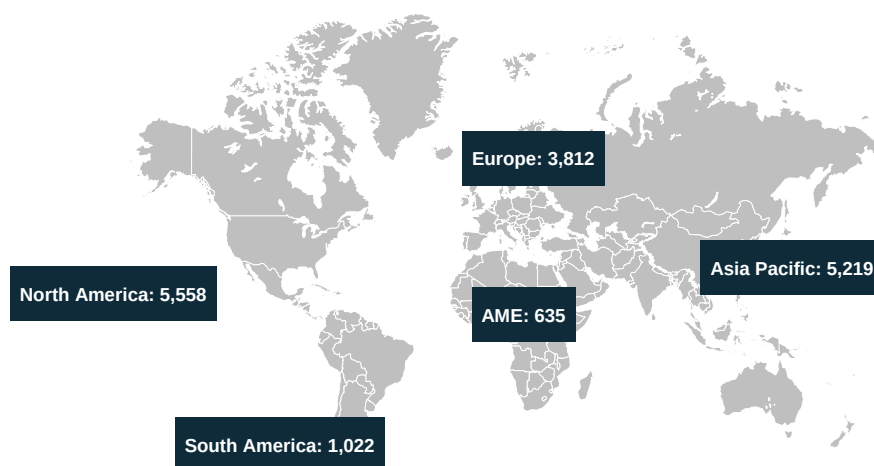
According to Cowen Communications Infrastructure, the fiber market is expected to grow across the data services as well as residential, wholesale & business wireline services at an average CAGR of 4.3% from 2020 to 2025, outperforming alternative solutions such as copper and coaxial cable.

Global plastic conduits revenue by Sub-segment

Segment	Sub-segment	Revenue 2018	CAGR 2019-2026E
Type	Rigid Conduits	5,278.6	7.1%
	Flexible Conduits	10,967.3	5.0%
Material	PVC	4,138.7	4.6%
	HDPE	5,153.3	6.5%
	PP	2,168.4	7.0%
	Other	4,786.45	5.1%
Industry Vertical	Manufacturing	3,477.3	4.8%
	Construction	4,102.2	3.4%
	IT & Telecom	2,767.6	8.0%
	Healthcare	2,590.8	6.8%
	Others	3,307.9	6.2%

Source: AMR Analysis

Global Plastic Conduits Sales Market by Region (US\$ Million):



Source: AMR Analysis

Distribution Channels

Dura-Line distributes its products to more than 1,700 customers both directly and through distributors in more than 50 countries, providing solutions and building long-term relationships with customers. We have 19 production facilities located mainly in North America, Europe and India.

Main clients

Dura-Line's customers are companies operating in the telecommunications, energy and infrastructure industries, including large and small construction companies as well as installation service companies. Its main clients are large North American corporations as well as large multinational companies.

Seasonal Behavior

The general macroeconomic and political environment in each of the countries in which we operate influence the sales behavior in the Data Communications business segment. Typically, the first and fourth quarter of each year have low sales volume due to winter in the Northern Hemisphere. However, the climate conditions in recent years have varied in such a way that this seasonal behavior could have different effects going forward. Among the climate conditions that have affected the Data Communications business in the past, include hurricane season in the United States and tsunamis in India.

Competition

Dura-Line's main competitive advantages are (1) its presence in regions such as North America, and Europe; (2) wide distribution network globally; and (3) strong brand recognition. The Data Communication business segment faces strong international competition in the countries and regions in which it operates. Multinational companies are the main competitors of Dura-Line such as Performance Pipe, Blue Diamond Industries, JM Eagle, Gabo Systemtechnik, Emetelle, and to a lesser extent small regional manufacturers. It is worth noting that the competitive landscape in developing countries is much more fragmented when compared to markets in the US, Canada or Europe.

Key trends

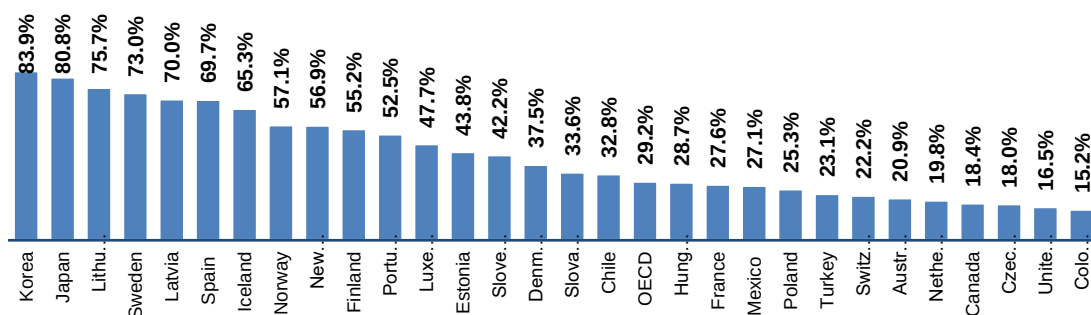
In the coming years Dura-Line is expected to increase with the adoption of 5G connections across the globe, the increase density of devices connected to the internet, along with the adoption of Fiber to the Home (FTTH).

According to GSMA, 5G is expected to represent approximately 55% of total connections in the United States by 2025 supported by sustained subscriber penetration and increased smartphone adoption. 5G growth will be driven by over +US\$300bn in committed capex from key operators.

The expected increased density of devices connected to the internet will support the rise of fiber optic cables, which are the preferred conduit for data transportation given its reliability, low-latency and speed. Additionally, HDPE allows for (i) scalability and maximization of space, (ii) mix of multiple cables under a single protective sheath, and (iii) provides flexibility of upgrading.

The United States lags behind many countries in terms of access to fiber and fiber penetration rates, providing a key growth opportunity. When compared to countries within the same range of household density, i.e., similar average fiber deployment costs, the United States shows low FTTH coverage compared to Latvia, Sweden or Mexico.

Fiber penetration by country (as of 2Q20)



Source: OECD Broadband Portal

Netafim

Precision irrigation is an innovative method to evaluate the crop's water requirement and implementation of the advanced systems to encourage the health of the crop and to reduce the nutrient, chemical and water waste. It provides the capability to efficiently utilize the water by fine matching irrigation inputs to yields in each area of a field.

Netafim's targets high-growth markets and produces solutions to serve two of the most relevant global trends: growing shortages of water and food. We are one of the world leaders in the production and sale of intelligent precision irrigation solutions. We operate through 62 subsidiaries and 17 plants located in Israel, Turkey, Holland, Spain, South Africa, Mexico, Brazil, Peru, Chile, Mainland China, Australia, India and the United States, providing services to over 100 countries. We have established a research and development facility in Israel as part of our innovation efforts.

We offer solutions in agriculture, civil and project engineering, related to the management, use and control of water in agricultural, livestock and aquaculture activities. The Netafim brand benefits from strong brand recognition within key agricultural markets given its history pioneer and innovator in the agricultural irrigation market.

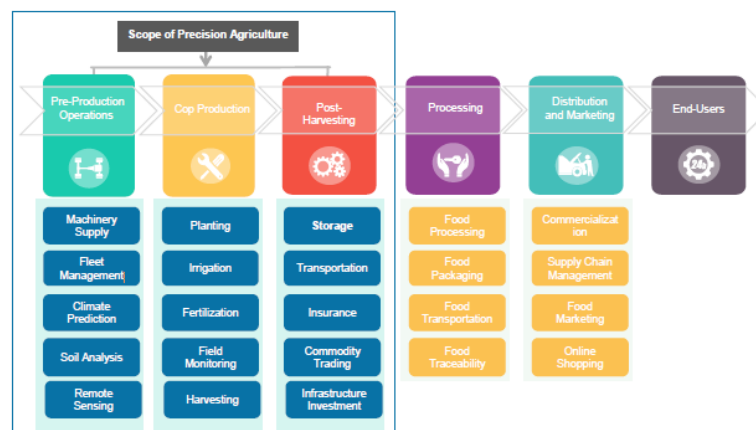
Since the introduction of the first commercial drip irrigation system in the world in 1966, we have invested years of research into micro irrigation to maximize the benefits of this technology. As a result of this investment, we have been pioneers in key technological advance in micro irrigation, such as low-pressure dripper and pressure compensation. We have become a world leader in advance micro irrigation by helping for the world to "grow more with less", as demonstrated by customer who, in general, achieve greater crop yields while using less water as well as fewer land resources and energy, which allows for a reduced use of other inputs such as labor, nutrients and crop protection.

Products

Netafim offers technological advanced micro-irrigation solutions consisting mainly of drip irrigation solutions in conjunction with sprinklers and micro-sprinkler products. Our products usually serve needs in the agricultural market and used for landscaping and mining applications in a lesser extent.

We have a broad product portfolio comprised of drippers, drip lines, advanced digital technological solutions for agriculture as well as strategic components of the irrigation systems (such as filters, valves and air valves). As part of our advanced digital technological solutions, we launched in 2018 a solution for the irrigation and fertigation vertical that provides them with digital monitoring, analysis and control capabilities. We provide as well end-to-end solutions comprised of bulk water supplies, feasibility studies and design, implementation, after-sales support and maintenance services. In addition, through our leading presence in the irrigation market, we have built a deep agricultural knowledge base that has allowed us to offer agronomic services to support end-users, through our NetBeat app, in order to maximize the productivity of their systems.

Precision Agriculture in the Agricultural Value Chain:



Source: Secondary Research and BIS Research Analysis

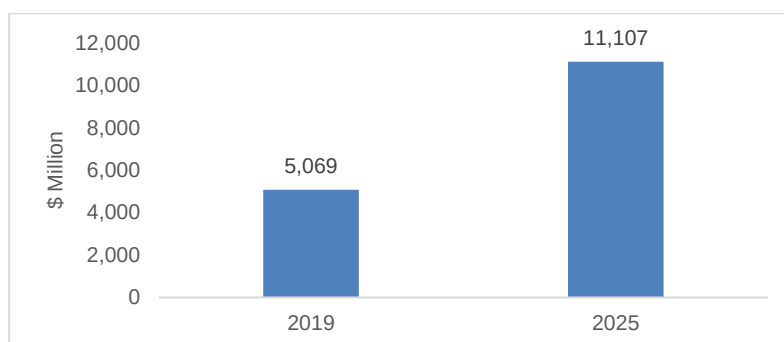
Raw materials

The main raw materials used in this business segment are polyethylene (PE) resins in different grades and products made from PVC resins.

The Market

According to BIS Research Analysis, the Global Precision Irrigation market is expected to grow at a CAGR of 13.3% from 2020 to 2025. The increasing need for crop productivity, global population and water scarcity are the main drivers supporting the Precision Irrigation industry. Government support to acquire micro-irrigation systems is a key component of the expected growth. Over the past five years, the irrigation sector has witnessed increasing participation of government in terms of policies and investment to encourage the adoption of advanced irrigation systems such as the use of drones, drip, and multi-sprinklers rather than field flooding methods. The precision irrigation market is expected to present several growth opportunities for irrigation players, especially in the Middle East, Africa, and Central and South America.

Global Precision Agriculture Market Snapshot



Source: BIS Research Analysis

Sales and Marketing

Netafim has established a series of programs aimed at the different market sectors taking into consideration the assessment of consumer profiles and needs as well as new trends in distribution channels, where there is a growing influence of large retailers.

Netafim's strategy is based on the following factors: management of retail networks to improve loyalty, innovation in services to provide consulting and training support, providing tailor-made products and services, a specialized sales force, alliances for turnkey services with selected construction and telecommunication companies, turnkey solutions for irrigation including community irrigation projects, transparency in transactions, technical support to improve the productivity of Netafim's customers and specialized services for access to credit and insurance.

Distribution Channels

Netafim distributes its products directly and through a global network of more than 3,000 distributors in more than 100 countries through direct customer contact as well as indirect distribution.

Main clients

Precision Agriculture main clients include individual farmers and large corporations. Large and medium wholesale distributors serve and supply the majority of the Precision Agriculture's clients. Netafim's 10 most important clients account for approximately 2.5% of the Company's consolidated revenues.

Seasonal Behavior

The Precision Agriculture business segment faces seasonality mainly driven by the climate of the countries in which it operates. Usually, the second and fourth quarter of each year are the strongest ones while the first and third quarter of each year are the weakest ones.

Within Europe (and the Northern Hemisphere), there is a greater in demand for the Precision Agriculture products in the spring months. For the countries in the Southern Hemisphere there is a greater demand starting in September / October, which is the beginning of their spring season. Finally, in December there is a peak in demand as well mainly driven by an increase in sales in the United States and India.

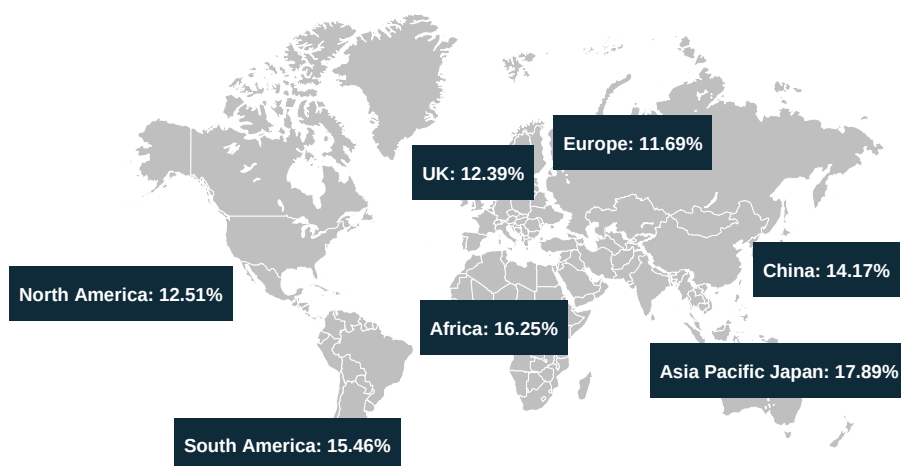
Competition

Netafim's main competitors globally are Jain Irrigation, Rivulis, Irritec, Toro, Metzger and other smaller local competitors in the countries where it is present.

Market share

According to Orbia's estimates, Netafim has an approximate market share in precision irrigation products of 35% in North America, 40% in Latin America, 35% in Europe and 20% in Africa, Middle East and Asia.

Growth by Region (CAGR 2019-2025):



Source: Secondary Research, Expert Views, and BIS Research Analysis

Key trends

According to the Food and Agriculture Organization of the United Nations (FAO), there is a growing demand for food and lesser availability of resources. By 2050 food production will need to be increased by approximately 50% due to an increased population of nearly 9.1bn people. 70% of which will be living in cities. Additionally, water availability is expected to worsen by 2050 in which nearly 4.0bn people will live under severe water stress given 20% less arable land per person, 95% of land areas could be degraded and an expected 25% water deficit (demand – supply gap).

According to the FAO, it is estimated that farmers lose about 20% to 40% of their product due to crop diseases and pests every year. Over the past few years, there has been a major shift in the agriculture industry towards the sustainable option for the crop production system to minimize the risk of crop's disease, diminishing operation cost, and trade crops for the maximum price possible. This has led to an increase demand for advanced solutions that enable the farmers to efficiently manage resources.

According to the OECD, approximately 70% of the world's consumed water is used for irrigation even though only 20% of land is irrigated and the majority of irrigation is via flood irrigation, which is highly inefficient as it waters the land, not the crop.

Koura

Currently, Orbia is one of the world's largest producer of fluorite and integrated HF, excluding China. In addition, the Company is one of the world's largest producers of hydrofluoric acid (HF), considering its operations in Mexico and as one of the largest supplier in the U.S. Spot Market.

The Company is also one of the world's leading suppliers of refrigerant gases, primarily R-134a gas, used primarily in the automotive and refrigeration industries. R-134a gas is also used as propellant gas in medical devices such as inhalers for asthmatics, an application in which Koura has a significant market presence.

During 2018, 2019, and 2020, the sales generated by the business group Koura represented 11% of the consolidated sales of Orbia before intercompany eliminations. Koura contributed 19%, 24%, and 25% of consolidated EBITDA for 2020, 2019, and 2018 respectively.

1. Fluorite Process

The activities of this process focus on the exploitation of fluorite, which is commercialized in two basic forms: (i) metallurgical grade, used in the production of steel, ceramics, glass and cement; and (ii) acid grade, used in the production of hydrofluoric acid, which is the main raw material for the manufacturing of virtually all compounds containing organic and inorganic fluorite, including fluorocarbons, fluoroelastomers, as well as aluminum fluoride for the production of aluminum.

Products

The Fluorite Process extracts and processes:

- 1) Metallurgical grade fluorite, flux for the steel and cement industry. There are different sizes for the metallurgical gravel, depending on the size required by the customer for its final process (fine, chunk, standard, and special).
- 2) Acid grade fluorite, raw material to produce hydrofluoric acid and aluminum fluoride.

Raw materials

The main raw materials in the Fluorite Process are: (i) electricity, (ii) water, and (iii) consumables. The supply of these raw materials is obtained under the scheme of long-term supply contracts with periodic reviews.

The main suppliers of raw materials in Mexico are the Comisión Nacional del Agua ("Conagua", water), the Comisión Federal de la Electricidad ("CFE", electricity) and PEMEX Transformación Industrial (natural gas).

Sales and marketing

Koura has long-term contracts in place with its main metallurgical-grade and acid-grade fluorite customers, in which sales schemes have been established to promote customer loyalty. 3 to 5 year contract terms and contract prices based on international reference prices provides Koura with long-term stability.

Main customers:

Fluorite products are used by customers in the iron and steel, glass, ceramics, aluminum, cement and chemical industries (fluorocarbons for refrigeration, propellants, foaming agents, thermoplastic polymers, etc.). Due to this diversification, the loss thereof of a customer would not have a material adverse effect on the Company's results of operations or financial position.

Distribution Channels

Fluorite products are marketed through distributors worldwide as well as through direct plant deliveries by railroads, marine vessels, and auto transportation. There is no special sales method as all sales are made through the sales force in our own branches and with distributors.

Distribution contracts

Sales through distributors are made through long-term contracts, who purchase the described fluorite products directly for resale in the markets in which they are present.

Cyclic behavior

The Fluorite process of the Flour Business Group shows low cyclical behavior on a regular basis.

Positive and Negative Aspects of its Competitive Position

The Fluorite Process has an important logistical advantage since it produces 1.8 million tons of Fluorite in three different locations and has rail access to the cities of Altamira and Tampico, which are worldwide distribution ports. In comparison, according to data from Roskill Consulting, China produces about 4.8 million tons in more than 650 mines, currently being the world leader in the production of fluorite, representing Koura's greatest competition in the country.

Likewise, Koura stands out for its constant investments and productivity alliances with the union bases, which have allowed significant increases in productivity in recent years. It is also important to note the grade quality of the ore that is naturally extracted from the mine, which reduces the application of additional processes after extraction in order to be sold as metallurgical grade. In addition, Koura benefits from having long-term contracts with its main customers.

2. Hydrofluoric Acid (HF) and Aluminum Fluoride (AlF₃) Process

HF is produced by reacting fluorite (CaF₂) with sulfuric acid. Once produced, hydrofluoric acid undergoes several stages of distillation to achieve the 99.99% purity necessary to meet the high standards demanded by the market.

Aluminum fluoride is an essential element for the manufacture of aluminum, and it is produced by the reaction of HF with aluminum hydroxide. From its Matamoros plant, Koura supplies several of the world's leading aluminum producers.

HF is mainly used in (1) the manufacture of refrigerant gases and propellant gases for air conditioning, refrigerators, freezers, and medical applications for treatment of respiratory diseases, (2) the manufacture of highly specialized plastics known as fluoropolymers, (3) the manufacture of aluminum fluoride, (4) the manufacture of high octane gasolines, (5) cleaning of metallic surfaces such as the pickling of stainless steel, and in other uses to a lesser extent, such as the manufacture of uranium fluoride for the nuclear industry, the manufacture of integrated circuits, and fluorinated salts for a wide variety of applications.

Plants

Koura owns and operates one of the largest HF plants in the world, located in the city of Matamoros, Tamaulipas, Mexico, with an annual installed capacity of 143,000 tons. The plant is strategically located to have easy access to its main raw materials in Mexico, and it exports 97% of its production of hydrofluoric acid mainly to the USA, as well as 100% of its production of aluminum fluoride. The Company operated the Matamoros plant with the highest technology in compliance with all applicable regulations.

Raw materials

The main raw materials used in the production of HF are acid grade fluorite and sulfur. Fluorite has traditionally been obtained from the San Luis Potosi mine and, to a lesser extent, through purchase from third parties.

Sales and marketing of hydrofluoric acid (HF) and aluminum fluoride

The Issuer has several long-term HF supply contracts with its major customers in North America. Aluminum fluoride is sold to customers through purchase orders or contracts with a term of less than or equal to one year.

3. Refrigerant Gases and Fluorocarbons Process

Fluorocarbon Compounds

Fluorinated hydrocarbons or fluorocarbon compounds are aliphatic compounds that have fluorine atoms or a combination of carbon and fluorine in their structure. They have a highly developed industrial application: they are used as anesthetics in medicine, as propellant gas in aerosols, as degreasers in metallurgy, as cleaners of electrical and electronic contacts among others. However, the most important use of these compounds is as refrigerants in air conditioning systems and for domestic and industrial refrigeration.

Refrigerants: Fluorocarbons combine good thermodynamic properties (with boiling points below target-typical temperatures, high vaporization heat, moderate density in liquid form, and high density in gaseous phase) with a safe (low toxicity and flammability) and non-corrosive nature.

Propellants: Fluorite-based propellants are used to safely deliver a variety of medications in aerosol form, including use in inhalers for the treatment of asthma. The Company acquired exclusive worldwide rights to sell and distribute this product for the regulated medical and pharmaceutical market under its ZEPHEX® brand, the global brand of medical propellant gases, which contains about 75% of inhalers produced worldwide.

Raw materials

The main raw material used in the production of refrigerant gases is HF, which comes mostly from the plant in the city of Matamoros for the production of refrigerant gases at the plant in St. Gabriel in the state of Louisiana, USA, This material is mainly imported from third parties for the production of refrigerant gases in the city of Mihara, Japan.

Sales and marketing of refrigerant gases

Koura sells refrigerants worldwide through regional distributors, key to the aftermarket, mainly without a contract or with a short-term contract. It also sells directly to OEM (original equipment manufacturers) on short-term contracts.

Medical thrusters are sold in bulk directly to pharmaceutical companies under contract and packaged for business, through agents and distributors without contract.

Main customers:

The total sum of the ten most important clients of the Koura Global Business Group represents 5% of Koura's total sales. No single Koura's customer represents more than 1% of the Company's total sales and, therefore, there is no dependence on one or more customers. Due to this diversification, the loss of such customers would not have a material adverse effect on the Issuer's results of operations or financial position.

Distribution Channels

Koura markets its products directly to customers and with some distributors. There is no special sales method, as all sales are made through the sales force in our branches and through distributors.

Distribution Contracts

Since the sale is made directly to customers, most do not have distribution contracts.

Cyclic Behavior

There are no seasonal cyclical behaviors for the Fluoric Acid Process and Refrigerant Gases market.

Positive and Negative Aspects of its Competitive Position

The main competitive advantage of the Hydrofluoric Acid and Refrigerant Gases Process lies in the vertical integration with respect to its main raw material, fluorite, which it obtains from its mines in Mexico, giving it long-term viability by having a guaranteed supply, which differentiates it from the main non-integrated producers dependent on Fluorite's external supply. As the main producer of fluorite worldwide, China's strategy has consisted of using this mineral to manufacture finished products in this industry, such as fluorocarbons and fluoropolymers, which significantly reduces the supply of ore in metallurgical or acid grade worldwide.

On the other hand, Koura has a strategic and unique geographic location that gives it access to the North American market (one of the main consumers of hydrofluoric acid and other fluorochemicals in the world), which gives the Company a sustainable competitive advantage difficult to match. In addition, Koura also benefits from its proximity to such an important market for such products due to the strict transportation regulations applicable to hydrofluoric acid when compared to other players.

Fluor Industry Overview

Most acid grade fluorite is consumed in the production of HF, required for the manufacture of fluorochemicals, followed by aluminum production and steel manufacturing. During 2020, industrial closures in relation to the COVID-19 pandemic caused the fall of demand for HF and refrigerant gases, which decreased the global consumption of acid grade fluorite.

Koura is one of the world's largest fluorite producer, accounting for approximately 96% of Mexico's active production capacity, which is equivalent to approximately 18% of Fluorite's annual global needs.

HF is the most important chemical derived from fluorite. The world's largest HF production capacity is in China, followed by North America and Western Europe.

World production capacity of hydrofluoric acid (thousands of metric tons from 2018 to 2020)

	2020	2019	2018
China	2,017	1,947	1,868
North America	220	220	220
Europa	257	257	261
Asia	166.5	167	237
Mexico	196	196	196
Rest of the World	127	127	111
Total	2,984	2,914	2,893

Source: Roskill Consulting 2019, HCA Consulting 2020, and Company data.

BUSINESS

Orbia

We are a leading provider of products and solutions in multiple sectors, including construction, infrastructure, agriculture, health, transportation, telecommunications, energy and chemicals, among 14 others. We are one of the world's largest plastic pipes and fittings suppliers and one of the largest chemical and petrochemical companies in Latin America.

In 2020, we generated US\$6,420 million in revenue and employed more than 21,500 people in more than 50 countries, where we operate 129 production plants, concessions for the exploitation of two fluorspar mines in Mexico, eight formation academies, 19 research and development laboratories, a venture studio in San Francisco and offices in Mexico City, Boston, Amsterdam and Tel Aviv. Due to our global presence, we decided to name our businesses and business groups in English and changed our name from Mexichem S.A.B. de C.V. to Orbia Advance Corporation S.A.B. de C.V. on August 26, 2019.

Our business strategy emphasizes the importance of having a portfolio of leading businesses in each of their respective sectors that focuses on basic and advanced materials, infrastructure and services. In order to further our commitment with innovation, we launched a multi-year venture capital fund, Orbia Ventures, to capitalize early stage start-ups with strategic connections to our core business and corporate purpose. Additionally, we benefit from being a vertically integrated company, which allows us to mitigate volatility in our primary raw materials' prices and ensure their supply even under market scarcity conditions. Our commercial focus is on higher-value-added products and services that offer higher profitability.

We have more than 50 years of experience and have been listed on the Mexican Stock Exchange for over 30 years. In 2020, we celebrated our second anniversary as a member of the Dow Jones Sustainability Index and received the EcoVadis silver medal, which places us among the top companies regarding sustainable sourcing efforts. We have been included in the FTSE4Good index since 2015.

We are strategically focused on organic growth to improve our product portfolio and geographic diversification. In recent years, we have increased our positioning in the North American and European markets. Currently, both regions account for 66% of sales by geographical area of destination. In this way, we are continuously strengthening a platform that offers comprehensive solutions for our customers while creating long-term relationships.

In 2020, our EBITDA was US\$1,318 million, representing an annual decrease of 3%. In 2019, our EBITDA was US\$1,365 million, representing an annual decrease of 2%.

Up until the 2019 period, we reported our results divided in three business sections. As a result of our growth over recent years, our management conducted an internal review to identify whether the three business groups still represented the most relevant and efficient organizational structure to make both operational and financial decisions. We have expanded into new markets both through organic growth and the acquisition of companies that offer synergies and new opportunities to serve our customers with better products and services, by leveraging the strength of our local brands in each of the countries and territories where we operate.

As a result of this review, starting on January 1, 2020 we changed the reporting structure of our business groups in order to improve the decision-making process and present our financial results in a more transparent manner, as follows:

- Vestolit (Polymer Solutions)
- Wavin (Building and Infrastructure)
- Dura-Line (Data Communications)
- Netafim (Precision Agriculture)
- Koura (Fluor)

Our operations by value chain are the following:

- Vestolit (Polymer Solutions Business Group). Our Polymer Solutions Business Group, which is commercially known as Vestolit, focuses mainly on PVC and other vinyl polymers with various applications in products that enhance lives and livelihoods, including pipes, cables, flooring, auto parts, household appliances, clothing, packaging and medical devices. Vestolit consists of six manufacturing processes:
 - (1) Basic chemicals including ethylene, chlorine, caustic soda and its derivatives, VCM, EDC and specialty chemicals;
 - (2) Phosphates with applications in food and beverages, soaps and detergents, fertilizers and food supplements;
 - (3) The vinyl process produces general resins used for pipes and fittings, cable, flexible and rigid films, bottles, among others;
 - (4) Specialty resins used for flooring, wallpaper, coatings, among others;
 - (5) The plasticizer process produces phthalic anhydride and a wide variety of plasticizers used in the processing of plastic resins; and
 - (6) The compounding process produces plastic resin compounds used to manufacture products with different applications, such as medical products, industrial and consumer products, products for the construction industry and calcium-zinc stabilizers used in PVC processing (commercially known as Alphagary).

In 2020, 2019 and 2018, Vestolit recorded sales of US\$2,171 million, US\$2,334 million and US\$2,460 million, respectively, which represented approximately 34%, 33% and 34% of our net sales for each of those years, respectively.

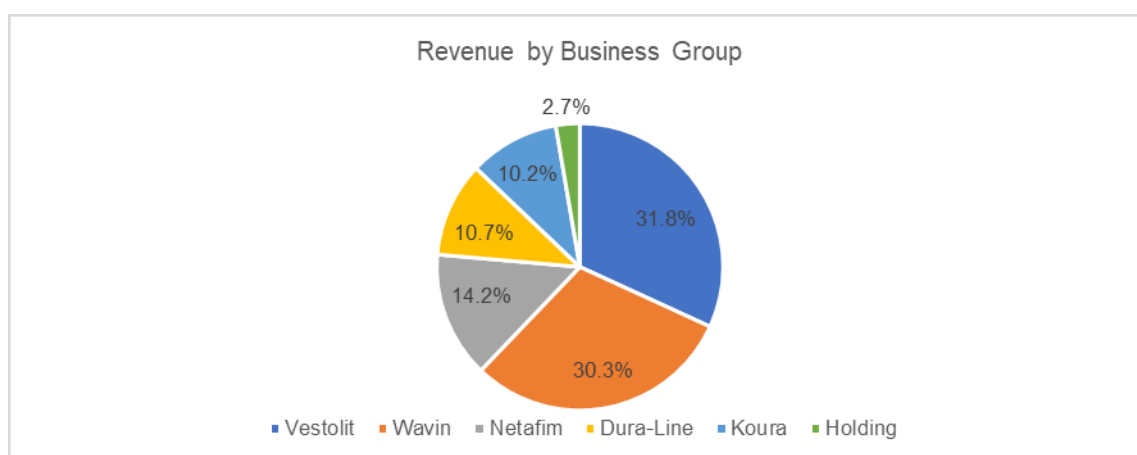
- Wavin (Building & Infrastructure Business Group). Our Building and Infrastructure group, commercially known as Wavin, serves customers on three continents and sells, manufactures and develops new, sustainable products around water collection, water management, hot and cold water systems and heating and cooling systems, as well as a revolutionary plastic road through a joint venture. This plastic road is made of 100% recycled plastic, making it sustainable, lightweight, faster to install and can be used for various purposes. Wavin has a presence in more than 40 countries with approximately 10,000 employees. Specifically, Wavin is one of the leaders 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. In Latin America and Europe, we are focused on the residential and commercial construction and infrastructure markets. In Latin America, we offer 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. Wavin was integrated from our acquisitions of Wavin N.V. in 2012 and Amanco Holdings S.A. de C.V. in 2007. Since 2019, our building & infrastructure business group operates under the global leadership of Wavin, as a global player in plastic pipe systems and solutions. In 2020, 2019 and 2018 Wavin recorded sales of US\$2,071 million, US\$2,239 million and US\$2,362 million, respectively, which represented approximately 32%, 32% and 33% of our net sales for each of those years, respectively.
- Dura-Line (Data Communications Business Group). Our Data Communications Business Group, commercially known as Dura-Line produces more than 400 million meters of infrastructure annually through conduit, FuturePath, cable-in-conduit and accessories, which create the physical pathways for the deployment of fiber optic and other network technologies that connect cities, homes and people. Dura-Line is one of the world's leading manufacturers and distributors of HDPE conduit pipes, fittings, solutions for cable and fiber optic transmission for voice and data and pipes to transport and distribute natural materials and gas, primarily in the U.S., Canada, Europe and India regions. In 2020, 2019 and 2018 Dura-Line recorded sales of US\$732 million, US\$749 million and US\$798 million, respectively,

which represented approximately 11%, 11% and 11% of our net sales for each of those years, respectively.

- Netafim (Precision Agriculture Business Group). Our Precision Agriculture business group, commercially known as Netafim is one of the world leaders in the production and sale of intelligent precision irrigation solutions, with 62 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 agriculture, civil and project engineering related to the management, use and control of water in agricultural, livestock and aquaculture activities. In 2020, 2019 and 2018 Netafim recorded sales of US\$972 million, US\$1,063 million and US\$945 million, respectively , which represented approximately 15%, 15% and 13% of our net sales for each of those years, respectively.
- Koura (Fluor Business Group). The Fluor Business Group, commercially known as Koura, operates one of the world's largest fluorspar mine and one of the largest HF production sites (based on Roskill Consulting report data). Koura is a fully integrated producer of R134a refrigerant gases in the United States and Japan. Koura operates two basic types of assets:
 - (3) Mining operations. Consists of the extraction of fluorspar, used for the production of HF in the cement, steel, stainless steel, ceramics and glass industries;
 - (4) Chemical operations. Converts fluorspar to HF, which is the critical step required for all downstream uses of fluorine. HF is then reacted with alumina to produce aluminum fluoride for the aluminum industry. HF is also reacted with trichloroethane to produce R134a refrigerant gases. HF is sold for other end use applications including fluoropolymers, electronics processing, semiconductor doping gases, lithium ion battery materials and other specialty applications. Koura makes Zephex 134a, which is a highly purified form of 134a used for respiratory delivery of life saving medicines used in metered dose inhalers.

In 2020, 2019 and 2018 Koura recorded sales of US\$698 million, US\$805 million and US\$837 million, respectively , which represented approximately 11%, 12% and 12% of our net sales for each of those years, respectively.

The following chart shows the percentage of our revenue derived from each of our business groups as of December 31, 2020, excluding revenues of the holding company and eliminations:



The following table shows a breakdown of the total sales revenue by business group and corresponding EBITDA as of December 31, 2020, excluding revenues of the holding company and eliminations:

<u>Business Group</u>	EBITDA		Revenue	
	2020	2019	2020	2019
	(in millions of U.S. dollars)			
Vestolit	462	443	2,171	2,334
Wavin	261	269	2,071	2,239
Dura-Line	173	149	732	749
Netafim	181	179	972	1,063
Koura	254	325	698	805
Holding Company	(13)	-	184	97
Eliminations	-	-	(408)	(300)
Total	1,318	1,365	6,420	6,987

Competitive Strengths

We focus on creating value for our shareholders, customers and suppliers by continuously developing and improving our products and services, adding value from our basic raw materials through vertical integration into the higher value-added products market to achieve superior results. Our principal competitive strengths include the following:

Vertically integrated operations with direct access to raw materials that provide economies of scale and reduce operating expenses.

We have vertically integrated operations with direct access to raw materials that generate economies of scale and reduce operating expenses. Over the past 17 years, we have acquired companies or formed joint ventures to achieve vertical integration in our operations and increase access to the raw materials needed for our operations.

As a leader in the markets where we participate, we are characterized by our focus on low-cost production by investing in our own state-of-the-art technology; integrating our basic raw materials on our two main production chains; driving synergies from logistics, purchasing, systems, treasury, human resources and other functions; and developing and implementing cost-efficiency projects.

Vestolit is partially integrated (approximately 70%) to our main raw material, ethylene, and thus the production chain is integrated from the extraction of salt to the production of plastic compounds. Vestolit facilitates the production of salt for industrial consumption, ethylene, chlorine, soda, VCM chlorine derivatives, PVC and specialty resins, as well as compounds, in addition to being integrated to one of the main raw materials for the manufacture of plasticizers: phthalic anhydride.

Koura has its own concessions for the exploitation of fluorspar mines, including the world's largest one, making it the only fully integrated global producer of its raw material. This integration gives Koura an unparalleled competitive advantage, not only in Mexico but also worldwide. Koura is the only company in the world with a vertically integrated value chain, from the extraction of fluorspar, through HF, to the production and sale of refrigerant gases and medical propellants in the Americas, Europe and Asia.

Leading position in European, North American and South American markets, with strong growth prospects and indisputable global leadership.

Our net sales to third parties in 2020, by geographical area of destination, were 34% in Europe, 32% in North America, of which 22% were in the United States and 10% in Mexico, 20% in South America, of which 7% were in Brazil, and 12% in other countries. Over the past five years, we have expanded our operations throughout the Western Hemisphere, the Middle East and Africa, and we currently have production facilities in 10 Latin American countries, as well as facilities in the United States, Canada, Japan, China, the United Kingdom, Oman, South Africa and Israel. There are attractive growth projections in infrastructure and construction in the emerging markets where we sell our main Vestolit and Wavin products due to a significant housing deficit, insufficient infrastructure, lack of access to water and sanitation and electricity.

Thus, we expect a sustained demand for PVC in the coming years, according to reports by IHS Markit (2020 World Analysis – Vinyls).

We have a strong presence in the American, European and Asian markets due to Koura's position as a vertically integrated fluorspar business in these regions. Furthermore, we have the concession rights for the exploitation and extraction in Mexico of one of the world's largest fluorspar mine and have modern plants for the production of HF and refrigerant gases, which permit us to forge solid relationships with strategic market participants. In addition, our geographical proximity to the end fluorochemicals market in the United States gives us a competitive advantage. We frequently enter into long-term U.S. dollar-denominated contracts with reputable international customers for the sale of the fluorite and HF we produce. Our global positioning will permit us to explore opportunities in order to supply more value-added products.

Strong track record of integrating and operating acquired companies.

Our proven ability to integrate and operate acquired companies throughout the Americas, Europe, the Middle East, Asia and Africa is a competitive advantage.

Since 2003, we have grown rapidly by consolidating 30 acquisitions. The acquisition of Netafim in 2018, is part of our growth strategy, which grants us access to smart technology used in water supply solutions and other sectors.

We believe that our acquisition of Netafim further aligned our strategy toward specialty solutions, products and services, positioning us as an innovative leader in the high-growth market of precision irrigation. Before the acquisition, Netafim had a long history of creating smart solutions in the irrigation market. This acquisition gave us access to this technology, which can be used in water supply and in other sectors, providing a platform from which it is possible to generate industrial solutions based around existing production lines that serve the infrastructure, housing and data communication markets and other sectors. This acquisition also strengthened our global presence and impact in key growth markets while allowing us to grow in the replacement market and diversify and expand the end markets in which we operate.

Successful acquisitions have contributed to the significant growth of our net sales and EBITDA, making us a leader in the industries in which we operate.

The geographical diversification of our sales, the diversification of our products, which has led to more than 60% of our revenues coming from finished and specialty products and increased generation of cash flow, has changed our profile considerably, from a company based on commodities and chemical products, to a company increasingly based on innovative and specialty products, which has made us more resilient in an environment of constant changes to the global economy.

Experienced management team with extensive industry experience

Our key executives have extensive experience in leadership positions at top-tier global companies, with more than 20 years of professional experience. Our executive team has a proven track-record of operating successfully in the industry, strengthening our operations and integrating new acquisitions in order to grow our businesses.

Strong relationships with major suppliers and long-term contracts

We operate under long-term product supply contracts with our main domestic and foreign customers and suppliers, which allows for sustainable development. Based on growth potential and size, we have defined the market segments we wish to participate in and, under this contract scheme, have positioned ourselves alongside strategic clients in markets with high growth potential. This lends us a competitive advantage that is difficult for our competitors to replicate.

Significant economies of scale with strategically located facilities that results in low-cost operations

We benefit from an economy of scale in the global fluorspar market because: (1) we hold concession rights to the world's largest fluorspar mine, according to estimates made by experts certified by the Mining and Metallurgical Society of America, and, through the acquisition of FDM, we increased our potential reserves of the highest purity fluorspar, (2) we have one of the world's largest HF production capacities, according to the latest survey conducted by Roskill Consulting, (3) we have strong relationships with strategic market participants, (4) we are a world leader

in the chemical fluorspar market, especially in the production of refrigerant gases and (5) our raw materials and productions facilities are strategically located with access to the U.S. fluorocarbon market.

Koura operates under long-term U.S. dollar-denominated contracts with international customers for the supply of acid grade fluorspar. We believe that, given Koura's global scale, it can explore opportunities within the fluorochemicals industry with a greater number of value-added products, either through joint ventures with established producers or through direct acquisitions.

The concessions for the exploitation of the fluorspar mine and HF production facilities are near the border with the United States and the coast of the Gulf of Mexico. This location gives us easier access to the market in the United States, which has the highest fluorspar demand in the world. Koura's EBITDA margin (EBITDA divided by revenue) for 2020 was 36.4%.

In our Polymer Solutions business, Vestolit begins its processes by extracting salt from its own mines to produce PVC resin, which is one of the main raw materials used in the manufacturing of plastic pipes in Wavin and Netafim.

In October 2013, Vestolit entered into a joint venture with OxyChem for the construction of an ethylene cracker in Ingleside, Texas. The ethylene cracker began commercial operations during the second quarter of 2017, which has allowed us to benefit from vertical integration in the value chain from ethane to PVC. This reduces the cost of our PVC production and allows us to directly manage the production and supply of our main raw material, ethylene.

With the Ingleside ethylene cracker operating at 100% capacity, Vestolit is approximately 70% vertically integrated, including Vestolit's installed capacity in PVC production.

Raw materials and production facilities are located in advantageous geographic areas, which permits us to reduce operating costs. We also own (through a joint venture) a port terminal in Altamira, which not only reduces costs but also provides us with better access to export markets.

Innovation through research, development and patented production processes

We have a product research and development department with human resources and facilities that foster processes and products innovation that are tailored to our customers' needs. We have our own technology for our production processes which places us at the forefront of technology since we have developed our different production chains, unique designs that give us advantages over our global competitors. Our 19 research and technology centers are located in Mexico, USA, the Netherlands, Italy, India, the Czech Republic, the United Kingdom and Israel. These research and technology centers focus on the development of new products and the alignment of processes to achieve safety and optimization of our production chain. We have developed cutting-edge technology for fluorite purification in the HF process through Koura. This innovation has succeeded in lowering the annual production cost of HF. Additionally, as a result of the acquisition of Wavin, we gained access to new technologies and products developed by this business group, with which we already had technology transfer contracts. In total, we have more than 500 patented products.

In addition to our 19 research and technology centers, during 2020, Orbia Ventures invested in four startups and businesses. Through this fund, we work in collaboration with startups who share our vision for introducing cutting edge innovation and smart technology solutions. On November 28, 2020 Orbia Ventures invested US\$3 million in SeeTree, a leading player in the agriculture tech space with a focus on tree farming and a goal of providing farmers with individual, per-tree insights to optimize resource usage in terms of land, water, fertilizers and crop protection. Netafim will incorporate SeeTree into our digital farming offering and support the development of SeeTree's solutions.

On April 12, 2021 Orbia Ventures led a US\$20 million investor syndicate in backing Battery Resources, a vertically integrated lithium-ion battery recycling and manufacturing company. The investment will support Battery Resources in developing a commercial processing facility with the capacity to process 10,000 tons of used batteries per year. Koura is working on several joint initiatives with the Battery Resources team that are focused on refining lithium-ion battery chemistries for sustainability and scalability. In addition, Orbia Ventures also invested in Silvec Biologics. Silvec is developing the first non-GMO process to designed inoculate against tree, vine, and bush diseases in both seedlings and mature trees, and StormSensor, a cloud-based stormwater monitoring platform designed to offer real-time data and insights to the water utility industry.

Strategy

On August 26, 2019, Mexichem S.A.B. de C.V., a manufacturer of PVC pipes, irrigation systems and solutions, HDPE conduit pipes for cable and fiber optic transmission for voice and data, resins, compounds and specialty chemicals with a legacy of more than 50 years of success and business growth, proudly became Orbia Advance Corporation S.A.B. de C.V. This transition went beyond the introduction of a new name: it represented a new strategy, an operational reorganization and alignment of capabilities to address some of the world's most pressing challenges and mark the beginning of a new era of social and environmental contributions.

A global growth model driven by purpose

In 2020, we continued to propose innovative solutions for different macro-trends that affect communities and cities throughout the world, such as:

- Growing middle classes with greater urbanization and population density;
- Growing shortages of food and water;
- Connectivity, internet and digitization; and
- Climate change.

These trends present challenges for our clients that we seek to identify and mitigate by taking their needs into consideration. We have decided to place the customer at the center of our strategy in order to develop solutions focused on our clients that are increasingly specialized, technological and innovative.

Our vertical integration strategy has reduced our exposure to any price volatility of our main raw materials: Koura is 100% integrated from the exploitation of fluorite to the production of refrigerant gases. Since February 2017, the Vestolit is approximately 70% integrated and has thus achieved significant integration from salt extraction to PVC production, which has allowed us to improve profitability through better cost management. In addition, we focus on improving top line growth with strong profitability and asset turnover aiming to improve the return on invested capital in order to achieve and maintain us above our weighted average cost of capital, through the assets and operations we currently have.

Commitment to safety and social and environmental responsibility

We continue to position ourselves as a strong player in sustainability, corporate social responsibility and corporate governance. In 2020, the following milestones were achieved:

- **Sustainability:** We continue to work on our global life cycle assessment, where we've demonstrated that drip irrigation has a smaller carbon footprint compared to traditional irrigation methods. In addition, we increased the use of recycled polymers at Wavin and Netafim. In Koura, we received authorization for our third refrigerant recovery plant in Mihara, Japan. Refrigerant recovery, as any recycling or recovery effort, extends the lifecycle of a product, thus reducing pressure on the extraction of raw materials, and affects the production of new materials. We have also reduced sulfur dioxide emission by 28% relative to our starting point in the context of seeking a 60% reduction by 2025. The starting point we use as a reference is our 2018 emissions, which were reported in our 2019 and 2018 annual reports. The new level of our sulfur dioxide emission is included in our 2019 annual report. We expect to publish any updates to the emission level in our 2020 annual report. We track this measurement throughout the year and we report aggregate numbers.
- **Corporate social responsibility:** We continue to try to support our associates and their families in all of our businesses in overcoming the crisis posed by the COVID-19 pandemic from a comprehensive perspective that incorporates medical assistance. Additionally, we established an alliance with the "Resilient Cities Network", which represents the world's leading urban resilience network.
- **Corporate governance:** We introduced a new ESG incentive as part of our management team's compensation applicable as of 2021. Our board also elected two new independent directors, bringing the percentage of independent directors to 64%. We are working with leading firms in the search for talent to hire independent

directors with relevant management skills to be incorporated in line with the retirement of other directors in the coming months.

We have continued our efforts that we have been making in recent years, which are summarized below:

- In 2018, we joined the United Nations Global Compact, reporting on our commitment and actions with respect to the ten principles of the compact in our annual sustainability report since that year.
- In 2019, we joined the United Nations Global Compact Water Mandate, committing ourselves to six areas of water management. Today, we are one of a group of 175 companies worldwide that have joined this pact.

We comply with the new GRI criteria based on materiality disclosure and independent third-party review of relevant indicators as included in our annual sustainability report. The independent third party, Galaz, Yamazaki, Ruíz Urquiza, S.C. assures the data in the sustainability report in accordance with the ISAE 3000 assurance standard. In addition, we have begun to align the information in our annual sustainability report with the requirements of the SASB for our industry and have set long-term goals with respect to: zero waste to landfill, recycling, carbon emissions, safety, sulfur oxide emissions, and environment management systems in all our plants.

A continuous focus on specialty and value-added products

We will continue to use our competitive advantage to develop new and advanced production processes in our 19 research and development centers. These centers also develop new products focused on customer needs, making products available to customers through an extensive distribution network in the markets in which they participate. We will also continue to develop and implement our own technologies and processes that will generate significant benefits for us and for the entire industry in general. For example, we have our own technology to produce PVC resins, PVC pipes, compounds, plasticizers and HF purification. These technologies allow us to produce unique tubes that meet the requirements of most infrastructure projects and other competitive advantages. In addition, we have developed solutions based on fluoro compounds for the cement industry that allow for the optimization of Clinker production. This has economic benefits and also benefits our environmental impact by reducing our carbon footprint.

Maintaining an agile and solid financial structure

We seek to maintain a solid and flexible financial base that will allow us to support our growth objectives. We seek to maintain a net debt/EBITDA ratio of no more than 2.0 in the long-term. We continue to implement our financial strategies, including a conservative debt profile, a conservative hedging structure and strategies to hedge exposure to foreign exchange rates and thus be able to continue executing our growth strategy.

Implementing a business culture

Our current operations are the result of 30 business acquisitions that have positioned us as a leader in different countries, regions and markets, through the integration of diverse companies and work cultures. In this sense, we consider that a consolidated business culture is important for meeting our objectives for ourselves and the market. We are proud to establish and spread among our companies our mission, vision, unique values and strict adherence to our Code of Ethics as part of our organizational culture so that our employees are not only aware of it, but also apply it to their daily lives.

Vestolit (Polymer Solutions Business Group)

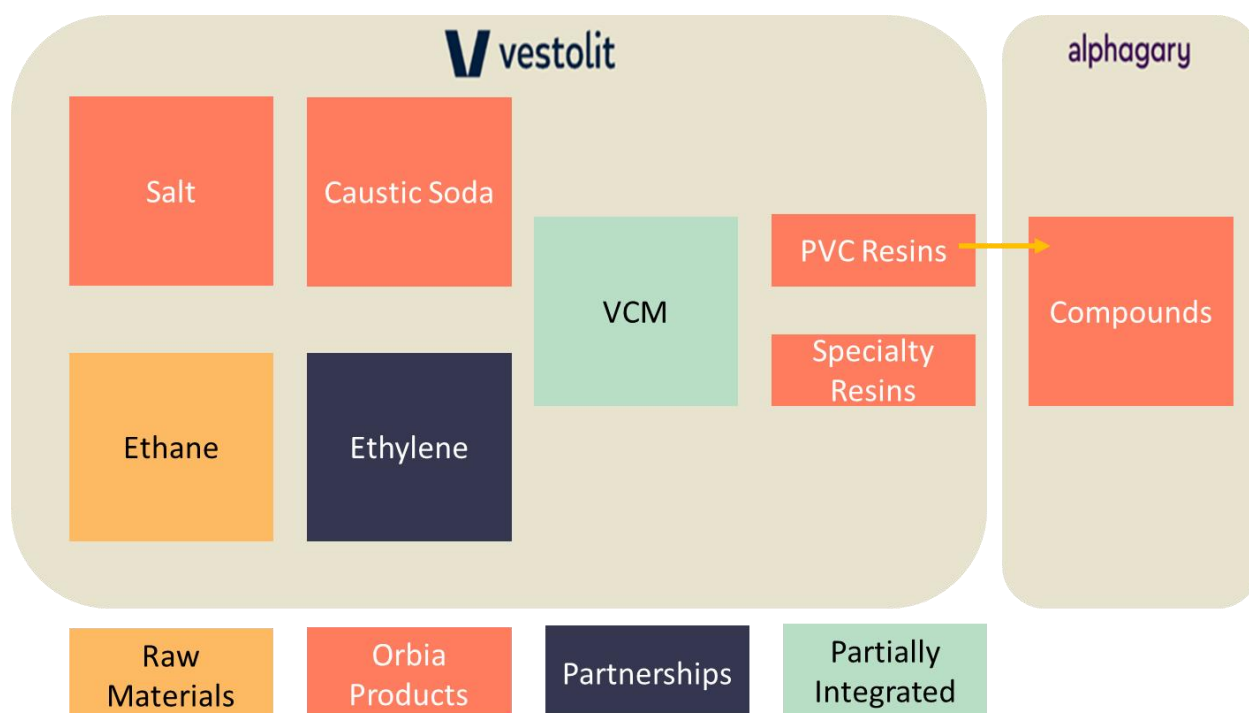
Vestolit conducts seven manufacturing processes: (i) basic chemicals including ethylene, chlorine, caustic soda and their derivatives, VCM, EDC and specialty chemicals; (ii) phosphates used in food and beverages, soaps and detergents, fertilizers and food supplements; (iii) general resins used for pipes and fittings, cable, flexible and rigid films, bottles, etc.; (iv) specialty resins used for flooring, wallpaper, coatings, among others; (v) phthalic anhydride and a wide variety of plasticizers used to modify PVC resin; (vi) compounds created by modifying PVC and other resins to be used for durable, high-performance and sustainable applications in healthcare, communications, energy, building and construction, consumer goods, automotive, food contact and various other functional products; and (vii) calcium-zinc PVC stabilizers that aid in processing PVC resin including special formulations for use in recycled materials.

We extract salt, the base material for Vestolit's operations, by injecting water into the salt dome and converting the salt mass to Brine, which is later decomposed into chlorine and caustic soda by electrolysis. We use the chlorine produced to combine it with ethylene and obtain VCM, which is then polymerized to produce PVC. At present, we obtain the necessary VCM to produce PVC mainly by purchasing it from OxyChem, which we intend to continue doing in the future. Our ethylene cracker in Ingleside, TX started operations in February 2017, which resulted in a significant decrease in the cost per ton of produced PVC.

PVC resin is a versatile plastic that can be used for a significant number of applications for everyday use, such as: pipes for conveying drinking and irrigation water; coatings for electric conductor cables; profiles for windows, doors, façade sidings, or even entire houses; roof tiles; floorings; upholstery; auto parts and home appliances; clothing and footwear; containers and packaging; medical devices; adhesive tapes; among other products.

PVC compounds, and compounds created with plastic polymers other than PVC, are formulated to meet the specific requirements of customers who mold or extrude the compound into end use goods. To create compounds, the company blends the base resin (such as PVC) with various additives (such as plasticizers and stabilizers) necessary to efficiently process the recipe and to attain the functional properties unique to each use. Many compound recipes are customized material solutions designed to end-user specifications that will perform under rigorous third-party safety testing.

Vestolit's main production chain is as follows:



Vestolit has 23 production sites with 31 plants operating in Mexico, Colombia, United States, United Kingdom and Germany. These facilities are engaged in the production of PVC and specialty resins, compounds, VCM and other by-products such as chlorine and caustic soda, one ethylene cracker (joint venture with OxyChem) and one salt dome. 17 sites comply with ISRS, 7 with ISO 45001, 19 with ISO 9001, 12 with ISO 14001 and 8 with SRI certification (Responsible Care).

Sales

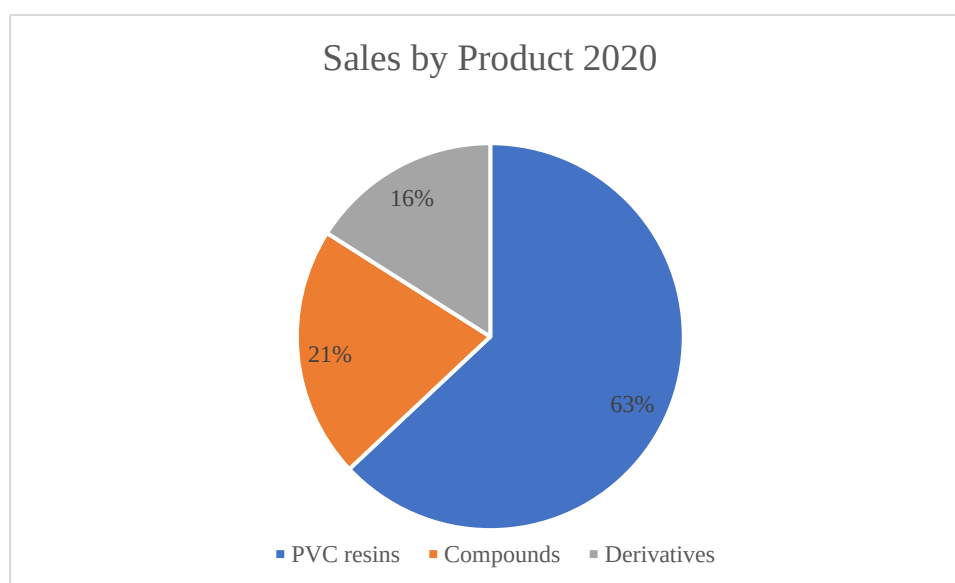
In 2020, Vestolit's sales and EBITDA (including intercompany transactions) were US\$2,171 million and US\$462 million, respectively. This represented a decline of 7.0% for sales and an increase of 4.2% for EBITDA, respectively, compared to 2019. In 2019, net sales were US\$2,334 million and EBITDA was US\$443 million.

The table below shows Vestolit's production and sales volumes for 2020, 2019 and 2018

Vestolit ⁽¹⁾	As of December 31,		
	2020	2019	2018
Volume (thousand tons)	2,535	2,565	2,524
Net Sales ⁽²⁾	2,171	2,334	2,460

(1) Amounts set forth have only been adjusted to eliminate intra-business group (but not inter-business group) transactions.

(2) In millions of U.S. dollars.



Products

Vestolit has plants for the salt-chlorine-caustic soda-ethylene-VCM process in Mexico, Colombia, and Germany, which produce chlorine, ethylene, caustic soda, sodium hypochlorite, and hydrochloric acid:

- **Chlorine.** This is mainly used for the production of long-life products such as VCM, which is the basic raw material for PVC production, titanium dioxide production (raw material for white paints), bleaching of cellulose in the pulp and paper industry, production of agrochemicals, water treatment, disinfection and purification, chemical and pharmaceutical industry in general.
- **Caustic soda.** The main applications of caustic soda include: the production of oils, soaps and detergents, regeneration of ionic exchange resins for water treatment, washing of glass bottles, bleaching of cellulose in the pulp and paper industry, production of refined sugar, dyeing of cotton fabrics, production of agrochemicals, manufacture of gelatins and cleaning products in general, among others.
- **Sodium hypochlorite.** This is mainly used for the manufacture of liquid bleach, as a general sanitizer, for the treatment and purification of water, manufacture of industrial catalysts and for bleaching paper, among others.
- **Hydrochloric acid.** This is used: (i) for the production of high fructose, which is used as a sweetener in the soft drinks, confectionary and brewing industries; (ii) for drawing and pickling metals, (iii) in the pharmaceutical industry for the production of medicines, (iv) for the manufacture of pigments and dyes, (v) for the manufacture of ferric chloride, which is used in the lithography industry, among others, and (vi) for manufacturing of plastics and rubber, in the oil industry and ceramics, among others.
- **Ethylene.** Ethylene is converted into a large number of final and intermediate products such as plastics, resins, fibers and elastomers, including polyethylene and PVC, solvents, coatings, plasticizers and antifreezes, among the most widely used.

- **VCM.** Vinyl chloride monomer is used almost entirely in the manufacturing of PVC or PVC resin, very versatile products that have applications in the medical and construction sectors, as well as in cable sheathing, piping, rigid and flexible profiling and toys.
- **Industrial and food phosphates.** This is used mainly for the manufacturing of detergents, fertilizers, animal feed, ceramics, water treatment, textiles, toothpastes, beverages, sausages, dairy products and bakery.
- **PVC resins:** This has very diverse applications, mostly for the construction sector, such as cable coatings, window frames, pipes for carrying drinking and sanitary water, toys, balls, containers, hoses, chairs, decorative items, house, automotive industry and many more.
- **Compounds:** These materials are produced for cables, flexible profiles, footwear, auto parts, computer circuit-holders, injection of accessories for pipes and similar items, purified water bottles, production of containers and packaging by bio-orientation process, containers for edible oils, vinegar, detergents, cleaners, juices, sauces, coffee powder, among others.

Cyclicalit

Vestolit's performance, as a producer of raw materials within the chemical industry, is linked to expansions and contractions in the international economy and the supply and demand balance of key raw materials might have a significant impact on prices.

We are the largest producer of PVC in Latin America and the sixth largest in the world. We are also the largest producer of specialty resins globally. The global PVC market is linked to the construction industry, which depends on the contraction and expansion of global regions and countries' economies. The balance between world supply and demand continues with a surplus of supply and the balance is increasingly better in North America and Europe.

Competition

We maintain our leadership position in the in the countries where we have operating facilities. We are a leading player in general PVC resins in Mexico and Colombia, leaders in specialty PVC resins in Europe and the United States and one of the leading companies in caustic soda, and chlorine production in Mexico. Additionally, we have managed to maintain competitive levels comparable to those of U.S. producers, which are our main international competition, through significant investments and the commercialization of products with greater added value.

Vestolit's supply and co-investment contracts with OxyChem help lower its costs of PVC production, contributing to a strong position in the PVC market. In addition, with the latest acquisition of Vestolit GmbH in Europe, we have increased our specialty products portfolio including HIS-PVC. We are the only producer with this technology in Europe and, with the current capacity, we are also the largest producer of specialty resins in the world.

Our main competitors in the PVC market in Latin America and Europe are Shintech, Inc., Formosa Plastics (FPC), Westlake/Vinnolit, Inovyn and OxyChem (OXY).

Wavin (Building and Infrastructure Business Group)

Wavin is a market leader in Latin America and Europe in the production and distribution of plastic pipe systems, fittings, accessories for safe and efficient water supply, better sanitation and hygiene, climate-resilient cities and better building performance.

Wavin aims to create sustainable solutions that last longer and require less labor to install. Serving customers in five continents, Wavin is also developing new, sustainable technologies around water collection and management and heating and cooling systems, as well as a revolutionary plastic road, which is made of 100% recycled plastic, making it sustainable, lightweight, faster to install and can be used for various purposes. Wavin has a global technology and innovation center in the Netherlands, including a pilot plant, a certified laboratory and a design center. Globally, Wavin has 9 training facilities and its global headquarters are located in Amsterdam, the Netherlands.

In Europe, Wavin is the leading supplier of plastic pipe systems and water conduction solutions, offering innovative products through a wide network of distributors, plumbing dealers, civil contractors, housing developers, large installers, utility companies and municipalities. In Europe, Wavin is building on its strong "Wavin" brand and has commercial presence in 25 countries, which are served from 24 manufacturing plants and 7 training facilities.

Wavin is a market leader in Europe with a diversified portfolio of products with over 32,000 SKUs and employs approximately 4,200 people.

In Latin America, Wavin is one of the largest producers and suppliers of pipes, fittings, systems and solutions for water conduction in the construction industry (residential and commercial) and to the infrastructure segment through their main brands "Amanco", "Pavco" and "Plastigama", which have been dual branded since 2020 by the global "Wavin" brand. In Latin America, Wavin has 24 production facilities in 12 Latin American countries, as well as a commercial presence in 24 countries with more than 50,000 points of sale throughout the region. In Latin America, Wavin has approximately 6,100 employees.

In the Asia-Pacific region, Wavin has restarted operations and started new facilities in Indonesia and India during the year 2020, thus aiming to recover its position as a leading global player.

Sales

In 2020, Wavin's sales and EBITDA were US\$2,071 million and US\$261 million, respectively. This represented a decline of 7.5% for sales and 3.0% for EBITDA, compared to 2019, mainly due to the effects of the COVID-19 pandemic, which were most significant during the second quarter of 2020. In 2019, net sales were US\$2,239 million and EBITDA was US\$269 million.

The table below shows Wavin's sales by geography for 2020, 2019 and 2018:

	As of December 31,		
	2020	2019	2018
Wavin	(in millions of U.S. dollars)		
Europe/APAC	1,195	1,221	1,302
LATAM	883	1,032	1,076
Eliminations	(7)	(14)	(10)
Total	2,071	2,239	2,378

Products

Wavin is a global supplier of plastic pipe systems and solutions to the building and infrastructure industry with a broad product portfolio. Specific product segments refer to sewer solutions, storm water management solutions, drinking water solutions, indoor climate solutions and soil and waste systems. The solutions offered by Wavin are produced by a variety of raw materials including PVC, polyethylene and polypropylene related materials.

Wavin offers a broad portfolio of products. For example, in Europe, Wavin offers Wavin AS+, which is the world's first low-noise sewage system; Tegra, the world's first industrially manufactured plastic manholes; Q-bic+, the world's first modular high-performance infiltration unit; and K5/M5, the world's first fitting with acoustic leak alert. In Europe, we have a broad and strong patent portfolio for 125 product families and approximately 500 patents.

In Latin America, Wavin is recognized for its Novafort product range for storm water solutions, Biaxial oriented sewer pipes for potable water, its CPVC fire protection hot and cold water products as well as for the Zinzanja trenchless solution for recovering sewer or water networks. Wavin is also a recognized supplier of Geosynthetics in Latin America for stormwater management solutions, amongst others. All of Wavin's products are produced under ISO or ASTM (American Society and Testing Materials) standards according to applicable local regulatory requirements.

Cyclicalit

Wavin's sales are impacted by economic cycles, particularly within the construction and housing sectors, in the countries in which it operates.

In Europe, the United States, Asia, the Middle East and Africa, Wavin experiences seasonality. Generally, the first and fourth quarters of each year show the lowest performance caused by the winter season in Europe and the United States. However, climate conditions over the last few years have changed in such a manner that demand has been affected by various factors, including an unpredictable and sometimes shorter winter period.

The COVID-19 pandemic had a significant impact on Wavin's performance in the second quarter of 2020. Wavin's recovery in the third and fourth quarters of 2020 was faster than originally anticipated by management at the start of the pandemic.

Competition

Wavin has a market share of approximately 31% in Latin America and of approximately 14% in Europe.

Dura-Line (Data Communications Business Group)

Dura-Line is a global leader in manufacturing and sales of HDPE conduits and accessories used in voice and data conduction, as well as natural gas pressurized piping and solutions. Dura-Line has 18 manufacturing plants in North America, Europe, India and Oman. Dura-Line's customers are mostly large North American corporations.

Dura-Line produces more than 400 million meters of conduit per year for the deployment of fiber and other advanced communication technology components.

Sales

In 2020, Dura-Line's sales and EBITDA were US\$732 million and US\$173 million, respectively. This represented a decline of 2.3% for sales and an increase of 19% for EBITDA, as compared to 2019. In 2019, net sales were US\$749 million and EBITDA was US\$146 million.

The table below shows Dura-Line's sales by geography for 2020, 2019 and 2018:

	As of December 31,		
	2020	2019	2018
Dura-Line	(in millions of U.S. dollars)		
North America	603	596	647
South America	0	-	-
Asia	45	79	115
Europe	74	48	1
Africa and Others	9	26	36
Total	732	749	798

Products

- **Telecommunications:** Dura-Line manufactures highly engineered conduits, micro conduits, and cable ducting solutions for voice and data telecommunication markets and supplies multiple cable ducting solutions under the Dura-Line brand. Dura-Line produces a Silicore conduits product line, which contains a rigid HDPE lining and a solid polymer jacket. These conduits have an outer jacket and a smooth slippery inner surface that eliminates the need for lubricants, reduces friction, and protects cables before, during, and after installation. The TornadoPlus conduit is specially designed to facilitate a better installation because it creates an air cushion tornado effect that allows installing cables over larger distances. Dura-Line is a leader in the development and manufacture of small diameter conduits known as micro-ducts. Silicore, also known as solid slick lubricant lined conduit, is a micro conduit system for use primarily in broadband and telecommunications and cable TV applications. These patented solutions provide network

flexibility through fiber optic installation, which allow expanding data networks without the need to increase the number of trenches dug.

- Micro conduit solutions: Dura-Line has developed a new line of micro conduit solutions, designed to be used inside and outside of buildings to improve the network requirements of companies. Dura-Line's CableCon product is a leading supplier of conduit solutions in North America based on volumes and sales. CableCon is a conduit system with fiber optic cable pre-installed in the conduit that reduces installation costs.
- Fittings and accessories: Dura-Line also sells an extensive range of fittings and accessories for the voice and data telecommunications sector and for cable TV and equipment installation. These include connectors and woven fiber optic fabric tapes, which are designed to make the installation of pipe and conduit solutions more efficient.

Cyclicality

Generally, Dura-Line's performance is lowest in the first and fourth quarters of each year due to seasonality (primarily during the winter season in North America and Europe). However, climate conditions over the last few years have changed in such a manner that demand has been affected by various factors. Some climate conditions that have impacted performance in the past are hurricane season in the United States and tsunami season in India.

Competition

Dura-Line's main competitive advantages are its manufacturing presence in regions such as United States, Canada, Europe, India, and the Middle East, its large distribution network in over 50 countries and its brand recognition.

Key competitors are Performance Pipe (a division of Chevron Phillips Chemical Company), Blue Diamond Industries, LLC (a division of Hexatronics), JM Eagle, Emtelle, Gabocom, Afri-Pipes and smaller scale regional manufacturers.

Netafim (Precision Agriculture Business Group)

Founded in 1965, Netafim has been a pioneer in the drop irrigation revolution, creating a paradigm shift towards low flow irrigation. Through our Netafim business line, which we acquired in 2018, we offer solutions in agricultural, civil and project engineering, related to the management, use and control of water in the agricultural, livestock and aquaculture areas. Netafim consists of 62 of our subsidiaries, 17 production 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 has more than 4,300 employees worldwide. Netafim provides solutions to farmers of all sizes, from small farmers to large-scale farmers, in more than 110 countries. Netafim specializes in irrigation integral solutions, which conduct fluids from the source up to the roots zone. The products include water supply, advanced irrigation systems and digital crop management and automatization systems supported by engineering, agricultural, technical and financial services.

With a focus on providing end-to-end irrigation systems, services and digital farming technologies, the group's solutions enable farmers and growers to get higher and better-quality yields while using less water, fertilizer and other inputs.

Sales

In 2020, Netafim's sales and EBITDA were US\$972 million and US\$181 million, respectively. This represented a decline of 8.6% for sales and an increase of 1.1% for EBITDA, compared to 2019. In 2019, net sales were US\$1,063 million and EBITDA was US\$179 million.

The table below shows Netafim's sales by geography for 2020, 2019 and 2018:

	As of December 31,		
	2020	2019	2018
Netafim	(in millions of U.S. dollars)		
North America	239	244	209
South America	159	184	151
Asia	288	323	291
Europe	140	147	138
Africa and Others	146	166	155
Total	972	1,063	945

Products

Netafim's micro irrigation offerings mainly consist of drip irrigation solutions. Netafim also distributes sprinklers and micro sprinklers. Netafim primarily serves the agricultural market, though some of its products are used in landscaping and mining applications.

The portfolio of Netafim products includes drippers, dripping lines, components for strategic systems (such as filters, valves, and air valves), intelligent solutions and advanced digital technology for agriculture, that offers among other things, solutions for irrigation and fertilization, cloud-based systems and monitoring intelligent devices, analysis and crop control. Additionally, Netafim supplies integral solutions for high output water supply and executes feasibility, design and implementation studies as well as post sale technical support.

Cyclicality

Netafim's performance is tied to the weather in the countries where it operates. Generally, we experience the highest demand for these products and services during the second quarter of each year.

Competition

Netafim's key competitors are Jain Irrigation, Rivulis, Irritec, Toro, Metzer and smaller local producers.

Netafim's market share in drip irrigation market is approximately 30% globally, 35% in North America, 40% in Latin America, 35% in Europe and 20% in Asia, Middle East and Africa.

Koura (Fluor Business Group)

The Fluor Business Group, commercially known as Koura, operates one of the world's largest fluorspar mines and one of the largest HF production sites (based on Roskill Consulting report data). Koura is a fully integrated producer of R134a refrigerant gases in the United States and Japan. Koura operates two basic types of assets:

- (1) **Mining operations.** Consists of the extraction of fluorspar, used for the production of HF in the cement, steel, stainless steel, ceramics and glass industries;
- (2) **Chemical operations.** Converts fluorspar to HF, which is the critical step required for all downstream uses of fluorine. HF is then reacted with alumina to produce aluminum fluoride for the aluminum industry. HF is also reacted with trichloroethane to produce R134a refrigerant gases. HF is sold for other end use applications including fluoropolymers, electronics processing, semiconductor doping gases, lithium ion battery materials and other specialty applications. Koura makes Zephex 134a, which is a highly purified form of 134a used for respiratory delivery of life saving medicines used in metered dose inhalers.

Koura's value chain is based on calcium fluoride, better known commercially as fluorspar, which is the largest source of the fluorine molecule used in downstream applications, including metallurgical processing, refrigerant gases, medical propellants and lithium ion battery production.

We hold the concession for the world's largest fluorspar mine, located in the Mexican state of San Luis Potosí, among other concessions. Fluorspar, in its natural state, is used in the steel, cement, glass, and ceramic industries, generating important energy savings, among other benefits. This type of fluorspar is called metallurgical grade fluorspar or metspar.

Concentrated fluorspar (greater than 97%), is known as acid grade or acidspar and is used to produce HF, which is obtained through chemical processes of reacting the acidspar with sulfuric acid. We are one of the world's largest producers of HF and the largest supplier in the North American market. One of HF's main uses is to manufacture refrigerant gases for air conditioning systems, refrigerators and freezers. It is also used (i) as raw material in the production of gasoline and aluminum fluoride, (ii) for stainless steel pickling, (iii) in electronic processing and semiconductor manufacture integrated circuits, (iv) in the specialty plastics manufacturing industry, such as fluoropolymers, the most famous of which is Teflon and (v) in the production of fluorinated salts, such as lithium fluoride and lithium hexafluorophosphate, which is used in batteries.

Koura is also one of the world's main producers of R 134a refrigerant gas, used mostly in the automotive and refrigeration industries. Koura also sources and sells other refrigerants in our suite of products to meet customer requirements. R 134a gas is also used as propellant gas in medical inhalers for delivery and respiratory medicines for asthma sufferers. Today, Koura has 75% of the world market of these highly purified certified good manufacturing practice (cGMP) medical propellants. We are committed to developing low global warming potential (LGWP) refrigerant and medical propellants, investing in research and development and joint partnerships.

Our Koura Business Group includes seven operating sites in Mexico, the United Kingdom, the United States and Japan.

Sales

In 2020, Koura's sales and EBITDA were US\$698 million and US\$254 million, respectively. This represented a decline of 13.3% for sales and 21.8% for EBITDA, compared to 2019. In 2019, net sales were US\$805 million and EBITDA was US\$325 million.

Products

- **Metallurgical grade fluorspar:** Used as a flux in the steel and cement industries. There are different sizes for metspar, depending on the size required by each customer for its end process (fines, gravel, standard, and special). The minimum concentration of calcium fluoride is between 75% and 90%.
- **Acid grade fluorspar:** This is used as a raw material to produce HF and aluminum fluoride. The acid grade fluorspar contains at least 97% of calcium fluoride. Reacting acidspar with sulfuric acid generates hydrofluoric acid.
- **Hydrofluoric Acid:** This is mainly used in (1) the manufacture of refrigerant gases and propellant gases for air conditioning, refrigerators, freezers and medical applications for treatment of respiratory diseases, (2) the manufacture of highly specialized plastics known as fluoropolymers, (3) the manufacture of aluminum fluoride, (4) the manufacture of high octane gasolines, (5) the cleaning of metallic surfaces such as the pickling of stainless steel, the manufacture of integrated circuits and fluorinated salts for a wide variety of applications.
- **Aluminum Fluoride.** Virtually all primary aluminum production utilizes aluminum fluoride in the smelting process in small quantities. Koura manufactures aluminum fluoride in Matamoros and sells to smelters around the world.

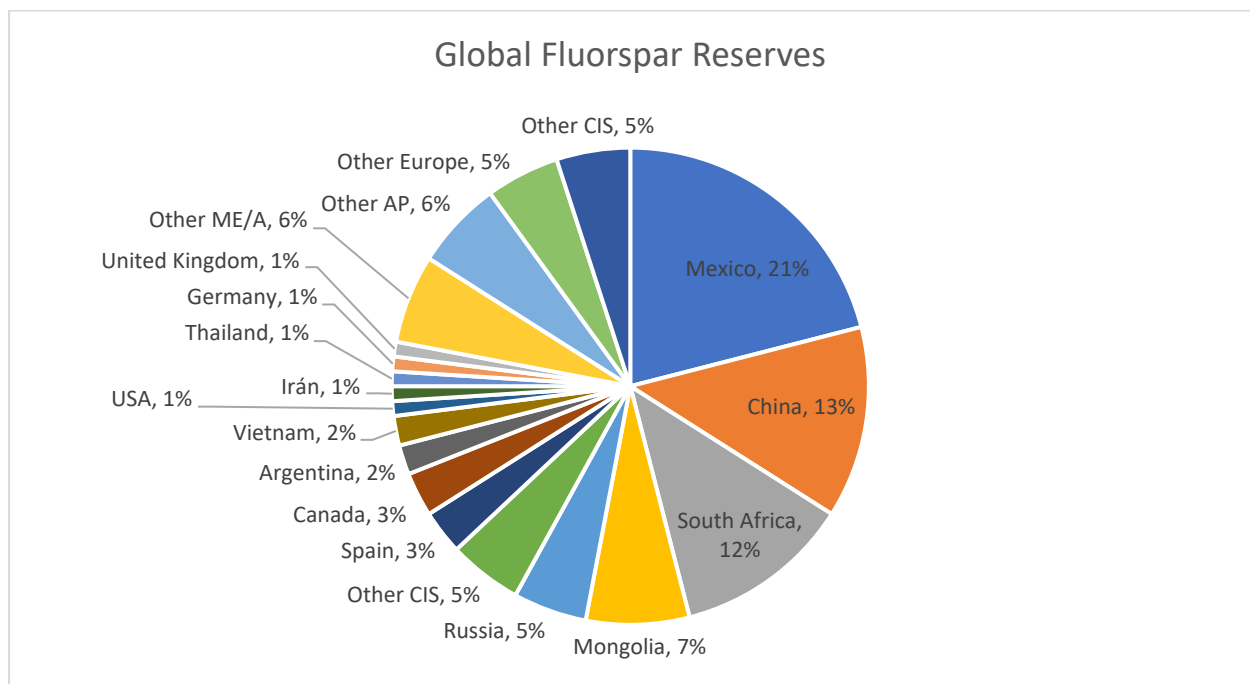
- **Refrigerants:** Fluorinated gasses' unique properties make them particularly suitable to moving heat. They are a critical component of refrigerators and air conditioners. Within these systems, fluorinated gasses are vaporized and condensed to move heat. Fluorinated gasses have low toxicity and low flammability. Koura manufactures the refrigerant gas R134a and is developing additional next-generation fluorinated gasses for the market.
- **Medical Propellants:** Medical propellants are highly purified cGMP for traceability and quality that are used for meter dose inhalers for the delivery of respiratory medicine used to treat asthma and other breathing difficulties. The main product today is Zephex 134a, which is derived from industrial grade R134a. Koura's current efforts are focused on providing alternative solutions to reduce the carbon footprint of medical propellants. Koura introduced the new medical propellant Zephex 152a in April 2020.

Cyclicality

Most of Koura's product lines, including metspar, acidspar, aluminum fluoride, HF and medical propellants do not display cyclicality. Koura's refrigerants business may be seasonal. We see somewhat stronger refrigerant demand in the first half of the year as the supply chain builds stock for the summer cooling season.

Competition

Koura produces approximately 18% of the world's fluorspar at our site in Las Cuevas. 80% of our production is exported around the world. The following chart shows the distribution of fluorspar reserves globally in 2020:



Koura's scale and location provides a significant advantage in the fluorspar market. Koura mines up to 1.8 million metric tons per year of fluorspar at a single location with railroad access to the Mexican port of Tampico, which is a global distribution port. In comparison, the entirety of China produces more than 3 million metric tons of fluorspar, but this production is spread across over 650 mines, based on data from the US Geological Survey.

Koura's integration into fluorspar is a source of competitive strength in our downstream businesses, HF, aluminum fluoride, refrigerant gasses and medical propellants. We have a stable and guaranteed supply of fluorspar

to support HF production and our stable supply of HF supports our production of R134a. Our competitors generally lack the same level of upstream integration.

We estimate that the total HF demand in 2020 was 2.6 million tons, of which 65% was produced in China, 12% in North America and 10% in Europe. Koura competes in the HF market with Honeywell International and Solvay.

History and Evolution

History

We were incorporated on June 30, 1978 in Mexico City, Mexico, under the laws of Mexico with duration of 99 years. We were originally named Grupo Industrial Camesa, S.A. de C.V. (Camesa). Mexichem, S.A. de C.V. was originally a holding company subsidiary of Camesa. On April 27, 2005, the shareholders of Camesa and Mexichem, S.A. de C.V. resolved to merge Mexichem, S.A. de C.V. into Camesa and, as a result of this merger, Camesa changed its name to Mexichem, S.A. de C.V. On August 26, 2019, we changed our name once more from Mexichem, S.A.B. de C.V. to Orbia Advance Corporation, S.A.B. de C.V.

Since 2003, we have grown from having operations in two countries, 10 production facilities and approximately 1,800 employees to having operations in 50 countries, over 129 production facilities, 19 research and development centers and approximately 22,000 employees.

Recent Evolution

Our current corporate organization is the result of a combination of a number of different companies. Our origin dates back to Cables Mexicanos, S.A., which was founded in 1953. We have been engaged in the plastic resin business since the creation of Polímeros de México and the construction of its PVC plant in San Martín Texmelucan, Puebla, in 1971.

On January 22, 2018, we announced the acquisition of Sylvin, a manufacturer specializing in PVC compounds based in Denver, Pennsylvania, for US\$39 million free of cash and debt. On the date it was acquired, Sylvin had 30 years of experience serving a wide range of industries including cable, electrical, industrial, automotive, medical and food products. We added Sylvin to the Polymer Solutions Business Group under the Compounds Business Unit.

On February 7, 2018, we announced the acquisition of Netafim LTD, Israel's leading micro irrigation solutions company, after obtaining all government authorizations and complying with the conditions set forth in the Share Purchase Agreement signed in August 2017. The price paid for the acquisition was US\$1,424 million. Kibbutz Hatzerim will retain the remaining 20% of Netafim LTD's share capital. In addition, we signed a put and call rights agreement pursuant to which Kibbutz Hatzerim will have, beginning five years after the closing of the Netafim LTD acquisition for a period of 10 years, the right to sell its participation in Netafim LTD, and we will have the obligation to acquire it at the price set forth in the put and call rights agreement. Also pursuant to the put and call rights agreement, we will also have the right to purchase the Kibbutz Hatzerim's participation in Netafim LTD beginning eight years after the closing of the Netafim LTD acquisition for a period of 10 years, and Kibbutz Hatzerim will have the obligation to sell it on the terms stipulated in the agreement. We consolidated Netafim LTD in the Fluent business group. The acquisition was mainly financed as follows: (i) US\$239 million from cash reserves, (ii) new short-term loan of US\$200 million, and (iii) cash flows from the issuance of a long-term bond of US\$985 million.

On July 6, 2018, we announced that in line with our strategy of consolidating key businesses, we reached an agreement to acquire 44.09% of the shares representing the equity interest of Pemex in Petroquímica Mexicana de Vinilo, S.A. de C.V. (PMV), through our subsidiary PPQ Cadena Productiva S.L., after the approval by the Boards of Directors of both Pemex and Orbia. The transaction amount was approximately US\$159.3 million.

On August 26, 2019, the Extraordinary General Shareholders' Meeting of Mexichem, S.A.B. de C.V. approved the change of our corporate name to Orbia Advance Corporation, S.A.B. de C.V.

On March 11, 2020, the WHO declared the Coronavirus COVID-19 epidemic as a pandemic ("COVID-19"). For more information on our measures to protect our employees, customers and the communities in which we operate and the financial impact of the COVID-19 pandemic on our business, see "Management's Discussion and Analysis—Other factors affecting our results of operations."

On January 7, 2021, we announced efforts to create shareholder value, including divestitures and/or strategic alliances concerning Vestolit and other business groups. We had previously announced that we were in the process of analyzing potential divestment alternatives or strategic alliances with respect to Vestolit on January 10, 2020. On May 29, 2020, we announced that in light of the COVID-19 pandemic and its impact on the global economy and capital markets, we had decided to pause our efforts relating to a potential divestiture or other strategic alternatives with regard to Vestolit. Before January 7, 2021, we had not entered into any binding commitment to carry out any specific transaction.

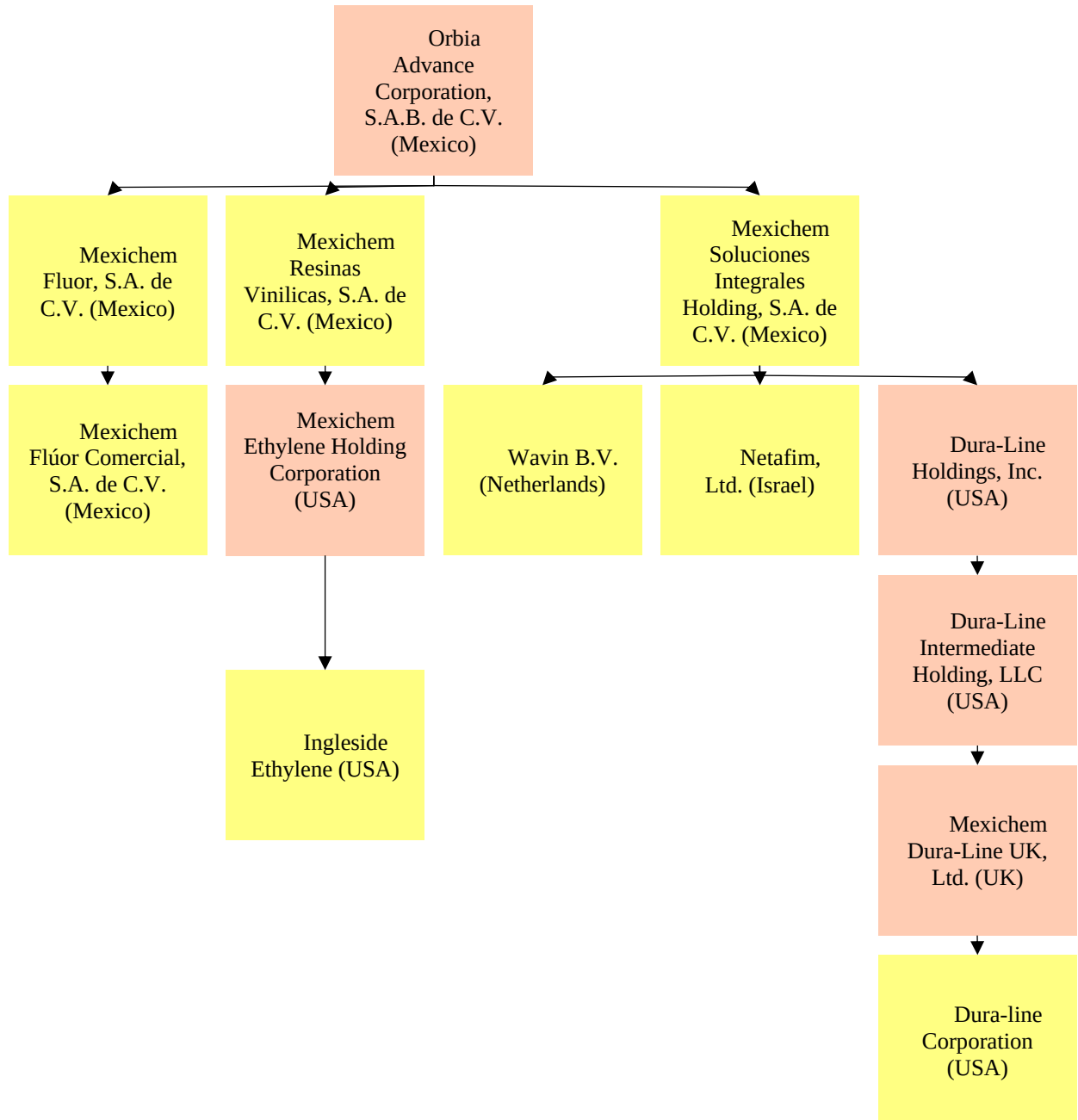
On January 20, 2021, we announced the appointment of Sameer S. Bharadwaj as our new Chief Executive Officer (CEO), replacing Daniel Martínez-Valle after his resignation by mutual agreement with Orbia's Board of Directors.

To further strengthen our global leadership, we continually seek acquisition opportunities with potential for the creation of synergies to consolidate our business groups.

Organizational Structure

Orbia is part of a business group with 220 subsidiaries as of December 31, 2020. In the following organizational chart, highlighted in yellow are our significant subsidiaries according to our consolidated financial statements for 2020. Additionally, the shareholding structure chart shows their jurisdiction of incorporation, position with respect to the business groups, as well as the ownership of the significant subsidiaries.

Organizational Chart

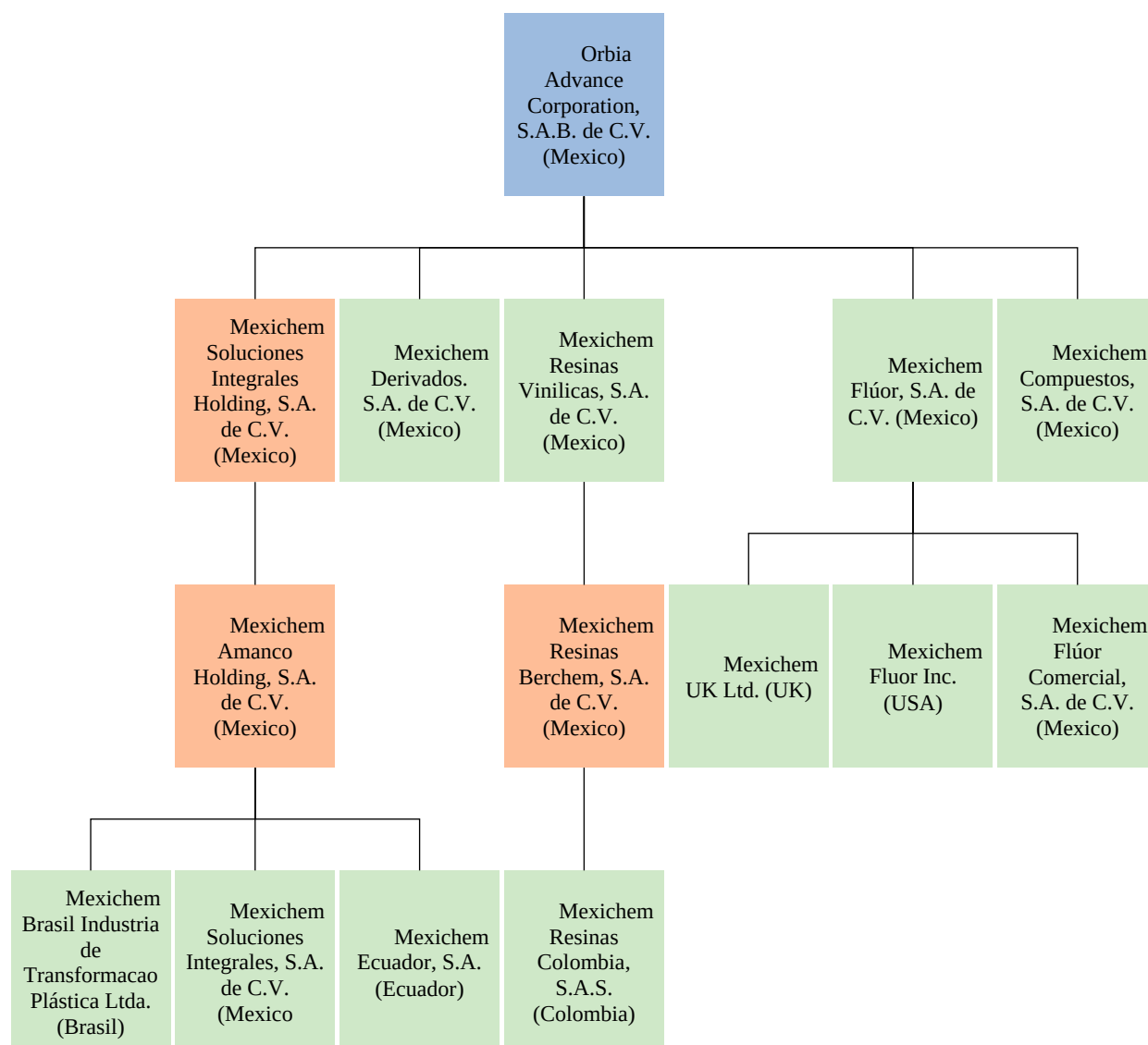


Shareholding Structure

#	Jurisdiction	Business Group	Entity Name	Shareholders	Ownership % (Shares/Participation [Partnership/JV])
1	Mexico	Koura	Mexichem Fluor, S.A. de C.V.	Orbia Advance Corporation, S.A.B. de C.V.	99.97258604%
				Mexichem Servicios Administrativos, S.A. de C.V.	0.00000003%
				Mexichem Fluor Comercial, S.A. de C.V.	0.02741393%
2	Mexico	Koura	Mexichem Fluor Comercial, S.A. de C.V.	Mexichem Fluor, S.A. de C.V.	99.99999%
				Mexichem Servicios Administrativos, S.A. de C.V.	0.00001%
3	Mexico	Corporate	Mexichem Soluciones Integrales Holding, S.A. de C.V.	Orbia Advance Corporation, S.A.B. de C.V.	99.9999863%
				Mexichem Servicios Administrativos, S.A. de C.V.	0.0000137%
4	Mexico	Wavin	Mexichem Resinas Vinílicas, S.A. de C.V.	Orbia Advance Corporation, S.A.B. de C.V.	99.99999980%
				Mexichem Servicios Administrativos, S.A. de C.V.	0.00000009%
				Mexichem Derivados, S.A. de C.V.	0.00000011%
5	United States	Vestolit	Ingleside Ethylene LLC	Mexichem Ethylene Holding Corporation	50%
				Oxychem Ingleside Ethylene Holdings Inc.	50%
6	United States	Dura-Line	Dura-Line Corporation	Mexichem Dura -Line UK, Ltd.	100%
7	Netherlands	Wavin	Wavin BV	Mexichem Soluciones Integrales Holding, S.A. de C.V.	100%
8	Israel	Netafim	Netafim, LTD	Mexichem Soluciones Integrales Holding, S.A. de C.V.	80%
				Netafim Hatzerim Holdings (Cooperative Society) Ltd.	20%

Subsidiary Guarantors

In the following organizational chart, the Subsidiary Guarantors are highlighted in green. Additionally, the shareholding structure chart shows their jurisdiction of incorporation, position with respect to the business groups as well as the ownership structure of the Subsidiary Guarantors. Some significant subsidiaries are also a Subsidiary Guarantor.



Legal Proceedings

In the ordinary course of our business, we are involved in disputes and litigation. Below is a description of the material legal and administrative proceedings to which we were party as of the date of this offering memorandum. While the outcomes of disputes cannot be predicted, we do not believe that there are any pending or threatened actions, suits or proceedings against or affecting us which, if determined adversely to us, would individually or in the aggregate, materially harm our business, results of operations or financial condition.

PMV's legal proceedings after the explosion in April 2016

PMV has a remediation program pending, which is related to an accident that occurred on April 20, 2016 in the Pajaritos petrochemical complex. In October 2017, the Attorney General's Office (*Procuraduría General de la República*) concluded that the explosion was due to an unforeseen event and was not attributable to PMV. An

agreement was entered into with the relevant environmental authorities to remediate the damages caused to the zone affected by the explosion.

In April 12, 2018, PMV and the Federal Environmental Prosecutors Office (PROFEPA) entered into a compensatory agreement so as to remediate the indirect and potential impacts to the atmosphere and the surface caused by the explosion in Pajaritos. The agreement included, among others, the following conditions: (i) PMV would repair any potential damages that may have been caused to the atmosphere by obtaining carbon credits in the amount of 508 T of CO₂ and (ii) PMV would remove and dispose of hazardous wastes from contaminated soil in an area determined by the PROFEPA via a remediation plan. Both conditions were fulfilled and satisfied by PMV.

The remediation plan arising from such compensatory agreement was filed with the Ministry of the Environment (SEMARNAT) on September 10, 2019 and was approved by SEMARNAT on December 17, 2019. On August 27, 2020, once the remediation plan was fully executed and concluded, PMV informed SEMARNAT about the conclusion of the remediation plan and requested the compensatory agreement to be terminated. However, SEMARNAT denied such request due to a communication received from a third-party, whereby such third party argued that an area not comprised in the compensatory agreement was contaminated. On March 4, 2021 SEMARNAT notified PMV that it had declined to issue final approval of the remediation program that it had provisionally approved in 2019. PMV strongly disagrees with SEMARNAT's actions and filed a nullification claim with the Mexican administrative court on April 19, 2021. The administrative process is expected to take approximately 18-24 months. Depending on the outcome of the administrative proceeding, further appeal (amparo) to the appropriate Mexican court is also available if necessary.

Intellectual Property

We, with our subsidiaries, own, license or have rights to over 2,200 patents, various industrial designs, copyrights, trade secrets, proprietary technologies, and technology licenses in the countries in which we do business. To protect our brand identity and market recognition we own, license, or have rights to over 3,500 trademarks, service marks and trade names, among the most valuable are: Amanco, AlphaGary, Dura-Line, Iztablend, Netafim and Vestolit. While we view our intellectual property to be valuable and actively protect it, we do not believe that the loss or expiration of any single intellectual property asset would have a material adverse effect on our results of operations, financial position or the continuation of our business.

Research and Development

We recognize the importance of innovation and development to remain a leader in our markets. Research and Development investments and actions aim to improve our products' performance for our customers' benefit and comply with stricter regulations in the different geographic markets where we compete. We maintain 19 research and development centers with a technology center focused on developing technology to create products, improve processes and applications that positively impact users' quality of life through integrated products and solutions. We have developed unique designs in our different production chains that give us advantages over our worldwide competitors.

Our 19 research and technology centers are located in Mexico, the USA, the Netherlands, Italy, India, the Czech Republic, the United Kingdom, and Israel and focus on the development of new products and the alignment of processes to achieve safety and optimization of our production chain. In total, we have more than 500 patented products.

Through Koura, we have developed cutting-edge technology in the HF process to purify fluorspar. This innovation has reduced the annual cost of HF production. Additionally, as a result of the acquisition of Wavin, we gained access to new technologies and products developed by that business unit, with whom we already had technology transfer agreements.

Vestolit has research and development centers located in Mexico, the United States, Germany, Colombia, and the United Kingdom, Koura has research and development centers in the United Kingdom and Mexico, the Wavin and Dura-Line business groups have research and development centers in the Netherlands, the Czech Republic, and the United States. Netafim has a research center in Beersheba, Israel.

As of the date of this report, we have started an innovation laboratory in San Francisco, California, to explore innovative improvements to our existing products and new products not currently in existence for all of our business groups.

We have successfully developed value-added products known as PVC specialties tailored to customers' unique technical characteristics in the construction, utilities, civil infrastructure, water supply, basic sanitation, transportation, energy, and telecommunications industries.

Employees

The following table shows our total number of employees during the periods indicated:

	2020		2019		2018	
	Number of Employees	%	Number of Employees	%	Number of Employees	%
Unionized and temporary..	12,095	55.77%	12,416	54.59%	12,096	54.59%
Non-unionized	9,593	44.23%	9,673	43.79%	10,060	45.41%
Total	21,688	100%	22,089	100%	22,156	100%

As of December 31, 2020, approximately 55.7% of our employees were covered by collective bargaining agreements with labor unions. We negotiate separate agreements with each union annually with respect to salary, with each contract being renegotiated in full every two years. None of our production facilities has experienced any work stoppage or labor strike in the last three years, and we believe that we and our labor unions maintain good working relationships characterized by a mutual understanding and support in the implementation of critical changes in our organization.

We have established a series of compensation guidelines and valuation charts that are designed and updated according to each position's description enabling us to maintain an attractive compensation system that allows us to attract and retain the talent necessary to implement our business strategy. In addition, we have instituted life and career development plans for our employees, which has enabled us to retain employees with significant development potential, a positive attitude towards change, flexibility and a business vision.

We have instituted a pension plan for our employees. Under this plan, qualifying employees can contribute between 1% and 9% (in multiples of .5% and 1%) of their compensation to a pension fund. We match their contributions at a rate determined by each employee's tenure with us.

Years with Orbia	Orbia Contribution (% of employees' contributions)
0.0 to 4.9.....	50%
5.0 or more	100%

The pension plan contributions are deposited with a financial institution and invested in fixed income securities, with individualized records. Account statements are mailed periodically or accessed through the Internet. We have established a technical committee to oversee the management of our pension plan.

Regulation

Our operations are subject to the laws and regulations of the countries in which we operate.

Mexican Regulatory Matters

Mining Regulation

The following is a summary of the principal laws, rules and regulations applicable to mining activities in Mexico.

Federal Constitution

Pursuant to the provisions set forth in Article 27 of the Mexican Federal Constitution (*Constitución Política de los Estados Unidos Mexicanos*), all minerals or substances located within the Mexican territory, which form deposits of a nature different from the components of earth itself, are owned by the Mexican nation, and private persons (including individuals and corporations) may only explore and exploit such minerals and substances pursuant to concession titles granted by the executive branch of the Mexican federal government.

Mexican Mining Law

Our mining exploration and exploitation in Mexico and the corresponding production operations are further regulated by the Mexican Mining Law (*Ley Minera*), which is the main law governing mining activities in Mexico and is applicable throughout the Mexican territory, and provides that such activities may only be carried out by Mexican individuals, agrarian communities and legal entities organized under the laws of Mexico.

The Mexican Ministry of Economy (*Secretaría de Economía*) is entrusted with the authority and regulatory powers to enforce the Mining Law, which in turn relies, pursuant to the Regulations to the Mining Law (*Reglamento de la Ley Minera*) and the Ministry of Economy Internal Regulations (*Reglamento Interior de la Secretaría de Economía*), on the General Bureau of Mines (*Dirección General de Minas*), as a result of the suppression of the Underministry of Mining (*Subsecretaría de Minería*). Among the main responsibilities of the General Bureau of Mines are (i) the granting of mining concessions and mining allotments (*asignaciones*), (ii) the management and updating of the Mining Public Registry (*Registro Público de Minería*), (iii) the authorization of exploration and exploitation mining jobs and works and (iv) the exercise of supervising authority under the Mining Law and the imposition of sanctions. The bureau controls the Mining Public Registry. The main function of such registry is to record concessions, allotments, agreements, and certain administrative actions affecting mining rights. Actions or agreements required by law to be recorded with such registry, are enforceable against third parties only upon registration. We are in compliance with such registrations and reports in all material respects.

The Mining Law explicitly provides a list of minerals and other substances to which it applies, although the Mexican federal government is authorized to include additional minerals or substances. The exploration, exploitation and processing of such minerals or other substances are considered activities of “public benefit” and, therefore, have a preferential status over other land uses, subject to certain requirements and conditions provided by applicable law. Only federal laws may tax or impose contributions over exploration, exploitation and processing activities covered by the Mining Law.

Other provisions related to mining activities

In addition to those provisions described above, the Mexican legal system contains many other provisions that are applicable to mining operations in Mexico, including, among others:

- the regulations to the Mining Law (*Reglamento de la Ley Minera*);
- the Mexican Federal Law of Administrative Procedures (*Ley Federal de Procedimiento Administrativo*);
- the Mexican General Law of National Assets (*Ley General de Bienes Nacionales*);
- the National Waters Law (*Ley de Aguas Nacionales*), and its regulations (*Reglamento de la Ley de Aguas Nacionales*);
- the Federal Labor Law (*Ley Federal del Trabajo*), as amended and NOM-023-STPS-2012, which is a regulatory provision regarding, among other matters, safety and health conditions in mines;
- the Federal Law of Fire Arms and Explosives (*Ley Federal de Armas de Fuego y Explosivos*) and its regulations;
- the General Law on Ecological Balance and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*), and certain regulations and standards derived thereunder;

- the Foreign Investment Law (*Ley de Inversión Extranjera*) and its regulations (*Reglamento de la Ley de Inversión Extranjera*);
- the Quality Infrastructure Law (*Ley de Infraestructura de Calidad*) and the regulations thereunder; and
- the Federal Duties Law (*Ley Federal de Derechos*).

Concession titles also provide for obligations applicable to the relevant concession holder. Additionally, a significant number of Mexican tax laws, rules, regulations and criteria are applicable to mining activities carried out in Mexico.

The concession system

Mining concessions only grant rights over minerals and substances, and do not grant rights over the surface land under which the mines are located. Holders of mining concessions are required to negotiate and agree access to the surface land with the respective surface land owner or holder or file an application with the General Bureau of Mines to obtain an easement or temporary occupancy of the land, as the case may be. Expropriation of land may also be obtained under the Mexican Expropriation Law (*Ley de Expropiación*) and Agrarian Law (*Ley Agraria*), as the case may be.

A person wishing to apply for a concession title must first verify that the relevant land is not located within a federal mining reserve or an area covered by a concession currently in effect. An application for a concession title must be filed with the General Bureau of Mines.

The Mexican Mining Law provides a simplified application procedure to obtain a concession and provides a term for mining concessions in Mexico of 50 years from the date on which the relevant concession title is recorded in the Mining Public Registry and are renewable for an additional 50-year term. Renewal of concessions must be requested within the five years prior to their expiration. As a matter of law, mining concessions will remain in full force and effect until the resolution of their renewal request has been issued.

The rights afforded by our mining concessions include: (1) the exploration and exploitation activities within the area identified in the concessions; (2) the proceeds from the sale of the mineral resources extracted therefrom during the term of the concession; (3) the disposition of waste rock dump located within the area identified in the concession, unless subject to a separate valid mining concession; (4) the expropriation or temporary occupation of, or the creation of easements on other real properties to the extent necessary to conduct the above exploration, exploitation and benefit operations, or to deposit or install machinery and equipment or other related items therein, as well as the creation of underground easements through the mining plots; (5) the use of any water resources uncovered during the exploration or exploitation process, including for domestic purposes by the mine's employees; (6) a preferential right to obtain a concession to use the mine's water for any purpose other than as described above; (7) the right to transfer the rights derived from the concession pursuant to (1) to (6) above, to any person legally authorized to hold such concession; (8) the reduction, subdivision and determination of the name of the geographical circumscription covered by the concession, or its consolidation with adjoining plots; (9) the right to renounce the concession and the rights arising thereunder; (10) the consolidation of two or more mines for purposes of evidencing the completion of the works and tasks prescribed by the Mexican Mining Law, or filing the requisite statistical and technical reports; (11) the right to apply for amendments to the concessions or request the issuance of duplicate concession certificates; and (12) the right to apply for an extension of the concessions for a like period.

Principal requirements of concession holders

The Mining Law establishes that mining concessions may only be granted to Mexican individuals, agrarian communities (*ejidos*), indigenous communities and companies incorporated under the laws of Mexico, whose corporate purpose includes the exploration and exploitation of minerals and which have their legal domicile in the Mexican territory. Such companies may be wholly owned by Mexican or non-Mexican investors.

Under Article 11 of the Mexican Mining Law, Mexican companies that have foreign shareholders can be concession holders, but such companies must be registered with the National Registry of Foreign Investments (*Registro Nacional de Inversiones Extranjeras*) of the Mexican Ministry of Economy and must file certain financial, corporate and economic information annually. Failure to comply with this obligation does not result in the imposition of any material penalties.

Obligations of concession holders

Holders of mining concessions are required to comply with various obligations, including but not limited to:

- execute and evidence constructions and works as provided in the Mining Law and regulations thereunder;
- paying mining concession fees or duties;
- complying with applicable safety and environmental provisions and standards;
- abstaining from removing permanent fortification works, shoring and other installations that are necessary for the stability and safety of the mines;
- providing the Mexican Ministry of Economy with statistical, technical and accounting reports, in the terms provided in the Mining Law and regulations thereunder;
- allowing inspection visits by officers of the Mexican Ministry of Economy;
- providing the Mexican Ministry of Economy with a geological-mining report when the relevant mining concession is cancelled due to expiration of its term, abandonment, substitution because of reduction in the size of the concession, infringement or judicial resolution; and
- providing the Mexican Geological Service (*Servicio Geológico Mexicano*), in the case of mining concessions granted through a bidding process, semi-annual reports regarding the project carried out and the production obtained in the lot covered by the mining concession, for purposes of controlling the payment of the finder's premium or any other monetary consideration payable to such entity.

The regulations to the Mining Law set forth minimum amounts that must be spent or invested on exploration and/or exploitation activities. A report must be filed in May each year regarding the assessment projects carried out in the preceding year. The mining authorities may impose fines on the concession holders if one or more proofs of project reports are not filed on time.

Mexican Federal Duties Law (*Ley Federal de Derechos*) provides for the following fee payments that are required to be made by holders of mining concessions: (i) an ordinary mining duty, (ii) a special mining duty, and (iii) an extraordinary mining duty. The ordinary mining duty must be paid every six months, and is calculated based on the concessioned hectares and years elapsed in respect of the relevant concession title, that ranges from \$8.04 Pesos to \$175.90 Pesos per hectare. The special mining duty must be paid annually and is calculated by applying a 7.5% rate on the positive amount, if any, resulting from the difference between the income obtained from the sale by the holder of the concession of the extracted minerals and the subtraction of certain allowed deductions, except for investments, financial costs and the annual inflationary adjustment. Finally, the extraordinary mining duty must be paid in March of each year, and is determined by applying a 0.5% rate to the incomes arising from the sale of gold, silver and platinum. Such duties must be calculated on each concession by the concession holder. The Federal Duties Law provides that concession holders that do not provide evidence of conducting exploitation or exploration works during two (2) consecutive years shall pay, on a biannual basis, an amount equivalent to 50% of the ordinary mining duty, calculated on a per hectare basis in the first eleven years of validity of their concession, and 100% thereafter.

Termination of concessions

Mining concessions may be terminated in the following circumstances, among others:

- expiration of the term of the concession;
- abandonment request filed by the concession holder;
- substitution by new concessions as a result of changes to the surface area covered by the mining concession;
- resolution issued by a competent court; and
- breach of any of the terms of Article 55 of the Mining Law, namely:
 - i. use of a mining concession to carry out the exploitation of minerals or substances not covered by the Mining Law;
 - ii. failure to perform and to prove the assessment works contemplated by the Mining Law and its Regulations;

- iii. failure to pay mining duties;
- iv. failure to deliver to the Mexican Geological Service the biannual reports required under the Mining Law or to pay the finder's premium or any other monetary consideration payable; or
- v. loss of the requisite legal capacity to be the holder of a mining concession.

In case that a concession holder fails to comply with the provisions regarding foreign investment, the corresponding concession may not be immediately cancelled or terminated, and the concession holder shall have a period of 365 days after such failure to remedy the failure after its occurrence.

Mexican law provides the federal government with the right to revoke our concessions without right to compensation in case we are unable to meet the terms and conditions established for said concessions or to expropriate our assets if the government deems it to be in the public interest. In the event of expropriation, we are entitled to receive compensation in an amount equal to the commercial value of the assets and taking into consideration the prior investments made by the concession title holder and the depreciation of equipment and facilities used exclusively in connection with the relevant concession; however, the terms for determining such compensation or the timing to receive the compensation are unclear under applicable law and, additionally, such payment may not be made timely and/or may not reflect future revenues expected from the revoked concessions and expropriated assets. Additionally, the Mexican federal government may terminate a mining concession to create national mining reserves. National mining reserves are ore deposits that are deemed as such for public policy reasons (*causas de utilidad pública*) or to satisfy the Mexican nation's future needs, including substances that are deemed as strategic. If included in the national mining reserves, ore deposits will no longer be available for or subject to mining concessions or allotments, unless excluded from the national mining reserves by means of a decree issued by the Mexican federal government. Such a decree would authorize the Mexican Ministry of Economy to declare the zone as available and subject to mining concessions.

Water Regulations

Mexican National Waters Law

The use of water in Mexico, in connection with our operations in Mexico, is regulated primarily by the Mexican National Waters Law (*Ley de Aguas Nacionales*).

In terms of the Mexican National Waters Law, and regulations issued thereunder, the authority and administration on water related matters is conferred to the Mexican Federal Government, which authority is exercised through the Mexican National Water Commission (*Comisión Nacional del Agua* or "CONAGUA"), charged with overseeing the national system of water use, which is a subordinate agency of the Mexican Ministry of Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales*). In general terms, the exploitation and use of national waters by individuals and legal entities may only be conducted pursuant to a concession granted by CONAGUA.

Pursuant to the Mexican National Waters Law, to receive a concession for the use and exploitation of a specific volume of ground or surface water, the petitioner is required to demonstrate to the CONAGUA, among others, the property and possession of the real estate in which the extraction of waters will be conducted, an environmental impact study, the plan for the construction to be performed or the characteristics of the existing infrastructure where the extraction and use of water will take place. Concessions for the exploitation and use of national waters have terms from five to thirty years. Once the concession is granted, the concession holder is entitled to exploit and use national waters within the authorized term, and the volume of water that such concession holder is entitled to exploit and use shall vary depending on the supply of groundwater in each region as projected by CONAGUA. The Mexican government is authorized to reduce the usage of ground or surface water granted depending on the volume of water not used by the concession holder.

Termination of water concessions

Concessions for the exploitation of national waters may be terminated, among other reasons, if:

- the term of the concession title expires, unless such term has been extended;
- the information provided to the Mexican government in connection with the concession is false;

- the concession holder fails to pay required concession-related fees;
- the concession has been issued in contravention of the provisions contained in the National Waters Law and its applicable regulations; or
- the concession holder fails to totally or partially use or exploit national waters without the existence of a justified cause.

Additionally, the concession for the exploitation and use of national waters may be suspended when the concession holder:

- does not pay the applicable fees for such exploitation or use in accordance with the applicable laws;
- does not pay taxes related with such use or exploitation within a one year term;
- does not permit the Mexican government to exercise its inspection rights related to the resources or infrastructure used for the exploitation of the concession;
- discharges wastes that may affect drinking water sources or may affect the public health; or
- does not meet the terms and conditions set forth in the concession title.

The suspension will be in effect as long as the concession holder does not correct the default or a competent authority orders to stop the suspension.

Water concessions may also be expropriated for public policy reasons.

We hold several water concessions that are essential to our operations. We believe that we are currently in compliance with the terms of all of our water concessions and waste water disposal regulations.

Environmental Laws

Our operating mines, development projects and prospects in Mexico are subject to Mexican federal and local environmental laws, and to regulations for the protection of the environment, water quality, water supply, air quality, noise levels, mining waste management and storage, solid wastes and hazardous wastes

The framework environmental statute in Mexico is the General Law on Ecological Balance and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente* or Environmental Protection Law), which is administrated by the Ministry of Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales* or SEMARNAT) and enforced by PROFEPA.

In addition to the Environmental Protection Law, there is additional relevant legislation which sets forth provisions applicable to mining activities, including the Federal Law of Environmental Responsibility (*Ley Federal de Responsabilidad Ambiental*), the General Law for the Prevention and Integral Management of Waste (*Ley General para la Prevención y Gestión Integral de los Residuos*), the Regulations to the Environmental Protection Law on matters of Environmental Impact Evaluation, the National Waters Law (*Ley de Aguas Nacionales*), which regulates the use of ground and surface waters as well as wastewater discharges, the General Law for Sustainable Forestry Development (*Ley General de Desarrollo Forestal Sustentable*), and the General Law of Climate Change (*Ley General de Cambio Climático*), among others. The National Waters Law is implemented and enforced by the CNA.

The development of mining activities is subject to obtaining several environmental permits granted by different offices within SEMARNAT. The most relevant authorizations are those on matters of (1) environmental impact and risk, (2) forestry land use change and (3) wastewater discharges. Also, the authorizations and permits obtained for the development of mining activities and mineral processing will be subject to the compliance with several conditions and covenants applicable to day to day operations.

Specifically, on matters of environmental impact, exploration activities must comply with the Mexican official standard NOM-120-SEMARNAT-2011, which provides for certain environmental protection requirements that must be observed in the development of mining exploration activities. This standard constitutes an exception to the obligation to submit an environmental impact statement for evaluation of SEMARNAT; however, concession holders are required to file a preventive report. For the exploration, exploitation and use of minerals, an environmental impact study must be filed and approved by SEMARNAT prior to the commencement of those activities.

The PROFEPA monitors compliance with environmental legislation and enforces federal Mexican environmental laws, regulations and official standards. If warranted, pursuant to the results of an inspection visit or prompted by public allegations, the PROFEPA may initiate administrative proceedings against companies that violate environmental laws which, in the most extreme cases, may result in the temporary or permanent closure of non-complying facilities, imposition of remedial or other clean-up and corrective measures, the revocation of operating licenses and/or other sanctions or fines. According to the Federal Criminal Code (*Código Penal Federal*), the PROFEPA must inform the relevant governmental authorities of any environmental crimes that are committed by a mining company in Mexico. Additionally, class actions (*acciones colectivas*) may be initiated in accordance with the Federal Law of Environmental Responsibility and the Federal Code of Civil Procedures (*Código Federal de Procedimientos Civiles*) regarding environmental responsibility, remediation and compensation for damages caused to the environment by mines and production facilities.

Mexican environmental regulations have become increasingly stringent over the last decade, and this trend is likely to continue and may be influenced by the international environmental agreements Mexico has ratified, including: (1) the North American Agreement on Environmental Cooperation, (2) the United Nations Framework Convention on Climate Change and (3) the Convention on Biological Diversity, among others.

Health and Safety Regulations

The general regulatory framework for working conditions in Mexico is set forth in the Federal Labor Law.

Pursuant to the Federal Labor Law and regulations thereunder, all mines must implement a health and safety management system overseen by a supervisor nominated by the employer. Additionally, mining companies have the following obligations as employers:

- undertake the necessary plans, studies and analyses to ensure safe working conditions for employees;
- inform employees of work-related risks and health hazards and corresponding preventive measures;
- provide employees with necessary protective equipment required for the prevention of work-related risks, and provide all the required training in the use of such equipment;
- build and maintain ventilation and structural support systems in all underground facilities;
- implement control and monitoring systems to ensure that mining activities are performed in safe conditions;
- maintain a log and supervision method to permit the employer to identify workers located in the mine, as well as to control the entrance and exit of personnel;
- appoint a person responsible for the enforcement of safety and regulations at the mine; and
- refrain from employing minors.

All mine employees are entitled to refuse to work or exit the mine facilities if (1) the employer fails to provide necessary training on mining-related risks; (2) the employees are not provided with the required safety equipment or with the necessary training on its use; or (3) the employees identify situations which endanger their lives or physical safety or that of their co-workers.

Other Laws and Regulations

In the course of our business, we and our subsidiaries are subject to other Mexican laws and regulations in several matters, including provisions related to antitrust and competition, being applicable the Mexican Federal Antitrust Law (*Ley Federal de Competencia Económica*) and its regulations, laws regulating intellectual property, such as the Mexican Federal Law on Copyright (*Ley Federal del Derecho de Autor*), the Mexican Federal Law for Protection of Industrial Property (*Ley Federal de Protección a la Propiedad Industrial*) and regulations thereunder, among others.

Environmental Matters

We are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which we operate. These laws and regulations impose increasingly stringent environmental protection standards regarding, among other things, air emissions, wastewater discharges, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental damage or contamination. These standards expose us to the risk of substantial environmental costs and liabilities, including liabilities associated with divested assets and past

activities, even where conducted by prior owners or operators and, in some jurisdictions, without regard to fault or the lawfulness of the original activity.

To prevent, control and remediate environmental problems and to ensure compliance with regulatory requirements, we maintain an environmental policy designed to monitor and control environmental matters. Our environmental policy requires each subsidiary to respect local laws and meet our own internal standards to minimize the use of non-renewable resources and the generation of hazardous and other wastes. We use processes that are designed to reduce the impact of our operations on the environment throughout all the production stages in all our operations worldwide. We believe that we are in substantial compliance with all material environmental laws applicable to us.

We regularly incur capital expenditures that have an environmental component or that are impacted by environmental regulations. However, we do not keep separate accounts for such mixed capital and environmental expenditures. Environmental expenditures that extend the life, increase the capacity, improve the safety or efficiency of assets or are incurred to mitigate or prevent future environmental contamination may be capitalized. Other environmental costs are expensed when incurred. For the years ended December 31, 2014, 2015 and 2016, our environmental capital expenditures and remediation expenses were not material. However, our environmental expenditures may increase in the future.

Our commitment towards the environment and social responsibility is a fundamental part of our business culture and values. Accordingly, we have implemented various community support initiatives in the vicinities of our production facilities and have formed alliances with prominent universities in those regions for the joint development of integration and training programs.

The following is a discussion of the environmental regulation and matters in our major markets:

Mexican Regulatory Matters

We believe that all of our production facilities in Mexico comply in all material respects with applicable safety and environmental laws. As of the date of this offering memorandum, we have obtained all permits and authorizations required for our operations. We adhere to the comprehensive responsibility program promoted by ANIQ, which is based on the Responsible Care international standards. We have received several awards as a result of our advanced safety and environmental program, and over 75% of our sites have been certified by a third party in the ISRS and the remaining sites are working towards certification by 2019. The Mexican government, through the Mexican Environmental Protection Agency, has given our chemical operations the “*Industria Limpia*” certification. Most of our operations comply with and are certified in ISO 14001.

If we fail to comply with Mexican environmental laws, we may be subject to fines ranging from Ps. 5,000 up to Ps. 2.5 million, and the Mexican government may partially or totally suspend our activities or impose civil and/or criminal sanctions on us.

We helped contribute to the development of the “eco efficiency” concept, which promotes efficient production methods that minimize our environmental footprint. This project allows us to both help protect the environment and to make our processes more efficient. In 2005, thanks to our energy efficiency program, we were recognized with Mexico’s National Thermal Energy Savings Awards for exemplary thermal energy conservation practices. In 2006, our operations in Coatzacoalcos were also recognized with a National Thermal Energy Savings Award in the Private Sector Industrial Facility Upgrades category, and our operations in Matamoros received an award in the Best Electricity Efficiency Practices category. In 2007, we received two Thermal Energy Savings Awards for our energy efficiency program.

For more than 10 years in a row, we have been recognized by *Centro Mexicano para la Filantropia* (CEMEFI) as a “Socially Responsible Company”, which has been the result of our social efforts, both internally and externally, environmental programs aimed towards the reduction of our environmental footprint and our economic growth.

Other Jurisdictions Regulatory Matters

Brazil

We are subject to Brazilian federal, state and local laws and regulations governing the discharge of effluents and emissions into the environment, the handling and disposal of industrial waste and other matters relating to environmental protection. Under federal and state environmental laws and regulations, we are required to obtain operating permits for our manufacturing facilities, which must be periodically renewed. If any of our environmental licenses and permits lapse or are not renewed, or if we fail to obtain any required environmental licenses and permits, we may be subject to fines ranging from R\$500 to R\$50.0 million, and the Brazilian government may partially or totally suspend our activities and impose civil and/or criminal sanctions. As of the date of this offering memorandum, all of our environmental licenses and permits are in full force and effect.

We believe that our operations are in compliance in all material respects with applicable environmental laws and regulations currently in effect in Brazil. We are addressing the environmental issues we are aware of, and we believe that none of these issues will have a material adverse effect on our business, financial condition or operations.

Our safety management system in Brazil has been certified according to Occupational Health and Safety Assessment Series (OHSAS) 18001 standards and our system's performance has helped us to consistently reduce lost time due to accidents. We are working to ensure that all of our sites in Brazil will be certified by a third party in the ISRS by the end of 2020.

As of the date of this offering memorandum, our operations in Brazil comply with and are certified in ISO 14001.

Colombia

As of the date of this offering memorandum, our production facilities comply with applicable environmental and safety laws and regulations and have all of the necessary licenses and permits required for their operation. In addition, we believe we are in compliance with the requirements of local environmental authorities related to the environmental impact our operations may cause as a result of effluents, emissions and industrial waste. In addition, we have voluntarily adopted additional standards, such as the Complete Responsibility and Clean Production Agreement. If any of our environmental licenses and permits lapse or are not renewed, or if we fail to obtain any required environmental licenses and permits, we may be subject to fines and the Colombian government may partially or totally suspend our activities.

All of our sites in Colombia have been certified by a third party in the ISRS, ensuring a strong culture of safety and continuous improvement. As of the date of this offering memorandum, our chemical operations comply with and are certified in ISO 14001.

Europe

Following our acquisition of Wavin, we became subject to a number of environmental regulations in several jurisdictions in Europe, including regulations related to carbon dioxide emissions, energy usage, recycling and waste disposal and various sustainability initiatives. Prior to the acquisition, Wavin had already implemented various internal processes to monitor and reduce its carbon dioxide emissions by 20% between 2008 and 2015, and had already obtained a 14% reduction in emissions by 2013. Wavin has joined several manufacturing organizations committed to continually reducing energy consumption and improving efficiency. As a best practice in the market, Wavin, in cooperation with its customers and local governments, has implemented a plastic pipe waste collection program and is participating in partnerships with suppliers of recycled materials to share knowledge and to expand best practices with respect to its recycling programs. Wavin has been steadily increasing its use of recycled materials in its production processes.

In 2014, the European Parliament approved new regulations for fluorinated greenhouse gases (F-Gas Regulation), which came into effect in 2015. The objective of these regulations is to prohibit hydro-fluorocarbon (HFC) refrigerants for new equipment and to cut Europe's F-gas emissions by 79% by 2030 as compared to 2009-2012 average levels. To enforce this gas emission reduction, the European Commission has given producers, including us, quotas based on global warming potential.

United States

We are subject to United States federal regulations, such as EPA, state and local laws and regulations governing the discharge of effluents and emissions into the environment and the handling and disposal of industrial waste, among

others. Under federal and state environmental laws and regulations, we are required to obtain operating permits for our manufacturing facilities, which must be periodically renewed.

We believe that our operations comply in all material respects with applicable environmental laws and regulations currently in effect in the United States. We are addressing all environmental issues of which we are aware, and we believe that none of these issues will have a material adverse effect on our business, financial condition or operations

Canada

We support the principles of the amendment of the Montreal Protocol undertaken in Kigali in 2016. The proposals derived from this amendment are consistent with our expectations. We are in the process of developing gases that are friendly to the environment and that have a low potential of atmospheric warming. However, we cannot ensure that these developments will be successful or that new regulations will not become effective in other regions.

Quality and Safety Controls

We consider safety a priority. We also consider the environment and the quality of products and services of relevant importance. We make an effort to comply with our client's requirements, and emphasize that our personnel are our greatest strength.

Our Commitments

- Prevent accidents and property damages, emphasizing that safety is the responsibility of everyone.
- Preserve the health, safety and protection of people.
- Create a positive impact on the environment by preventing contamination, reducing the consumption of resources and recycling waste materials.
- Continuously improving the efficiency of the procurement system, establishing performance objectives, measuring results, reviewing and improving processes.
- To have open communication with interested parties; comply with federal and local regulations and with other applicable commitments and external requirements.

The success of the above commitments requires the participation of our personnel, suppliers and clients, as well as the assignment of the necessary resources.

Awards, Certifications and Distinctions:

During 2016, we obtained the following awards, recognitions and certifications:

- ISO 9001: Quality Management Systems
- ISO 14001: Environmental Management System
- ISO 22000: Food Safety Management
- OHSAS 18001: Occupational Health and Safety Assessment

Property, Plant and Equipment

The main assets of Orbia's business groups are mentioned below, all of which are free of encumbrance or affectation of any kind, since none of them constitutes a guarantee of any financing, except for those assets that are being acquired through financial lease contracts which serve as a natural guarantee for the fulfillment of the obligation to pay the amount of such lease and represent a total amount of US\$345 million. All assets are insured, in optimal condition and there are no environmental measures that affect their use.

The following chart shows the information on Orbia's main production plants. In accordance with the provisions of article 33, subsection b), numeral 1, of the "Circular unica de emisoras", the Company has determined that the information on the percentage of use of the installed capacity of the Polymer Solutions business plants is strategic and consequently does not disclose such percentages for that business line.

Business Group / Unit	Process	Country or region	Number of production plants	Type of assets	Products	Installed capacity (mtpy)	Percentage of use in 2020 (%)
Polymer Solutions	Chlorine caustic soda	México	1	Mines	Salmuera	250 ⁽¹⁾	N.D.
Polymer Solutions	Chlorine caustic soda	México	2	Production plants	Chlorine, caustic soda, by products	895	N.D.
Polymer Solutions	Chlorine caustic soda	Colombia	1	Production plants	Chlorine, caustic soda, by products	50	N.D.
Polymer Solutions	Chlorine caustic soda	Germany	2	Production plants	Chlorine, caustic soda, by products	970	N.D.
Polymer Solutions	Chlorine caustic soda	México	4	Production plants	Fosfatos	146	N.D.
Polymer Solutions	Chlorine caustic soda	USA	1	Production plants	Ethylene	550	N.D.
Polymer Solutions	Vinyl	México	5	Production plants	PVC resins	781	N.D.
Polymer Solutions	Vinyl	Colombia	3	Production plants	PVC resins	500	N.D.
Polymer Solutions	Vinyl	USA	2	Production plants	PVC resins	116	N.D.
Polymer Solutions	Vinyl	Germany	2	Production plants	PVC resins	400	N.D.
Polymer Solutions	Vinyl	México	2	Production plants	Compounds	68	N.D.
Polymer Solutions	Vinyl	Colombia	1	Production plants	Compounds	22	N.D.
Polymer Solutions	Vinyl	USA	3	Production plants	Compounds	98	N.D.
Polymer Solutions	Vinyl	United Kingdom	2	Production plants	Compounds	118	N.D.
Wavin LatAm	Wavin	Latinamerica	24	Production plants	Pipes and fittings	637	61%
Wavin Europe	Wavin	Europe	24	Production plants	Pipes and fittings	643	52%
Dura-Line US/Canada	Dura-Line	USA, Canadá,	13	Production plants	HDPE conduits and micro conduits	258	73%
Dura-Line AMEA	Dura-Line	India, Oman, South Africa, Mexico	6	Production plants	HDPE conduits and micro conduits	93	60%
Netafim	Precision Irrigation	Americas	6	Production plants	Pipes	45 Líneas	82%
Netafim	Precision Irrigation	AMEA	6	Production plants	Pipes and drippers	41 Líneas	79%
Netafim	Precision Irrigation	India	2	Production plants	Pipes	23 Líneas	48%

Netafim	Precision Irrigation	APAC (excluding India)	3	Production plants	Pipes	23 Líneas	92%
Fluor	Fluorite	México	2	Mines	Acid grade and metallurgical grade fluorite	>1,700	100%
Fluor	Fluorite	México	3	Production plants	Acid grade fluorite	>9000	100%
Fluor	HF	México	2 ⁽²⁾	Production plants	Hydrofluoric acid	143	84%
Fluor	AlF3	México	1	Production plants	Aluminum fluoride	63	99%
Fluor	Refrigerant gases	USA	1	Production plants	Fluorinated hydrocarbons and refrigerants	39	75%
Fluor	Refrigerant gases	Japan	1	Production plants	Fluorinated hydrocarbons and refrigerants	21	58%

(1) m3 / hour

(2) A production unit that includes 2 plants

Next is a description of the Company's most important fixed assets with the following plants as part of its Wavin, Dura-Line and Netafim business groups.

- **In Latin America. Wavin** owns and operates 24 plants in 12 countries in Latin America, with a combined installed production capacity of 773,000 tons of PVC extracts, PVC and injected polyethylene and polyethylene products, using the best transformation technologies.
- **In Europe. Wavin owns** 24 manufacturing plants and points of sale and distribution in 25 European countries, with a combined installed production capacity of 758,000 tons. It has procedures in place to comply with the standards established by ISO 9000 and ISO 9001, reviewed and certified by independent certification companies. These plants operate in accordance with regionally established health and safety policies, complying with ISO 12001 and similar standards.
- **In North America. Dura-Line** owns 13 manufacturing and assembly plants located in the US and Canada, with a combined installed production capacity of 258,000 tons. It has procedures in place to comply with ISO 9001 standards, as well as other relevant standards for competent authorities, which are reviewed and certified by independent companies. Design practices are subject to various customs and regulatory tests to ensure that products meet or exceed customer expectations and applicable regulatory requirements.
- **At AMEA. Dura-Line** owns six manufacturing and assembly plants located in India, Oman, China and South Africa, with a combined installed production capacity of 100,000 tons. It has procedures in place to comply with the standards of ISO 9001, ISO 14001, OHSAS 18001, the Underwriters Laboratory and Bureau of India Standards certifications, as well as other relevant standards for the competent authorities, which are reviewed and certified by independent companies. Design practices are subject to various customs and regulatory tests to ensure that products meet or exceed customer expectations and applicable regulatory requirements.
- **Netafim** owns 17 manufacturing and assembly plants located in Australia, Brazil, Chile, Colombia, China, India, Israel, Mexico, the Netherlands, Peru, South Africa, Spain, Turkey and the USA, with a sales volume for 6 million meters in fiscal year 2019.

In the period 2018-2020 Orbia announced the acquisitions of: Netafim in Israel in the Irrigation business, Sylvin Technologies in the USA, Vinyl Compounds Holdings Limited in the UK in the Compounds business unit (Polymer Solutions business group) and Gravenhurst in Canada in the Data Communications business (formerly the Fluent business group) that include the following within their main assets, and which are accounted for in the table above:

Sylvin Techonologies (2018): company based in Denver, Pennsylvania, in the USA, which has a plant and is a specialized manufacturer of PVC compounds.

Netafim (2018): company based in Israel and present in more than 30 countries with 17 plants, it has a share of approximately 30% in the global market for irrigation solutions for agriculture, greenhouses, landscaping and mining, meeting demand for more from 110 countries.

Additionally, in 2020 the Company carried out different permanent investments that are part of maintenance and organic growth; which totaled \$ 228 million.

Orbia considers that there are currently no regulatory measures that affect the use of its assets, which guarantees compliance with all regulatory requirements in all its facilities.

So that Orbia's operations are not suddenly affected, it is our policy to have predictive preventive maintenance programs applied to its assets, including machinery, various equipment, etc. The objective of this is to maintain the facilities in optimal conditions, complying with the governmental norms and regulations in accordance with each country, and if necessary, corrective maintenance will be used, without this being the recurring case for the Issuer. The Company allocates approximately 1.7% of its sales to preventive, predictive and corrective maintenance. All these resources have been financed through the Company's own cash flow.

Insurance

We maintain insurance against the risks and in the amounts that are customary in the chemical industry and in the markets where we operate. We maintain the insurance policies mentioned below for all the companies comprising the Orbia Group, with the coverages usually required and according to the standard practice of the mining, chemical, and petrochemical industries.

Multiple business insurance (assets and business interruption):

The multiple business insurance policies have the following coverages:

- Broad coverage for fire including hydrometeorological hazards, earthquake, and volcanic eruption. Covering buildings, contents (plant and equipment), inventories and gross profits.
- Equipment breakdown coverage including machinery, electronic equipment, and mobile equipment without license plates (for underground work).

Sums insured cover the declared values considering the replacement cost or replacement cost value for fixed assets and the last purchase price for inventories. The gross profits have been determined according to the approved budget for fiscal year 2020 and the insured sums vary according to the values of each company.

- **Goods in transit (carriage) insurance:** This insurance covers all those shipments in which we have an insurable interest (purchases, sales, inter-warehouse transfer, etc.).
- **Liability insurance:** This insurance covers damages (including pollution) to third-party property and personal injury, as well as consequential damages arising from direct damages.
- **Directors' and officers' liability insurance:** This insurance protects the members of the Board of Directors and the officers of the company in the event of any third-party legal action brought for alleged wrongful acts in their capacity as directors and officers.
- **Cyber insurance:** The data protection and cyber risk insurance is designed to address the responsibility that companies have regarding the use and handling of information and personal data.

- **Crime insurance:** This insurance covers loss and damages resulting from internal and external criminal acts.
- **Credit insurance:** This insurance covers the risks of nonpayment and prolonged payment delay by debtors.

In addition to our insurance policies mentioned above, each subsidiary has its own insurance policies, taken according to its needs or to fulfill its contractual obligations, or to comply with applicable local laws and regulations.

Although we believe that we have adequate and sufficient insurance coverage, in accordance with industry practices and particularly adapted to our operations, it is possible that insurance coverage of unforeseen losses and other liabilities arising from events that are very unpredictable or that could be, in some extreme cases, catastrophic, is not sufficient. Consequently, the results of such insurance coverage insufficiency would have an adverse effect on our financial results that is not anticipated or foreseen within expenses and costs.

The following companies and their affiliate and subsidiary companies that form part of the Orbia Group have similar insurance policies, in an independent manner and outside the insurance policies taken and controlled by the holding company: Mexichem Brasil Indústria de Transformação Plástica Ltda and Mexichem Trading Comercio, Importacao e Exportacao S/A., Vestolit GmbH, Ingleside Ethylene LLC, Sylvin Technologies, Mexichem Specialty Compounds, Dura-Line Corporation, Wavin BV, and Netafim Ltd.

MANAGEMENT

Our Directors

Our Board of Directors consists of 12 members. Under Mexican law, any holder of 10.0% or more of our shares has the right to appoint one director, and such votes will be excluded for purposes of electing the remaining directors. According to Article 32 of our bylaws, our directors hold their offices for the term established by the General Meeting of Shareholders that appointed them and can be reelected. The following table sets forth the names of these directors, their position and their years of service as directors:

Name	Position	First Elected
Antonio del Valle Ruíz	Honorary Chairman non member of the Board	2000
Juan Pablo del Valle Perochena	Chairman	2002
Antonio del Valle Perochena	Director	2002
María de Guadalupe del Valle Perochena	Director	2005
Francisco Javier del Valle Perochena	Director	2021
Divo Milán Haddad	Independent Director	2003
Guillermo Ortiz Martínez	Independent Director	2010
Eduardo Tricio Haro	Independent Director	2008
Alma Rosa Moreno Razo	Independent Director	2018
Maria Teresa Altagracia Arnal Machado	Independent Director	2019
Jack Goldstein Ring	Independent Director	2020
Anil Menon	Independent Director	2020
Mark Rajkowski	Independent Director	2021
Juan Pablo del Río Benítez	Non-Member Secretary of the Board	2013

Antonio del Valle Ruíz holds a degree in Accounting from Escuela Bancaria Comercial and a MBA from Instituto Panamericano de Alta Dirección de Empresas (IPADE). He is our Honorary Chairman. In addition to his service on our Board of Directors and that of our subsidiaries, he is also a member of the Boards of Directors of the following companies: Elementia, S.A.B. de C.V., Grupo Financiero Ve por Más, Teléfonos de México, S.A. de C.V., Industrias Monterrey, S.A. de C.V., Axa Seguros, S.A. de C.V. (México), Escuela Bancaria y Comercial and Fundación ProEmpleo. Antonio del Valle Ruíz is the father of María de Guadalupe del Valle Perochena, Antonio del Valle Perochena, Francisco Javier del Valle Perochena and Juan Pablo del Valle Perochena.

Juan Pablo del Valle Perochena holds a degree in Industrial Engineering from Universidad Anáhuac and an MBA from Harvard Business School. He has been a member of our Board of Directors since 2002, and, in April 2011, he was elected Chairman of our Board of Directors. In addition to his service on our Board of Directors and that of our subsidiaries, he is also a member of the boards of directors of JCI, Inc in the USA, Grupo Lala, S.A.B. de C.V., Elementia, S.A.B. de C.V. and Grupo Pochteca S.A.B. de C.V., and participates in the following nonprofit

associations: Advisory Committee of Harvard's David Rockefeller Center for Latin American Studies, board member of El Colegio de México trust, board member of Fundación Kaluz, A.C. ("Fundación Kaluz"), board member of the Chairman's International Advisory Council of the Americas Society and board member of the Latin American Conservation Council of The Nature Conservancy.

Antonio del Valle Perochena holds a degree in Business Administration from Universidad Anáhuac and a degree in Executive Education from IPADE. Currently, he is the Chairman of the Board of Directors of Grupo Financiero Ve por Mas, S.A. de C.V. and the Chairman of the Board of Directors of Kaluz. He is a member of the Board of Directors of Banco Ve por Mas S.A., Elementia S.A.B. de C.V., Controladora GEK, S.A.P.I. de C.V., Grupo Pochteca. S.A.B. de C.V., Afianzadora Sofimex, S.A. and Byline Bank. He participates in the following nonprofit associations: Instituto Nacional de Ciencias Médicas y Nutrición Salvador Zubirán, Museo San Ildefonso, and Fundación El Peñón, A.C. He is also the President of the Probosque de Chapultepec Trust.

María de Guadalupe del Valle Perochena holds a degree in Economics from Universidad Anáhuac and a postgraduate degree in Top Management from the IPADE Business School of Universidad Panamericana. She is a member of the Board of Directors of the following Mexican companies: Kaluz, Banco Ve por Más S.A. de C.V., and Controladora GEK S.A. de C.V.

Francisco Javier del Valle Perochena holds a bachelor's degree from Anahuac University, in Mexico City, Mexico. He is the director and co-founder of Grupo Empresarial Kaluz and Chairman of the Board of Directors of Elementia and Fundación Kaluz. In 2010, he founded SAE Institute Latin America. Francisco is a member of the Board of Directors of Mexichem, Pochteca, Cuprum and Grupo Casanueva Pérez. Additionally, Francisco is part of the Advisory Council and is Council of Communications at Banamex. He is also Chairman of the Board of Trustees of Fundación Mexicanos Assets.

Divo Milán Haddad holds a law degree from Escuela Libre de Derecho. He is the CEO of the following companies: Inmobiliaria del Norte, Pro-Invest, Organización del Norte, Promotora ECO, Servicios de Comercio Electrónico, DAB-Invest (all of these commercial real state), Circulo de Crédito (risk qualifier), Circulo Laboral (labor data base), Grupo Aradam (food franchise), Quonia (real estate Spanish society). He is a member of the boards of directors of the following companies: Net Capital (technological school), Banco Ve por Más, S.A. de C.V., Grupo Financiero Ve por Mas S.A. de C.V. and Elementia, S.A.B. de C.V.

Guillermo Ortiz Martínez holds a degree in Economics from UNAM and a Ph. D. in Economics from Stanford University. Currently, Dr. Ortiz Martínez is Chairman of the *Mexican operations of the investment bank BTG Pactual, Casa de Bolsa*. He participates in several international financial and economic councils, as a member of the Group of Thirty (G30), the advisory board of the Center for Financial Stability, the advisory council of the SWIFT Institute, the China International Financial Forum, and the Council on Global Financial Regulation, and as chairman of the board of the Per Jacobsson Foundation. Dr. Ortiz Martínez is founder of GO Asociados, a business consulting firm established in 2009. He is a member of the Advisory Council on Life Quality, Progress, and Development of Mexico's Federal District Government (*Consejo Consultivo de Calidad de Vida, Progreso y Desarrollo del Gobierno del Distrito Federal*). Dr. Ortiz Martínez was chairman of the Board of Directors of Grupo Financiero Banorte-Ixe from 2011 to 2014. He is also member of the international board of Zurich Insurance Group, Ltd. and of the Board of Directors of Weatherford International, a company established in Geneva, Switzerland specialized in the supply of technology, products, and field services for the oil and gas industry. He is a member of the Board of Directors of Mexican companies such as Aeropuertos del Sureste S.A.B. de C.V., Grupo Comercial Chedraui S.A.B. de C.V., and Vitro S.A.B. de C.V. Dr. Ortiz Martínez was Governor of the Mexican central bank, Banco de México, between January 1998 and December 2009, and Minister of Finance and Public Credit of Mexico from December 1994 to December 2009.

Eduardo Tricio Haro holds a degree in Agriculture Engineering from the Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM). He is the chairman of Grupo Lala, S.A.B. de C.V. He is a member of our Board of Directors and the Boards of Directors of Grupo Financiero Banamex, S.A.B. de C.V., Televisa, S.A.B. de C.V., Areoméxico S.A.B. de C.V., Grupo Porres, S.A. de C.V., Nuplen Alimentos, S.A. de C.V. and Aura Solar, S.A. de C.V. He is also the Vice President of Consejo Mexicano de Hombres de Negocio. Mr. Tricio participates in the following nonprofit associations: Hospital Infantil de México "Federico Gómez," Instituto Nacional de Cancerología, Instituto Nacional de Ciencias Médicas y Nutrición "Salvador Zubirán," the Woodrow Wilson Institute, Mexicanos Primero, and The Latin American Conservation Council of the Nature Conservancy, among others.

Mark Rajkowski holds a bachelor's degree in Accounting from Lehigh University in Bethlehem, Pennsylvania. Mark was the Chief Financial Officer for Xylem Inc. He also served as a strategic advisor to WestRock Company, a global packaging and specialty chemicals company that was formed following the merger of MeadWestvaco and RockTenn. He held several senior financial and operating roles for Eastman Kodak Company. He also serves as a member of the Board of Directors of the "ACCO" Brands.

Kaluz, Controladora GEK, S.A. de C.V., Elementia, S.A.B. de C.V., Grupo Financiero Ve por Más, S.A. de C.V., Banco Ve por Más, S.A. de C.V., Grupo Pochteca, S.A.B. de C.V., Casa de Bolsa Ve por Más, S.A. de C.V. and Fundación Kaluz, constitute our related parties.

Our Board of Directors

The management of our business is vested in our Board of Directors and our chief executive officer as provided in our bylaws. All of the members of our Board of Directors were elected or re-elected at the annual shareholders' meeting held on March 30, 2021. Our bylaws provide that the members of the Board of Directors are elected for the term established by the General Meeting of Shareholders that appointed them and may be reelected (ratified) as such, but must remain in office for 30 days after their resignation or expiration of their term if a substitute is not elected or appointed. Under the Mexican Securities Market Law and Article 32 of our bylaws, our Board of Directors must consist of no more than 21 members, of which at least 25% must qualify as independent directors. Independent directors are elected based on their experience, ability and reputation. Whether a director is independent or not is determined at the shareholders' meeting, although this determination may be challenged by the CNBV. Our officers and employees and those of our subsidiaries, persons with the ability to control or that own 20.0% or more of our outstanding shares, material clients and suppliers, and relatives of any of the foregoing are not deemed independent.

The chairman of our Board of Directors, 25% of the Board of Directors, the president of the corporate practices committee or the audit committee, or the secretary or the alternate secretary of the Board of Directors may call for a Board of Directors' meeting. In addition, the Mexican Securities Market Law provides that our Board of Directors must approve all relevant transactions (equivalent to 5% or more of our Consolidated Assets) that deviate from our ordinary course of business and those that are to be entered into between us and any of our shareholders, our managers or other related parties. The chairman of our Board of Directors, Juan Pablo del Valle Perochena, has the decisive vote in the event of a tie. The Board of Directors is required to meet at least once every quarter.

Committees of our Board of Directors

Our Board of Directors has three standing committees: the corporate practices committee, the audit committee and the finance committee. In April 2016, the audit and corporate practices committee responsibilities were separated, creating the two respective committees. The finance committee was also created in 2016.

Corporate Practices and Sustainability Committee

As set forth in the Mexican Securities Market Law, our corporate practices committee is required to: (1) provide opinions to the Board of Directors; (2) request and obtain opinions from independent third-party experts; (3) call shareholders' meetings; (4) provide assistance to the Board of Directors in the preparation of annual reports; and (5) provide reports to the Board of Directors. Our corporate practices committee currently consists of, Divo Milán Haddad, Juan Pablo del Valle Perochena, María Teresa Altagracia Arnal Machado (President) and Anil Menon.

Audit Committee

Our audit committee's principal role is to: (1) supervise our external auditors; (2) analyze the external auditors' reports; (3) inform the Board of Directors in respect of existing internal controls; (4) supervise the execution of related party transactions; (5) require our officers to prepare reports when necessary; (6) inform the Board of Directors of any irregularities that the audit committee encounters; (7) supervise the activities of our CEO; and (8) provide an annual report to the Board of Directors. Our audit committee currently consists of Mark Rajkowski (President), Divo Milán Haddad, Eduardo Tricio Haro and Alma Rosa Moreno Razo, all of whom are independent Directors.

Finance Committee

Our finance committee is composed of three members of the Board of Directors, who were appointed by this Board; except for its President, who was appointed by the Annual Ordinary Shareholders' Meeting. This Committee

shall support the Board of Directors in the fulfillment of its responsibilities with the shareholders regarding the policies, practices and strategies related to its financial affairs' management. Its main objectives are: (1) to formulate and recommend for the approval of the Board of Directors the financial policies of the Company, including the management of financial matters, (2) to review management's plans to manage the exposure of the Company's financial risks, (3) to review the Company's cash flow plan, balance sheet and capital structure and (4) to review the Company's capital allocation strategy, including the capital cost. Our finance committee currently consists of Guillermo Ortiz Martínez (President), Antonio del Valle Perochena, María de Guadalupe del Valle Perochena, and Jack Goldstein Ring.

Our Executive Officers and Senior Management

The following table sets forth our current executive officers and their position:

Name	Position
Sameer S. Bharadwaj	Chief Executive Officer
Edgardo Carlos	Chief Financial Officer
Mike Bruggeman	Chief Information Officer
Sheldon Hirt	Senior Vice President, General Counsel
Deborah Butters	Senior Vice President, Chief People Officer
Shai Albaranes	Corporate Vice President, Innovation and Ventures
Cristina Gil White	Corporate Vice President, Sustainability
Jorge Luis Guzmán Mejía	Corporate Vice President, Internal Audit
John Branan	Corporate Vice President, Health, Safety & Environment (HS&E)
Nicholas P. Ballas	President, Polymer Solutions (Vestolit)
Peter Hajdu	President, Data Communication (Dura-Line)
Gaby Miodownik	President, Precision Agriculture (Netafim)
Gautam Nivarth	President, Polymer Solutions (Alphagary)
Maarten Roef	President, Building & Infrastructure (Wavin)
Gregg Smith	President, Fluorinated Solutions (Koura)

Sameer S. Bharadwaj holds a bachelor's degree in chemical engineering from the University of Bombay, an MBA from Harvard Business School, and a Ph.D in chemical engineering from the University of Minnesota. Since joining Orbia in 2016 to lead the compound business group, he has assumed leadership of the "Alphagary", "Koura" and "Vestolit" commercial brands. Prior to joining Orbia, Sameer held numerous executive leadership position over the course of an 11-year tenure at Carbot Corporation, most recently as Vice President and General Manager. Before that, he worked as a strategy consultant for The Boston Consulting Group. He started his career as a senior researcher engineer at The Dow Chemical Company.

Edgardo Carlos holds an MBA from the Massachusetts Institute of Technology (MIT Sloan Fellows Program), completed executive programs at Wharton and Stanford University and graduated as a public accountant from the National University of La Plata (UNLP) in Argentina. He is a tech-savvy finance expert with expertise in digital transformation, cybersecurity, and process improvement. He provides the board with a unique and valuable perspective on financial and risk management in the manufacturing business and is a visionary leader who drives results. He has gained varied international experience through leading M&A processes worldwide and executing IPOs

in the US and Europe. Edgardo served as global CFO of Tenaris, with responsibilities over administration, finance, IT, and overseeing 1,200 employees worldwide. He was a strategic partner for business development, with a strong focus on capital deployment and asset utilization. Previously, Edgardo worked at Sidor and participated in the privatization process of one of the largest steel mills in Latin America. He had an active role in the restructuring of debt after a crisis during which steel prices plunged to the lowest point in years.

Mike Bruggeman holds a bachelor's degree in computer science from William Penn University and an MBA from St. Ambrose University. He is a proven strategic and technology leader with more than 20 years of experience working with diverse groups of businesses to help them modernize their capabilities and achieve their strategic objectives. Mike held several leadership positions at Cargill Incorporated, most recently as VP of Global Information Technology, where he supported his team in addressing pressing data and digital needs, sharing best practices and training and improving efficiency, agility and service delivery.

Sheldon Hirt holds a bachelor's degree in international affairs from Columbia University's School of International and Public Affairs and acquired a *juris* doctor degree from Columbia Law School. He worked at Amneal Pharmaceuticals, where he was a member of the executive leadership team. He has significant experience handling the legal and compliance matters affecting international pharmaceutical companies such as Johnson & Johnson, Actavis, and Progenics Pharmaceuticals. He specializes in mergers and acquisitions, licensings, securities, and corporate governance.

Deborah Butters holds a bachelor's of science degree in the field of Human Resources from the University of Bath in England and a postgraduate diploma in Human Resources from the University of London. With more than 25 years of experience, she has worked across the technology, consulting, life science and now industrial sectors in a global capacity. She has expertise in talent attraction and retention, acquisition integrations, executive and employee compensation models and supporting transformational performance and change management initiatives. She was the architect behind the company's people strategy. She worked for 17 years in IBM where she enchanted the company's global HR programs and led an enterprise-wide talent transformation.

Shai Albaranes holds a bachelor's in computer science with distinction from the IDC and an MBA from INSEAD. He founded a successful start-up and served in business development and marketing roles in several other start-ups. Today he is a mentor and an active investor to several start-ups and entrepreneurs. He led the Product Management, Product Marketing, and Strategic Crops units at Netafim. Prior to his position at Netafim, Shai worked as a project manager at McKinsey & Co., providing global multinational companies with guidance on a broad range of strategic, organizational and M&A topics.

Cristina Gil White holds a chemistry degree from Universidad de las Américas in Puebla, Mexico, and a master's degree in environmental studies from the Instituto Tecnológico y de Estudios Superiores de Monterrey in Monterrey, Mexico. Under her leadership, Orbia has increased its ESG reporting transparency and scope, committed to ambitious environmental goals, improved the assessment of its supply chain and launched programs of social and environmental impact. She and her team were instrumental in Orbia joining the Dow Jones Sustainability Index in 2019. The Company became a member of UN Global Compact two years ago, signed the CEO Water Mandate in 2019, and committed to the Business Ambition for 1.5 C. Some of the organizations she has worked for are The Nature Conservancy, Pronatura Noreste, Rare Conservation and Fundación Educa. Today, she is a board member of Jimbere Fund, World Environment Center, Centro Intercultural de Estudios de Desiertos y Océanos A.C. and Smartest Energy.

Jorge Luis Guzmán Mejía holds a bachelor's degree in business management and an MBA from Universidad Iberoamericana, in Mexico City, Mexico. Jorge has CIA and CSA certificates accredited by the Florida Institute of Internal Auditors. He worked for companies including AVON, Becton Dickinson, DUPONT, and Dow Chemical. He has more than 20 years of experience in finance, treasury, credit, risk assessment, auditing, and internal controls.

John Branan holds a bachelor's degree in chemical engineering from the Georgia Institute of Technology. With over 35 years of experience in the specialty materials and chemicals industries. He has expertise in safety best practices, environmental compliance, process optimization and strategic project execution and a track record in steering process, program and commercial improvements that drive efficiencies as well as growth. John held an executive leadership roles spanning operations, business development, capital project engineering and process optimization at Cabot Corporation, where he additionally developed and patented several carbon-black products and technologies.

Nicholas P. Ballas holds a Master of International Management degree from the Thunderbird School of Global Management and a bachelor's degree from St. Cloud State University. He accomplished C-Level Executive with extensive global operation experience, particularly in Asia. He has a track record of developing and executing strategy, enhancing operations and delivering top-and bottom-line results. Nicholas served for eight years as an Executive Vice President of Nexans SA, a worldwide leader in the cable industry, where he led the company carbon-black fiber business division. He also served as a director of Nexans Foundation, where he helped steer efforts to bring electricity to disadvantaged communities throughout the world. His prior experiences include consulting work at Cathedral Hill Advisory, Samudera Shipping in Indonesia and an early career at Cabot Corporation where he was instrumental in the spin-out of Cabot LNG. Currently he is a board member at Samudera.

Peter Hajdu holds a degree in management of technology and an MBA from University of California, Berkeley. He has led multiple executive positions in Cisco's EMEA and emerging markets operation, and has great knowledge and vision on how to improve lives through data. He was also a consultant at McKinsey & Company, serving clients in the chemical, automobile, airline, and banking sectors.

Gaby Miodownik holds an MBA degree with a focus in Accounting and Finance from Tel Aviv University. He is also a certified accountant in Israel. He was Chief Financial Officer from Latin America, Managing Director of Netafim Mexico, Vice President of the Americas and Europe, the Middle East and Africa and recently a Senior Vice President and President of Americas at Netafim.

Gautam Nivarthi is an experienced business manager with strong people leadership capacity and experience across multiple geographies (Europe, Asia and North America) managing cross functional business teams. He has worked in leadership roles in the areas of M&A, new business development, strategy and planning, product management and innovation.

Maarten Roef holds a master's degree in business economics from Erasmus University in Rotterdam, the Netherlands. He managed and also headed Wavin's overseas business in the Benelux and Northwest regions, before being appointed to the Wavin management board, he is also a member of The European Pipe and Fitting Association.

Gregg Smith has broad international experience in a wide range of positions (Business Development, Technology Development, General Management and Plant Management) for specialist materials in a number of application spaces. Gregg succeeded in the foundation of Inkjet Business, Battery Materials Business and Graphene Business.

Compensation of Directors and Officers

The General Meeting of Shareholders held on March 30, 2021 resolved that (i) the honorary chairman of the Board of Directors will receive US\$500,000 annually, (ii) the chairman of the Board of Directors will receive US\$750,000 annually, and (iii) the chairmen of the audit committee, the finance committee and the corporate practices committee, will each receive US\$25,000 annually. All other members of the Board of Directors, audit committee, corporate practices committee and the finance committee will each receive US\$60,000 annually.

The compensation paid to management and other key members of our management during the last three years was as follows:

	2020	2019	2018
	(in thousands of U.S. dollars)		
Short-term benefits	8,651	7,200	7,556
Terminated benefits	3,519	1,819	873
Total	12,170	9,019	8,429

PRINCIPAL SHAREHOLDERS

The following table sets forth information about the beneficial ownership of our capital stock by each person or entity known by us to beneficially own 5% or more of our capital stock as of March 30, 2021.

Shareholder	Shares beneficially owned	
	Total	(%) of capital stock
Kaluz, S.A. de C.V.....	901,186,189	42.91
Shareholders related to the controlling group.....	83,533,193	3.98
Subtotal.....	984,719,382	46.89
Public shareholders.....	1,115,280,618	53.11
Total.....	2,100,000,000	100.0

The members of the Del Valle family that are shareholders of Kaluz include Antonio del Valle Perochena, Francisco Javier del Valle Perochena, Juan Pablo del Valle Perochena, María Blanca del Valle Perochena and María de Guadalupe del Valle Perochena.

All shares issued by us grant their holders the same voting rights. Consequently, our majority shareholders do not have different voting rights from the rest of our shareholders.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

General

In the past, we have engaged in, and expect that in the future we will continue to engage in, transactions with our directors, officers, principal shareholders and their respective affiliates or subsidiaries, including, without limitation, the transactions described below. The terms of these transactions are typically negotiated by one or more of our employees who are not related parties, taking into account the same business considerations that would apply to transactions with unrelated third parties, and are subject to meeting the relevant market price for the transaction, which is verified by our independent auditors at the end of each year. We believe that these arrangements are generally on terms at least as favorable as those that we could obtain from an unaffiliated third party, to the extent there are third parties which could provide comparable services. Related party transactions must be analyzed by our Corporate Practices Committee prior to recommending for ratification by our board of directors.

Related Party Transactions

We have numerous investments, trust funds and bank accounts with Banco Ve por Más, S.A. de C.V. and Casa de Bolsa Ve por Más, S.A. de C.V. These accounts pay interest at prevailing market rates.

We have a services agreement with Kaluz, our principal shareholder, for consulting services, for which we pay Kaluz a monthly amount equal to the costs and expenses for the services, plus a fee at market price.

All transactions with related parties have been made in the normal course of our business operations and are on terms no less favorable to us than would have been obtained in an arm's-length transaction.

The following table sets forth amounts due to and from our related parties as of December 31, 2020, 2019 and 2018:

Related Party Balances	As of December 31,		
	2020	2019	2018
	(in millions of U.S. dollars)		
Due from related parties:			
Pochteca Materias Primas, S.A. de C.V.	\$ 1	\$ 4	\$ 3
Elementia Servicios Administrativos, S.A. de C.V.*	3	1	2
Others.....	1	-	-
Total amount receivable	\$ 5	\$ 5	\$ 5
Due to related parties:			
Kaluz, S.A. de C.V.	\$ -	\$ 100	\$ 116
Others.....	1	1	1
Total expenses	\$ 1	\$ 101	\$ 117

* Entities controlled directly or indirectly by Kaluz, our principal shareholder, or its shareholders.

DESCRIPTION OF NOTES

We will issue the Notes under an indenture to be entered into by and among the Company, the Subsidiary Guarantors (as defined below), Deutsche Bank Trust Company Americas, as trustee (which term includes any successor as trustee under the indenture), principal paying agent and transfer agent, and Deutsche Bank Luxembourg S.A., as transfer agent in Luxembourg. A copy of the indenture, including the form of the 2026 Notes and the 2031 Notes, is available for inspection during normal business hours at the offices of the trustee and any of the other paying agents set forth on the inside back cover page of this offering memorandum. The trustee or any other paying agent, as applicable, will also act as transfer agent and registrar if we issue certificates for the Notes in definitive registered form.

This Description of Notes is a summary of the material provisions of the Notes and the indenture. You should refer to the indenture for a complete description of the terms and conditions of the Notes and the indenture, including our obligations and your rights.

You will find the definitions of capitalized terms used in this section under “—Certain definitions.” For purposes of this section of this offering memorandum, references in this description of Notes to “we,” “us,” “our,” “the Company” or “Orbia” refer only to Orbia Advance Corporation, S.A.B. de C.V. and not to its Subsidiaries.

General

The Notes:

- will be our senior unsecured obligations (subject to certain obligations that are preferred by statute);
- will initially be limited to an aggregate principal amount of US\$1,100,000,000 (US\$600,000,000 of 2026 Notes and US\$500,000,000 of 2031 Notes);
- will mature at 100% of their principal amount on May 11, 2026 for the 2026 Notes and on May 11, 2031 for the 2031 Notes;
- will be issued in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof;
- will be represented by one or more registered notes in global form and may be exchanged for notes in definitive form only in limited circumstances; and
- will be guaranteed by the following Subsidiaries: (1) Mexichem Brasil Industria de Transformação Plastica Ltda.; (2) Mexichem Derivados, S.A. de C.V.; (3) Mexichem Resinas Vinílicas, S.A. de C.V.; (4) Mexichem Flúor, S.A. de C.V.; (5) Mexichem Resinas Colombia, S.A.S.; (6) Mexichem Soluciones Integrales, S.A. de C.V.; (7) Mexichem Compuestos, S.A. de C.V.; (8) Mexichem UK Limited.; (9) Mexichem Fluor, Inc.; (10) Mexichem Ecuador, S.A.; and (11) Mexichem Flúor Comercial, S.A. de C.V. (collectively, the “Subsidiary Guarantors”). As of and for the year ended December 31, 2020, the Subsidiary Guarantors (in addition to Orbia, on a stand-alone basis) accounted for 20.2% of our total assets and 30.6% of our EBITDA on a consolidated basis.

Principal and Interest

The rates of interest payable on the Notes may be subject to adjustment as described below.

The 2026 Notes bear interest from and including May 11, 2021 at a rate of 1.875% per annum, subject to the paragraph immediately below.

From and including November 11, 2024 (the “2026 Notes Interest Rate Step Up Date”), the interest rate payable on the 2026 Notes shall be increased by 25 basis points to 2.125% per annum (the “2026 Notes Subsequent Rate of Interest”) unless the Company has notified (the “Satisfaction Notification”) the Trustee in accordance with “—Notices” in writing by June 28, 2024 (the “2026 Notes Notification Date”) that: (i) the 2026 Notes Sustainability Performance Target has been satisfied and (ii) the satisfaction of the 2026 Notes Sustainability Performance Target has been confirmed by the External Verifier in accordance with its customary procedures. If as of the 2026 Notes Notification Date (x) the Company fails, or is unable, to provide the Satisfaction Notification, (y) the 2026 Notes

Sustainability Performance Target has not been satisfied or (z) the External Verifier has not confirmed satisfaction of the 2026 Notes Sustainability Performance Target, the 2026 Notes Subsequent Rate of Interest will apply for each interest period from and including the 2026 Notes Interest Rate Step Up Date up to, and including, the scheduled maturity of the 2026 Notes.

The 2031 Notes bear interest from and including May 11, 2021 at a rate of 2.875% per annum, subject to the paragraph immediately below.

From and including November 11, 2026 (the “2031 Notes Interest Rate Step Up Date”), the interest rate payable on the 2031 Notes shall be increased by 25 basis points to 3.125% per annum (the “2031 Notes Subsequent Rate of Interest”) unless the Company has notified (the “Satisfaction Notification”) the Trustee in accordance with “— Notices” in writing by June 29, 2026 (the “2031 Notes Notification Date”) that: (i) the 2031 Notes Sustainability Performance Target has been satisfied and (ii) the satisfaction of the 2031 Notes Sustainability Performance Target has been confirmed by the External Verifier in accordance with its customary procedures. If as of the 2031 Notes Notification Date (x) the Company fails, or is unable, to provide the Satisfaction Notification, (y) the 2031 Notes Sustainability Performance Target has not been satisfied or (z) the External Verifier has not confirmed satisfaction of the 2031 Notes Sustainability Performance Target, the 2031 Notes Subsequent Rate of Interest will apply for each interest period from and including the 2031 Notes Interest Rate Step Up Date up to, and including, the scheduled maturity of the 2031 Notes.

Interest will accrue from the date of issuance or, if interest has already been paid, from the most recent interest payment date. Interest will be payable in cash, semi-annually in arrears on May 11 and November 11 of each year, commencing on November 11, 2021. Interest will be payable to the persons in whose name the Notes are registered at the close of business on April 26 or October 27 immediately preceding each interest payment date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, and interest, including any Additional Interests on, the Notes will be payable, and the transfer of Notes will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market, we will maintain a paying agent and transfer agent in Luxembourg.

Ranking of notes and guarantees

The Notes will constitute our direct senior unsecured obligations. The 2026 Notes and 2031 Notes rank *pari passu* in priority of payment with each other and with our outstanding US\$500,000,000 4.000% Senior Notes due 2027 (the “2027 Notes”) and our outstanding US\$500,000,000 5.500% Senior Notes due 2048 (the “2048 Notes”) and if we were to issue any debt other than the 2026 Notes, the 2027 Notes, the 2031 Notes and the 2048 Notes, the Notes would rank at least *pari passu* in priority of payment with all our other existing and future senior unsecured indebtedness.

In the event of a bankruptcy or liquidation proceeding by or against us, our obligations under the Notes will rank equal in right of payment to all other of our existing and future senior unsecured indebtedness, subject to certain statutory preferences under applicable law, including labor and tax claims.

The Subsidiary Guarantors will fully and unconditionally guarantee the full and punctual payment of principal, premium, if any, interest, including any Additional Interests, and any other amounts that may become due and payable by us in respect of the 2026 Notes and 2031 Notes. If we fail to pay any such amount, the Subsidiary Guarantors will immediately pay the amount that is due and required to be paid.

The Subsidiary Guarantors’ guarantees of the 2026 Notes and 2031 Notes will not be secured by any of their assets or properties. As a result, if the Subsidiary Guarantors are required to pay under the guarantees, holders of the Notes would be unsecured creditors of the Subsidiary Guarantors. The guarantees will not be subordinated to any of the Subsidiary Guarantors’ other unsecured debt obligations. In the event of a bankruptcy or liquidation proceeding against any of the Subsidiary Guarantors, the guarantees would rank equally in right of payment with all of such Subsidiary Guarantors’ other unsecured and unsubordinated debt.

None of our Subsidiaries other than the existing Subsidiary Guarantors will have any obligations with respect to the Notes unless other entities become guarantors. As a result, the Notes and guarantees will be effectively

subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) of each of the Subsidiaries other than the existing Subsidiary Guarantors.

A Subsidiary Guarantor's guarantee of the Notes will terminate upon: (1) the Subsidiary Guarantor ceasing to be a direct or indirect Subsidiary of the Company through a sale or other disposition or transfer to any Person, other than to the Company or another Subsidiary, of Capital Stock of such Subsidiary Guarantor or the sale or other disposition or transfer of all or substantially all of the assets of such Subsidiary Guarantor (which sale, disposition or transfer is not prohibited under the Indenture); (2) if the guarantee was required pursuant to the terms of the indenture, the cessation of the circumstances requiring the guarantee; or (3) defeasance or discharge of the Notes, as provided below under the caption "—Defeasance."

In addition, the Company may terminate upon written notice of such election to the trustee the guarantee of any Subsidiary Guarantor that does not guarantee any other Debt of the Company, or of any other Subsidiary of the Company, *provided* that, subsequent to the termination of such Subsidiary Guarantor's guarantee, such Subsidiary Guarantor will not guarantee any Debt of the Company or any other Subsidiary of the Company unless contemporaneously therewith effective provision is made to guarantee the Notes on the same terms as such Subsidiary Guarantor's initial guarantee under the indenture.

As of March 31, 2021, we and the Subsidiary Guarantors had US\$3.4 billion of total indebtedness, none of which is secured, and US\$0.2 million of which is unsecured debt of our non-guarantor Subsidiaries, all of which is structurally senior to the Notes.

Payments

We will make all payments on the Notes exclusively in such coin or currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

We will make payments of principal of and interest on the Notes to the principal paying agent (as identified on the inside back cover page of this offering memorandum), which will pass such funds to the trustee and the other paying agents or to the holders.

We will make payments of principal upon surrender of the relevant Notes at the specified office of the trustee or any of the paying agents. We will pay interest on the Notes to the persons in whose name the Notes are registered at the close of business on the fifteenth day immediately preceding the due date for payment. Payments of principal and interest in respect of each Note will be made by the paying agents by U.S. dollar check drawn on a bank in the City of New York and mailed to the holder of such Note at its registered address. Upon application by the holder to the specified office of any paying agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in The City of New York.

Under the terms of the indenture, payment by us of any amount payable under the Notes by 10:00 A.M. (New York time) on the Business Day prior to the due date thereof to the trustee in accordance with the indenture will satisfy our obligation to make such payment; *provided, however*, that the liability of the principal paying agent shall not exceed any amounts paid to it by us, or held by it, on behalf of the holders under the indenture. We have agreed in the indenture to indemnify the holders if there is subsequent failure by the trustee and paying agent to pay any amount due in respect of the Notes in accordance with the indenture (including, without limitation, any failure to pay any amount due as a result of the imposition of any present or future taxes, duties, assessments, fees or governmental charges of whatever nature (and any fines, penalties or interest related thereto)) as will result in the receipt by the holders of such amounts as would have been received by them had no such failure occurred.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional Interests." No commissions or expenses will be charged to the holders in respect of such payments.

Subject to any applicable abandoned property law, the trustee and the paying agents will pay to us upon our request any monies held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to us and the Subsidiary Guarantors for payment as our and their

general creditors. After the return of such monies by the trustee or the paying agents to us, neither the trustee nor the paying agents shall be liable to the holders in respect of such monies.

Form, denomination and title

The Notes will be in registered form without coupons attached in amounts of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream Luxembourg. Except in certain limited circumstances, definitive registered Notes will not be issued in exchange for beneficial interests in the global notes.

Title to the Notes will pass by registration in the register. The registered holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive Note issued in respect of it) and no person will be liable for so treating the holder.

Redemption

No sinking fund is provided for the Notes.

We will give not less than 30 days' nor more than 60 days' notice of any optional redemption to holders of the Notes, which notice will be irrevocable and will be mailed to the registered address of each holder of Notes and published in Luxembourg as described in "—Notices" below. On and after any redemption date, interest will cease to accrue on any Notes called for redemption as long as we have deposited with the trustee funds in satisfaction of the applicable redemption price pursuant to the indenture.

Optional redemption

Prior to April 11, 2026, one month prior to the scheduled maturity of the 2026 Notes (the "2026 Notes Par Call Date") and to February 11, 2031, three months prior to the scheduled maturity of the 2031 Notes (the "2031 Notes Par Call Date" and, together with the 2026 Notes Par Call Date, the "Par Call Date"), we may redeem either series of Notes, in whole or in part, at our option at a redemption price equal to 100% of the principal amount of the series of Notes to be redeemed, plus accrued and unpaid interest on the principal amount of the Notes being redeemed to the date of redemption.

Prior to the applicable Par Call Date, each series of Notes will be redeemable in whole or in part, at our option at any time, at a redemption price, as calculated by the Company, equal to the greater of (1) 100% of the principal amount of the series of Notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon as if redeemed on the applicable Par Call Date (exclusive of interest accrued to the date of redemption) (calculated at a rate of 1.875% per annum for the 2026 Notes until the interest period immediately following the 2026 Notes Interest Rate Step Up Date, at which point the interest rate shall be deemed to be the 2026 Notes Subsequent Rate of Interest unless the 2026 Notes Sustainability Performance Target has been satisfied and the Company has provided confirmation thereof to the Trustee together with a related confirmation by the External Verifier by June 28, 2024 as set forth under "—Principal and Interest" and calculated at a rate of 2.875% per annum for the 2031 Notes until the interest period immediately following the 2031 Notes Interest Rate Step Up Date, at which point the interest rate shall be deemed to be the 2031 Notes Subsequent Rate of Interest unless the 2031 Notes Sustainability Performance Target has been satisfied and the Company has provided confirmation thereof to the Trustee together with a related confirmation by the External Verifier by June 29, 2026 as set forth under "—Principal and Interest") discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points for the 2026 Notes and at the Treasury Rate plus 25 basis points for the 2031 Notes, plus accrued interest thereon to the date of redemption and any Additional Interests payable with respect thereto.

Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes or portions thereof called for redemption.

On and after the redemption date, interest on the Notes or any portion of the Notes called for redemption will cease to accrue (unless we default in the payment of the redemption price and accrued interest). On or before the redemption date, we will deposit with the trustee funds sufficient to pay the redemption price and accrued interest, through the redemption date, on the Notes subject to redemption. If the redemption date falls after a record date but on or prior to the corresponding interest payment date, we will pay accrued interest to the holder of record on the corresponding record date, which may or may not be the person who will receive payment of the redemption price (which will exclude such accrued interest). If less than all the Notes of a series are to be redeemed, the Notes of such series to be redeemed will be selected by the trustee by lot or by such method in accordance with DTC procedures.

Tax redemption

We may at any time redeem each series of Notes, at our option, in whole, but not in part, upon the giving of a notice of redemption to the holders, at a redemption price equal to 100% of the then-outstanding principal amount, together with accrued and unpaid interest through the date of redemption, including any Additional Interests, if any, if:

(a) We certify to the trustee (in the manner prescribed below) immediately prior to the giving of notice of redemption that we have (or if a Subsidiary Guarantor is required to pay any amount under the Notes, such a Subsidiary Guarantor has) or, in either case, will become obligated to pay Additional Interests in connection with payments on the Notes in respect of withholding taxes in excess of 4.9% (the “Excess Additional Interests”) as a result of any generally applicable change in or amendment to the laws or regulations of a Relevant Jurisdiction or any political subdivision or governmental authority thereof or therein having power to tax, or any generally applicable change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the date of issuance of the Notes; and

(b) such obligation cannot be avoided by taking reasonable measures available to us or, as the case may be, the relevant Subsidiary Guarantor; provided, however, that the notice of redemption, which will specify the date and redemption price, will not be given earlier than 60 days before and not later than 60 days after, the earliest date on which we or, as the case may be, a Subsidiary Guarantor, would be obligated to pay such Excess Additional Interests if a payment in respect of the relevant series of Notes were then due.

Before giving any notice of redemption as described in the preceding clauses, we will deliver an officers’ certificate to the trustee stating that we are entitled to effect such redemption in accordance with the terms of the indenture and setting forth in reasonable detail a statement of facts relating thereto. The officers’ certificate will be accompanied by a written opinion of recognized independent counsel experienced in tax and other related matters in the relevant jurisdiction to the effect that:

(a) we or, as the case may be, the relevant Subsidiary Guarantor, have or will become obligated to pay the Excess Additional Interests as a result of such change or amendment; and

(b) all governmental approvals necessary for us to effect the redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

Repurchase upon change of control

Upon the occurrence of a Change of Control Triggering Event, the holders of each series of Notes will have the right to require us to purchase all or a portion of their Notes (in integral multiples of US\$1,000) pursuant to a Change of Control Offer at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase, including any Additional Interests payable with respect thereto (the “Change of Control Payment” and the date of such purchase, the “Change of Control Payment Date”), in accordance with the procedures set forth below. If the date of purchase is on a date that is after a record date and on or prior to the corresponding interest payment date, we will pay such interest to the holder of record on the corresponding record date, which may or may not be the same person to whom we will pay the purchase price.

Within 30 days following the consummation of any transaction constituting a Change of Control Triggering Event, we will send, by first-class mail, a notice to each holder with a copy to the trustee (the “Change of Control Offer”) and publish the notice in a newspaper having a general circulation in each of Mexico, the United States of America and, as long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market and the rules of such exchange so require, in Luxembourg. Our failure to give notice in the manner described herein will not affect the rights of the holders to require us to purchase the Notes. The notice of the Change of Control Offer will state, among other things:

- (a) that a Change of Control Triggering Event has occurred and that such holder has the right to require us to purchase such holder’s Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest on the relevant interest payment date);
- (b) the circumstances and relevant facts regarding such Change of Control Triggering Event;
- (c) the Change of Control Payment Date, which will be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law;
- (d) the jurisdiction of incorporation of the successor controlling entity; and
- (e) the instructions, as determined by us, consistent with the covenant described hereunder, that a holder of Notes must follow in order to have its Notes purchased.

On the Change of Control Payment Date, we will, to the extent lawful:

- (a) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;
- (b) deposit with the paying agent funds in an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and
- (c) deliver or cause to be delivered to the trustee the Notes so accepted together with an officer’s certificate stating the aggregate principal amount of Notes or portions thereof we are purchasing.

If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the portion not purchased will be issued in the name of the holder of such Note upon cancellation of the original Note, or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate. The minimum amount of such new Note will be US\$200,000.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of Notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the covenant described hereunder by virtue of our compliance with such securities laws or regulations.

We will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes a Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Open market purchases

We may at any time purchase Notes of either series in the open market or otherwise at any price.

Transfer of notes

The Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office

of the registrar or the specified office of any transfer agent. Each new note to be issued upon exchange of Notes or transfer of Notes will, within three business days of the receipt of a request for exchange or form of transfer, be mailed at the risk of the holder entitled to the note to such address as may be specified in such request or form of transfer.

The Notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See “Notice to investors.” Transfer of beneficial interests in the Global Notes will be effected only through records maintained by DTC and its participants, including Euroclear and Clearstream Luxembourg.

Transfers will be effected without charge by or on our behalf, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed on such transfer. We are not required to transfer or exchange any Note selected for redemption.

No holder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that Note.

Additional Interests

All payments by us or the Subsidiary Guarantors in respect of the Notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments, fees or other governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of a Relevant Jurisdiction, or any political subdivision or authority of or in such jurisdiction having power to tax, unless such withholding or deduction is required by law. In that event, we or the relevant Subsidiary Guarantor will pay to each holder such additional interest (“Additional Interest”) as may be necessary in order that every net payment made on each Note after deduction or withholding for or on account of any present or future tax, penalty, fine, duty, assessment or other governmental charge imposed upon or as a result of such payment by such Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein, will not be less than the amount then due and payable on such Note. The foregoing obligation to pay Additional Interest to any holder of Notes, however, will not apply to or in respect of:

(a) any tax, assessment or other governmental charge which would not have been imposed but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation), on the one hand, and the applicable Relevant Jurisdiction, on the other hand (including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein), other than the mere receipt of such payment or the ownership or holding of such Note;

(b) any tax, assessment or other governmental charge which would not have been so imposed but for the presentation by such holder of a Note for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the holder would have been entitled to such Additional Interests on presenting such Note for payment on any date during such 30-day period (and no Additional Interests shall be paid for or on account of any additional withholdings or deductions that arise as a result of such presentment after such 30-day period);

(c) any tax, duty, assessment or other governmental charge to the extent that such tax, duty, assessment or other governmental charge would not have been imposed but for the failure of such holder to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the applicable Relevant Jurisdiction of the holder if (1) such compliance is required or imposed by law as a precondition to exemption from all or a part of such tax, duty, assessment or other governmental charge and (2) at least 30 days prior to the date on which we will apply this clause (c), we shall have notified all holders of Notes that some or all holders of Notes will be required to comply with such requirement;

(d) any estate, inheritance, gift, sales, transfer, excise or personal property or similar tax, assessment or governmental charge imposed with respect to the Notes;

(e) any tax, assessment or other governmental charge which would have been avoided by a holder presenting the relevant Note (if presentation is required) or requesting that such payment be made to another paying agent;

(f) any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments on the Note;

(g) any tax, assessment or other governmental charge imposed with respect to a payment on any Note to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or beneficial owner would not have been entitled to receive payment of the Additional Interests had the beneficiary, settlor, member or beneficial owner been the holder of the Note; or

(h) any combination of the above.

The limitations on our obligations and of any Subsidiary Guarantor to pay Additional Interest set forth in clause (c) above shall not apply if (1) the provision of information, documentation or other evidence described in such clause (c) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder of a Note, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States-Mexico income tax treaty), regulations (including temporary or proposed regulations) and administrative practice, or (2) Article 166, Section II, paragraph (a) of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*) (or a substitute or equivalent provision) is in effect, unless (A) the provision of the information, documentation or other evidence described in such clause (c) above is expressly required by the applicable Mexican laws and regulations in order to apply Article 166, Section II, paragraph (a) of the Mexican Income Tax Law (or substitute or equivalent provision), (B) we or any Subsidiary Guarantor cannot obtain the information, documentation or other evidence necessary to comply with the applicable Mexican laws and regulations on our own through reasonable diligence and (C) we or any Subsidiary Guarantor otherwise would meet the requirements for application of the applicable Mexican laws and regulations.

We will also pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the Notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of a Relevant Jurisdiction, other than those resulting from, or required to be paid in connection with, the enforcement of the Notes following the occurrence of any Default or Event of Default.

We will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, a certified copy thereof) evidencing any payment of taxes in respect of which we or a Subsidiary Guarantor have paid any Additional Interest. Copies of such documentation will be made available to the holders of the Notes or the paying agents, as applicable, upon request therefor.

All references in this offering memorandum to principal (and premium, if any) of and interest on the Notes will include any Additional Interest payable by us or a Subsidiary Guarantor in respect of such principal (and premium, if any) and such interest.

Covenants

The indenture will contain the following covenants in addition to customary covenants regarding maintenance of office or agency, maintenance of corporate existence, payments of taxes and claims, and maintenance of insurance:

Limitation on liens

We will not, and will not permit any Subsidiary to, create or suffer to exist any Lien upon any of our or such Subsidiary's property or assets now owned or hereafter acquired by us or it or on any Capital Stock of any Subsidiary securing any Debt, unless contemporaneously therewith effective provision is made to secure the Notes equally and ratably with such Debt for so long as such Debt is so secured. The preceding sentence will not require us or any Subsidiary to equally and ratably secure the Notes if the Lien consists of the following:

(a) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien in clause (b), (c) or (d) below; *provided, however*, that the total amount of Debt so secured is not increased;

(b) any Lien on any property or assets (including Capital Stock of any person) securing Debt incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the date of the indenture; provided that (1) the aggregate principal amount of Debt secured by the Liens will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (2) the Lien is incurred before, or within 120 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets owned by us or any Subsidiary; and provided, further, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the person so acquired;

(c) any Lien securing Debt for the purpose of financing all or part of the cost of the acquisition, construction or development of a project; *provided* that the lenders of such Debt expressly agree to limit their recourse in respect of such Debt to assets (including Capital Stock of the project entity) and/or revenues of such project with an aggregate value of not more than the amount of such Debt; and *provided, further*, that the Lien is incurred before, or within 120 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets owned by us or any Subsidiary;

(d) any Lien existing on any property or assets of any person before that person's acquisition by, merger into or consolidation with us or any Subsidiary after the date of the indenture; *provided* that (1) the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation, (2) the Debt secured by the Liens may not exceed the Debt secured on the date of such acquisition, merger or consolidation, (3) the Lien will not apply to any other property or assets owned by us or any of our Subsidiaries and (4) the Lien will secure only the Debt that it secures on the date of such acquisition, merger or consolidation;

(e) any Lien imposed by law, including any judgment Lien not otherwise resulting in an Event of Default and any deposits to secure surety and appeal bonds with respect to judgments, that was incurred in the ordinary course of business, including, without limitation, carriers', warehousemen's and mechanics' liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;

(f) any pledge or deposit made in connection with workers' compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal notes in proceedings being contested in good faith to which we or any Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which we or any Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;

(g) any Lien in favor of issuers of surety notes or letters of credit issued pursuant to the request of and for the account of the Company or any Subsidiary in the ordinary course of business;

(h) any Lien securing taxes, assessments or other governmental charges, the payment of which is not yet due or that are being contested in good faith by appropriate proceedings and for which reserves or other appropriate provisions, if any, have been established as required by IFRS;

(i) minor defects, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or minor imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of the Company or any Subsidiary, and which are made on customary and usual terms applicable to similar properties;

(j) any rights of set-off of any person with respect to any deposit account of the Company or any Subsidiary arising in the ordinary course of business and not constituting a financing transaction;

(k) any Liens granted, directly or indirectly, to secure borrowings from (1) *Banco Nacional de Comercio Exterior (BANCOMEXT)*, *Banco Nacional de Obras y Servicios Públicos*, *Sociedad Nacional de Crédito*,

Institución de Banca de Desarrollo (BANOBRA), Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo (NAFIN), or any other Mexican governmental development bank or government credit institution or (2) any international or multilateral development bank, government-sponsored agency, export-import bank or official, export-import credit insurer;

(l) any Liens on the inventory or receivables of the Company or any Subsidiary securing the obligations of such person under any lines of credit or working capital facility or in connection with any structured export or import financing or other trade transaction; provided that the aggregate principal amount of Debt incurred that is secured by receivables that will fall due in any calendar year shall not exceed: (1) with respect to transactions secured by receivables from export sales to third parties, 50% of our consolidated gross revenues from export sales for the immediately preceding calendar year; or, (2) with respect to transactions secured by receivables from domestic (Mexican) sales to third parties, 50% of such person's consolidated gross revenues from sales within Mexico for the immediately preceding calendar year; and provided, further, that Advance Transactions will not be deemed transactions secured by receivables for purposes of the above calculation; and

(m) in addition to the foregoing Liens set forth in clauses (a) through (l) above, Liens securing Debt of the Company or any Subsidiary (including, without limitation, guarantees of the Company or any Subsidiary) which do not in aggregate principal amount, at any time of determination, exceed 15.0% of the Company's Consolidated Net Tangible Assets.

Limitation on sale and lease-back transactions

Neither we nor any Subsidiary may undertake sale and lease-back transactions involving any principal property (except for temporary leases for a term, including any renewal thereof, of not more than three years and except for leases between us and a Subsidiary or between Subsidiaries) unless the net proceeds of the sale and leaseback transaction are at least equal to the fair value of the property.

Limitation on consolidation, merger or transfer of assets

We will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our assets to, any person, unless:

(a) the resulting, surviving or transferee person (if not the Company) will be a corporation organized and existing under the laws of Mexico, the United States of America, any State thereof or the District of Columbia, any other country that is a member country of the European Union or of the Organization for Economic Cooperation and Development and such person expressly assumes, by supplemental indenture to the indenture, executed and delivered to the trustee, all of our obligations under each series of Notes and the indenture;

(b) the resulting, surviving or transferee person (if not the Company), if not organized and existing under the laws of Mexico, undertakes, in such supplemental indenture, to pay such additional interests in respect of principal and interest as may be necessary in order that every payment made in respect of the Notes after deduction or withholding for or on account of any present or future tax, duty, assessment or other governmental charge imposed by such other country or any political subdivision or taxing authority thereof or therein will not be less than the amount of principal (and premium, if any) and interest then due and payable on the Notes, subject to the same exceptions set forth under "—Additional Interests" but replacing existing references in such clause to Mexico with references to such other country;

(c) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(d) we will have delivered to the trustee an officers' certificate and an opinion of legal counsel of recognized standing, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with the indenture.

A Subsidiary Guarantor will not consolidate with or merge with or into, or convey, transfer or lease assets that would constitute all or substantially all of our assets to, any person, unless:

(a) the resulting, surviving or transferee person (if not such Subsidiary Guarantor) will be a person organized and existing under the laws of Mexico, the United States of America, any State thereof or the District of Columbia,

any other country that is a member country of the European Union or of the Organization for Economic Cooperation and Development, or the jurisdiction of incorporation of the relevant Subsidiary Guarantor on the date of the indenture, and such person expressly assumes, by supplemental indenture to the indenture, executed and delivered to the trustee, all of the obligations of such Subsidiary Guarantor under each series of Notes and the indenture;

(b) the resulting, surviving or transferee person (if not such Subsidiary Guarantor), if not organized and existing under the laws of Mexico, undertakes, in such supplemental indenture, to pay such additional interests in respect of principal and interest as may be necessary in order that every payment made in respect of the Notes after deduction or withholding for or on account of any present or future tax, duty, assessment or other governmental charge imposed by such other country or any political subdivision or taxing authority thereof or therein will not be less than the amount of principal (and premium, if any) and interest then due and payable on the Notes, subject to the same exceptions set forth under “—Additional Interests” but replacing existing references in such clause to Mexico with references to such other country;

(c) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(d) such Subsidiary Guarantor will have delivered to the trustee an officers’ certificate and an opinion of legal counsel of recognized standing, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with the indenture.

The trustee may conclusively rely on such certificates and opinions as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Reporting requirements

We will provide the trustee with the following reports in electronic format and will publish such reports on our website:

(a) an English language version of our annual audited consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 120 days after the close of our fiscal year;

(b) an English language version of our unaudited quarterly financial statements prepared in accordance with IFRS (including, as supplementary information, an unaudited condensed consolidated balance sheet and an unaudited condensed consolidated statement of operations, in each case, prepared in accordance with IFRS), promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of our fiscal year);

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, an officers’ certificate stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which we are taking or propose to take with respect thereto;

(d) without duplication, upon request, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) us with (1) the CNBV and (2) the Euro MTF Market, or any other stock exchange on which the Notes may be listed, in each case, to the extent that any such report or notice is generally available to our security holders or the public in Mexico or elsewhere, *provided, however*, that we shall not be required to furnish such information to the extent such information is available on our website;

(e) if we are not subject to Section 13 or 15(d) of the Exchange Act or if we are exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, we will make available, upon request, to any Holder and any prospective purchaser of Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act; and

(f) upon any of our directors or executive officers becoming aware of the existence of a Default or Event of Default or any event by reason of which payments of either principal or interest on the Notes are prohibited, an officers' certificate setting forth the details thereof and the action we are taking or propose to take with respect thereto.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any covenant in the indenture (as to which the trustee is entitled to rely exclusively on officers' certificates and opinions of counsel).

Events of default

An "Event of Default" under the relevant series of Notes will occur if:

(a) we fail to pay interest (including any related Additional Interests) on the relevant series of Notes within 30 days from the due date;

(b) we default in the payment of principal (including any related Additional Interests) on the relevant series of Notes on the due date;

(c) we fail to comply with any of the covenants described under "—Covenants—Limitation on liens," "—Limitation on consolidation, merger or transfer of assets," and such failure continues for 30 days after the notice specified below;

(d) we fail to comply with any of our covenants or agreements in the relevant series of Notes or the indenture (other than those referred to in clauses (a), (b) and (c) above), and such failure continues for 60 days after the notice specified below;

(e) we or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by us or any such Significant Subsidiary (or the payment of which is guaranteed by us or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture, which default (1) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default ("Payment Default") or (2) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals US\$100 million (or the equivalent thereof at the time of determination) or more in the aggregate;

(f) one or more final judgments or decrees for the payment of money of US\$100 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against us or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (1) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (2) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(g) any guarantee of the relevant series of Notes is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Subsidiary Guarantor (or any person acting on behalf of any Subsidiary Guarantor) denies or disaffirms its obligations under the guarantees of the relevant series of Notes; or

(h) certain events of bankruptcy, insolvency or liquidation relating to us or any Significant Subsidiary.

A Default under clause (c) or (d) above will not constitute an Event of Default under the relevant series of Notes until the trustee or the holders of at least 25% in principal amount of the 2026 Notes or the 2031 Notes then outstanding, as the case may be, notify us of the Default and we do not cure such Default within the time specified after receipt of such notice.

The trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default with respect to the relevant series of Notes unless either (1) an authorized officer of the trustee with direct responsibility for the indenture has actual knowledge of such Default or Event of Default or (2) written notice of such Default or Event of Default has been given to such an authorized officer of the trustee by us or any holder in the manner specified in the indenture.

If an Event of Default (other than an Event of Default specified in clause (h) above) with respect to the relevant series of Notes occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the 2026 Notes or the 2031 Notes then outstanding, as the case may be, may declare all unpaid principal of and accrued interest on the relevant series of Notes to be due and payable immediately, by a notice in writing to us, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clause (h) above with respect to the relevant series of Notes occurs and is continuing, then the principal of and accrued interest on all Notes of such series will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

Subject to the provisions of the indenture relating to the duties of the trustee in case an Event of Default under the relevant series of Notes has occurred and is continuing, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders will have provided to the trustee indemnity and/or security satisfactory to the trustee. Subject to such provision for the indemnification of the trustee, the holders of a majority in aggregate principal amount of the outstanding Notes of such series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

Defeasance

We may at any time terminate all of our obligations with respect to either series of Notes (“defeasance”), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain agencies in respect of Notes. We may at any time terminate our obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to either series of Notes issued under the indenture (“covenant defeasance”). In order to exercise either defeasance or covenant defeasance, we must irrevocably deposit in trust, for the benefit of the holders of the relevant series of Notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of and interest on the 2026 Notes or the 2031 Notes, as the case may be, to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of legal counsel of recognized standing to the effect that the beneficial owners of Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would otherwise have been the case (and in the case of a defeasance that is not a covenant defeasance, such opinion shall be based on a change in law or a ruling of the U.S. Internal Revenue Service).

Amendment, supplement, waiver

Subject to certain exceptions, the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of each series of Notes then outstanding, and any past Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of each series of Notes then outstanding. However, without the consent of each holder of an outstanding Note affected thereby, no amendment may:

- (a) reduce the rate of or extend the time for payment of interest on the Notes;
- (b) reduce the principal, or extend the Stated Maturity, of the Notes;
- (c) reduce the amount payable upon redemption of the Notes or change the time at which the Notes may be redeemed;
- (d) change the currency for, or place of payment of, principal or interest on the Notes;

- (e) impair the right to institute suit for the enforcement of any payment on or with respect to the Notes;
- (f) waive certain payment defaults with respect to the Notes;
- (g) reduce the principal amount of Notes whose holders must consent to any amendment or waiver; or
- (h) make any change in the amendment or waiver provisions which require each holder's consent.

The holders of the relevant series of Notes will receive prior notice as described under “—Notices” of any proposed amendment to the Notes or the indenture described in this paragraph. After an amendment described in the preceding paragraph becomes effective, we are required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all holders of such series of Notes, or any defect therein, will not impair or affect the validity of the amendment.

The consent of the holders of a series of Notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

We may, without the consent or vote of any holder of a series of Notes, amend or supplement the indenture or the Notes for the following purposes:

- (a) to cure any ambiguity, omission, defect or inconsistency or to conform the text of the indenture or the Notes to any provision in this “Description of Notes”; provided that such amendment or supplement does not materially and adversely affect the rights of any holder;
- (b) to comply with the covenant described under “—Covenants—Limitation on consolidation, merger or transfer of assets”;
- (c) to add guarantees or collateral with respect to the Notes;
- (d) to add to the covenants of the Company for the benefit of holders of the Notes;
- (e) to surrender any right conferred upon us;
- (f) to evidence and provide for the acceptance of an appointment by a successor trustee;
- (g) to provide for the issuance of additional Notes; or
- (h) to make any other change that does not materially and adversely affect the rights of any holder of the Notes.

In executing any amendment, waiver or supplemental indenture to the indenture or the Notes, the trustee will be entitled to receive an officers' certificate and an opinion of legal counsel of recognized standing, each stating that such amendment, waiver or supplemental indenture is authorized or permitted by the indenture, that it is not inconsistent with the terms of the indenture, and that it shall be valid and binding upon the Company in accordance with its terms.

Further issuances

We may from time to time without notice to or consent of the holders create and issue an unlimited principal amount of additional Notes of the same series as the Notes initially issued in this offering; provided that such additional Notes shall be issued under a separate CUSIP, ISIN, Common Code or other identifying number unless the additional Notes are issued pursuant to a “qualified reopening” of the original series of Notes, are otherwise treated as part of the same “issue” of debt instruments as the original series of Notes or are issued with no more than a de minimis amount of original discount, in each case for U.S. federal income tax purposes.

Notices

For so long as Notes in global form are outstanding, notices to be given to holders will be given to the depository, in accordance with its applicable policies as in effect from time to time. If Notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the Notes at their registered addresses as they appear in the trustee's records.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market and the rules of such exchange so require, publication of such notice to the holders of the Notes will be in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourg Wort*). Notices may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Neither the failure to give any notice to a particular holder of the Notes, nor any defect in a notice given to a particular holder of the Notes, will affect the sufficiency of any notice given to another holder of the Notes.

Trustee

Deutsche Bank Trust Company Americas is the trustee under the indenture.

The indenture will contain provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture. Except during the continuance of an Event of Default under either series of Notes, the trustee need perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default with respect to either series of Notes has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability or other liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity and/or security satisfactory to it against any loss, liability or expense.

We and our affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its affiliates.

Governing law and submission to jurisdiction

The Notes and the indenture will be governed by, and construed in accordance with, the laws of the State of New York.

Each of the parties to the indenture will submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York and to the courts of its own corporate domicile for purposes of all legal actions and proceedings instituted in connection with the Notes and the indenture, and will irrevocably and unconditionally waive its rights to any other jurisdiction that may apply by virtue of its present or future domicile or for any other reason. We and the Subsidiary Guarantors have appointed CT Corporation System at 28 Liberty Street, New York, New York 10005, as our authorized agent upon which process may be served in any such action and have granted a notarized special irrevocable power of attorney for lawsuits and collections (*pleitos y cobranzas*), granted in accordance with Mexican law, appointing CT Corporation System as its authorized process agent.

Currency indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by us and the Subsidiary Guarantors under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company or otherwise) by any holder of a Note in respect of any sum expressed to be due to it from us or a Subsidiary Guarantor will only constitute a discharge to us and the relevant Subsidiary Guarantor to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any Note, we and the Subsidiary Guarantors will indemnify such holder against any loss sustained by it as a result; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such holder, such holder will, by accepting a Note, be deemed to have agreed to repay such excess. In any event, we and the Subsidiary Guarantors will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a Note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Company and the Subsidiary Guarantors, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a Note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

Certain definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms as well as other capitalized terms used herein for which no definition is provided.

“2018 Baseline” means: (i) for the purposes of the 2026 Notes Sustainability Performance Target, the sulphuric oxide emissions produced by the Issuer and its subsidiaries in 2018, measured in metric tons; provided, that the Issuer may include sulphuric oxide emissions for 2018 attributable to acquisitions completed after December 31, 2018 to the same extent the emissions from such acquisitions are included in the calculation of SOx Emissions for 2023, and (ii) for the purposes of the 2031 Notes Sustainability Performance Target, the sulphuric oxide emissions produced by the Issuer and its subsidiaries in 2018, measured in metric tons; provided, that the Issuer may include sulphuric oxide emissions in 2018 attributable to acquisitions completed after December 31, 2018 to the same extent the emissions from such acquisitions are included in the calculation of SOx Emissions for 2025.

“2026 Notes Sustainability Performance Target” means a reduction of SOx Emissions for 2023 of 44% as compared to the 2018 Baseline, calculated by dividing: (i) the difference between the 2018 Baseline and SOx Emissions for 2023 by (ii) the 2018 Baseline:

$$\frac{2018 \text{ Baseline} - \text{SOx Emissions for 2023}}{2018 \text{ Baseline}}$$

“2031 Notes Sustainability Performance Target” means a reduction of SOx Emissions for 2025 of 60% as compared to the 2018 Baseline, calculated by dividing: (i) the difference between the 2018 Baseline and SOx Emissions for 2025 by (ii) the 2018 Baseline:

$$\frac{2018 \text{ Baseline} - \text{SOx Emissions for 2025}}{2018 \text{ Baseline}}$$

“Additional Interests” has the meaning set forth under “Additional Interests” above. For the sake of clarity, all Additional Interests will be deemed a payment of interest for purposes of Mexican tax law.

“Advance Transaction” means an advance from a financial institution involving either (1) a foreign exchange contract or (2) an export contract.

“Capital Lease Obligation” means, at the time any determination is to be made, the amount of the liability in respect of a capital lease, including an arrangement conveying the right to use real or personal property, that would at that time be required to be capitalized on a balance sheet in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“Capital Stock” means, with respect to any person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such person’s equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

“Change of Control” means (a) that any Person other than the Existing Investors acquires, directly or indirectly, beneficial ownership of securities representing more than 50.0% of the voting power of the voting stock in the Company, (b) the Existing Investors cease to beneficially own, directly or indirectly, securities representing at least 30.0% of the voting power of the voting stock in the Company, (c) the first day on which a majority of the members

of the board of directors of the Company are not Continuing Directors, (d) the sale, lease, transfer, conveyance or other disposition (other than through merger or consolidation), in one or a series of transactions, of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any person other than the Company, any Subsidiary or any Existing Investor, or (e) the adoption by the stockholders of the Company of a plan or proposal for the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of a Change of Control that results in a Ratings Decline.

“Comparable Treasury Issue” means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of a series of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the applicable Par Call Date.

“Comparable Treasury Price” means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Consolidated Net Tangible Assets” means the total amount of assets of the Company and its Subsidiaries less (1) applicable depreciation, amortization and other valuation reserves, (2) all current liabilities excluding intercompany Debt and (3) all goodwill, trade names, trademarks, patents, and other intangibles as set forth on the most recent financial statements delivered by us to the trustee in accordance with “—Covenants—Reporting Requirements.”

“Continuing Directors” means, as of any date of determination, any member of the board of directors of the Company who (1) was a member of the board of directors on the date of the indenture or (2) was nominated for election or elected to the board of directors of the Company with the approval of a majority of the Existing Investors on the date of the indenture.

“CNBV” means the Mexican National Banking and Securities Commission, or *Comisión Nacional Bancaria y de Valores*.

“Debt” means, with respect to any person, without duplication:

(a) the principal of and premium, if any, in respect of (1) indebtedness of such person for money borrowed and (2) indebtedness evidenced by the Notes, debentures, notes or other similar instruments for the payment of which such person is responsible or liable;

(b) all Capital Lease Obligations of such person;

(c) all obligations of such person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such person and all obligations of such person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

(d) all obligations of such person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (a) through (c) above) entered into in the ordinary course of business of such person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following receipt by such person of a demand for reimbursement following payment on the letter of credit);

(e) all Hedging Obligations;

(f) all obligations of the type referred to in clauses (a) through (d) of other persons and all dividends of other persons for the payment of which, in either case, such person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee (other than obligations of other persons that are customers or suppliers of such person for which such person is or becomes so responsible or liable in the

ordinary course of business to (but only to) the extent that such person does not, or is not required to, make payment in respect thereof);

(g) all obligations of the type referred to in clauses (a) through (e) of other persons secured by any Lien on any property or asset of such person (whether or not such obligation is assumed by such person), the amount of such obligation being deemed to be the lesser of the fair market value of such property or assets as determined by such person in good faith or the aggregate unpaid amount of the obligation so secured; and

(h) any other obligations of such person which are required to be, or are in such person's financial statements, recorded or treated as debt under IFRS.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Existing Investors" means (1) Kaluz, S.A. de C.V., Antonio del Valle Perochena, Juan Pablo del Valle Perochena, María de Guadalupe del Valle Perochena, María Blanca del Valle Perochena, Francisco Javier del Valle Perochena or any Related Party of any thereof and (2) any Person owned (through at least 51% ownership of the voting stock or beneficial interests in such Person) directly or indirectly by one or more of the Persons specified in clause (1) of this definition.

"External Verifier" means a qualified provider of third-party assurance or attestation services appointed by the Company to review the Company's statement of the SOx Emissions.

"Fitch" means Fitch Ratings and its successors and assigns.

"guarantee" means any obligation of any person directly or indirectly guaranteeing any Debt or other obligation of any person and any obligation, direct or indirect, contingent or otherwise, of such person, including an *aval* (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under:

(a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(b) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices;

provided, however, that the amount of Debt with respect to any Hedging Obligation is the new amount payable if such Hedging Obligation terminated at that time due to a default by such Person.

"holder" means the person in whose name a Note is registered in the register.

"IFRS" means the International Financial Reporting Standards as issued by the International Accounting Standards Board as in effect from time to time.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Company.

"Investment" means, with respect to any person, any loan or advance to, any acquisition of Capital Stock, equity interest, obligation or other security of, or capital contribution or other investment in, such person.

"Lien" means any mortgage, pledge, security interest, conditional sale or other title retention agreement or other similar lien.

“Mexico” means the United Mexican States.

“Moody’s” means Moody’s Investors Service, Inc. and its successors and assigns.

“Person” means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

“Ratings Decline” means that at any time within 90 days (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by Moody’s or Fitch (or any rating agency) or a substitute or successor of any thereof) after the date of public notice of a Change of Control, of an arrangement that could result in a Change of Control, or of the Company’s intention or that of any other person to effect a Change of Control, the then-applicable rating of the Notes is decreased by either Moody’s or Fitch (or any other rating agency) or a substitute or successor of any thereof; *provided* that any such rating decline is in whole or in part in connection with a Change of Control.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

“Reference Treasury Dealer” means each of Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC or their respective affiliates or successors which are primary U.S. Government securities dealers and no fewer than two other leading primary U.S. Government securities dealers in The City of New York reasonably designated by the Company; *provided, however*, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a “Primary Treasury Dealer”), the Company shall substitute therefor another Primary Treasury Dealer.

“Related Party” means, with respect to any Person, (1) any Subsidiary, spouse, descendant or other immediate family member (which includes any child, stepchild, parent, stepparent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law) (in the case of an individual), of such Person, (2) any estate, trust, corporation, partnership or other entity, the beneficiaries and stockholders, partners or owners of which consist solely of one or more Existing Investors and/or such other Persons referred to in the immediately preceding clause (1), or (3) any executor, administrator, trustee, manager, director or other similar fiduciary of any Person referred to in the immediately preceding clause (2), acting solely in such capacity.

“Relevant Jurisdiction” means Mexico or any other jurisdiction in which the Company or a Subsidiary Guarantor is organized or resident for tax purposes or through or from which payment on the Notes is made.

“Significant Subsidiary” means any Subsidiary of the Company that at the time of determination (a) had assets which, as of the date of the Company’s most recent quarterly consolidated balance sheet, constituted at least 10% of the Company’s total assets on a consolidated basis as of such date, or (b) had revenues for the 12-month period ending on the date of the Company’s most recent quarterly consolidated statement of income which constituted at least 10% of the Company’s total revenues, on a consolidated basis for such period or (c) had operating income which, as of the date of the Company’s most recent quarterly consolidated balance sheet, constituted at least 10% of the Company’s operating income on a consolidated basis as of such date.

“SOx Emissions” means the sulphuric oxide emissions produced by the Issuer and its subsidiaries during a given period, measured in metric tons; *provided*, that the Issuer may exclude in its discretion sulphuric oxide emissions attributable to any acquisition completed after December 31, 2018.

“Stated Maturity” means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

“Subsidiary” means any corporation, *sociedad*, limited liability company, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election

of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) the Company, (b) the Company and one or more Subsidiaries or (c) one or more Subsidiaries.

“Sustainability-Linked Securities Framework” means the Sustainability-Linked Securities Framework adopted by the Company in May 2021.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

DESCRIPTION OF RELEVANT SUSTAINABILITY TARGETS

Introduction

At Orbia, we are a purpose-led company, passionate about the challenges that define how people will live and thrive tomorrow. We continually strive to position ourselves as a leader in sustainability. In 2018, we joined the United Nations Global Compact, reporting on our commitment and actions with respect to the ten principles of the compact in our annual sustainability report since that year. In 2019, we joined the United Nations Global Compact Water Mandate, committing ourselves to six areas of water management. Today, we are one of a group of 175 companies worldwide that have joined this pact.

A key sustainability focus of ours is on our global life cycle assessment. In 2020, we demonstrated that drip irrigation has a smaller carbon footprint compared to traditional irrigation methods. In addition, we increased the use of recycled polymers at Wavin and Netafim. In Koura, we received authorization for our third refrigerant recovery plant in Mihara, Japan. Refrigerant recovery, as any recycling or recovery effort, extends the lifecycle of a product, thus reducing pressure on the extraction of raw materials, and affects the production of new materials.

We have also reduced sulfur dioxide emission by 28% relative to our starting point in the context of seeking a 60% reduction by 2025. The starting point we use as a reference is our 2018 emissions, which were reported in our 2019 and 2018 annual reports. The new level of our sulfur dioxide emission is included in our 2019 annual report. We expect to publish any updates to the emission level in our 2020 annual report. We track this measurement throughout the year and we report aggregate numbers.

We comply with the new GRI criteria based on materiality disclosure and independent third-party review of relevant indicators as included in our annual sustainability report. The independent third party, Galaz, Yamazaki, Ruíz Urquiza, S.C. assures the data in the sustainability report in accordance with the ISAE 3000 assurance standard. In addition, we have begun to align the information in our annual sustainability report with the requirements of the SASB for our industry and have set long-term goals with respect to: zero waste to landfill, recycling, carbon emissions, safety, sulfur oxide emissions, and environment management systems in all our plants.

Rationale

Through the issuance of sustainability-linked bonds, we intend to use the power of our company to address environmental issues where we have the ability to effect positive change. We hope the issuance of our sustainability-linked bonds will inspire other similar companies to do the same.

Key Performance Indicator

The key performance indicator we selected for our sustainability-linked bonds is sulphuric oxide emissions. Our selection is consistent with the comprehensive review of Orbia's material issues conducted in 2019, which involved external and internal stakeholders' views on which topics were most relevant for Orbia.

Sulphur oxide emissions are formed during the production of sulphuric acid and the burning of fossil fuels. The production of sulphuric acid is an essential step in the production of HF from calcium fluoride. Sulphur oxide emissions may cause acid rain, which is known to have several negative ecological effects, especially on aquatic environments, and can also have effects on human health. As such, the reduction of sulphuric oxide emissions is key priority for Orbia.

Other chemical companies may purchase the sulphuric acid they use from vendors, and, as such the reduction of sulphuric acid emissions in their operations may be less relevant.

Sustainability Performance Target

Our sustainability performance target for the 2026 Notes is to reduce our sulphuric oxide emissions for 2023 by 44% as compared to the 2018 baseline, subject to certain exclusions related to acquisitions.

Our sustainability performance target for the 2031 Notes is to reduce our sulphuric oxide emissions for 2025 by 60% as compared to the 2018 baseline, subject to certain exclusions related to acquisitions.

Interest Rate Step-up

The interest rate payable on the 2026 notes shall be increased by 25 basis points per annum unless the Company has notified the Trustee by June 28, 2024 that we reduced our sulphuric acid emissions for 2023 by 44% as compared to the baseline 2018 emissions, subject to certain exclusions related to acquisitions.

The interest rate payable on the 2031 notes shall be increased by 25 basis points per annum unless the Company has notified the Trustee by June 29, 2026 that we reduced our sulphuric acid emissions for 2025 by 60% as compared to the baseline 2018 emissions, subject to certain exclusions related to acquisitions.

Measures to Accomplish our Sustainability Performance Target

In 2020 a specialized team in our Vestolit Business Group initiated a project to understand the financial investment of permanently shutting down the coal-fired boiler. Several alternatives are being assessed, and tests are being conducted. We are seeking to identify and implement a cost-viable alternative derived from internal studies. This should help us eliminate a significant source of our sulphuric oxide emissions.

In addition, a two-step path was identified to reduce sulphuric acid emissions from our sulfuric acid production facility in our Koura Business Group. The first step was an investment in 2019 for the partial replacement of a catalyst, which led to a 20% reduction in the sulphuric acid generated by Koura, compared to 2018. The second step will require an investment in 2022 to replace the remaining catalyst in order to achieve further reductions in emissions.

Reporting

We will report annually and for any period relevant for assessing the sustainability performance targets. We will publish and keep readily available and easily accessible on our website a sustainability-linked securities update, including:

(i) up-to-date information on the performance of the selected key performance indicator, including the baseline where relevant;

(ii) a verification assurance report relative to the sustainability performance targets outlining the performance against the sustainability performance targets and the related impact, and timing of such impact, on a bond's financial performance; and

(iii) any relevant information enabling investors to monitor the progress of the sustainability performance targets.

When feasible and possible, reported information may also include:

(i) a qualitative or quantitative explanation of the contribution of the main factors behind the evolution of our performance with respect to the key performance indicator on an annual basis;

(ii) an illustration of the positive sustainability impacts of the performance improvement; and

(iii) any re-assessments of key performance indicator and/or restatement of the sustainability performance targets and/or pro-forma adjustments of baselines or key performance indicator scopes.

Verification

Verification will occur annually and for any period relevant for assessing the sustainability performance targets leading to a potential coupon adjustment until after the sustainability performance target trigger event of a sustainability-linked bond has been reached. We will seek independent and limited assurance of our performance level against the sustainability performance targets for the stated key performance indicator from a qualified External Verifier with relevant expertise. The verification of the performance against the sustainability performance targets will be made publicly available on our website.

TAXATION

The following is a summary of certain Mexican federal and United States federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Notes. This summary does not describe any tax consequences arising under the laws of any state, locality or foreign taxing jurisdiction other than the United States and Mexico.

This summary is based on the tax laws of Mexico and the United States in effect on the date of this offering memorandum (including the tax treaty described below), as well as on rules and regulations of Mexico and regulations, rulings and decisions of the United States available on or before such date and now in effect.

All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary.

Prospective purchasers of the Notes should consult their own tax advisors as to the Mexican, United States or other tax consequences of the purchase, ownership and disposition of the Notes, including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Mexican Tax Considerations

The following is a general summary of the principal consequences under the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) and rules and regulations thereunder, as in effect on the date of this offering memorandum, which are subject to change, including changes with retroactive effects of the purchase, ownership and disposition of the Notes by a beneficial owner of such Notes that is a non-Mexican holder (as defined below). It does not purport to be a comprehensive description of all of the Mexican federal tax considerations that may be relevant to a decision to purchase, hold or dispose of our notes. In addition, this summary does not address any non-Mexican or Mexican state or municipal tax considerations that may be relevant to any non-Mexican holder.

For purposes of this summary, the term “non-Mexican holder” means a beneficial owner of the Notes that is not a resident of Mexico for tax purposes, and that will not hold the Notes, or a beneficial interest therein, in connection with the conduct of a trade or business through a permanent establishment for tax purposes in Mexico. For purposes of Mexican taxation:

- individuals are residents of Mexico if any such individual has established his or her place of residence in Mexico or, if any such individual has also established a place of residence outside Mexico, if his or her center of vital interests (*centro de intereses vitales*) is located within the territory of Mexico. This will be deemed to occur if (1) more than 50% of such individual’s aggregate annual income derives from Mexican sources or (2) the main center of such individual’s professional activities is located in Mexico. Mexican individuals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico in which their income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the year of filing of the notice of such residence change and during the following three years;
- unless proven differently, a Mexican national individual is deemed a resident of Mexico for tax purposes. A Mexican national individual will also be considered a resident of Mexico if such individual is a state employee, regardless of the location of the individual’s center of vital interests; and
- a legal entity is a resident of Mexico for tax purposes if it maintains the principal administration of its business, or its place of effective management, in Mexico.

Non-residents of Mexico who are deemed to have a permanent establishment in Mexico for tax purposes will be subject to Mexican tax laws, and all income attributable to such permanent establishment will be subject to Mexican taxes in accordance with the Mexican Income Tax Law and regulations thereunder.

However, any determination of residence should take into account the particular situation of each person or legal entity.

U.S./Mexico and Other Tax Treaties

The United States and Mexico have entered into a Convention for the Avoidance of Double Taxation (collectively, with subsequent Protocols thereto, referred to as the “Tax Treaty”). Provisions of the Tax Treaty that may affect the taxation of certain United States holders are summarized below. It is important to analyze whether the United States holder complies with all of the requirements set forth in the Tax Treaty, including but not limited to satisfying at least one of the tests provided by the Limitation on Benefits provision, in order to apply the benefits stated in the Tax Treaty. The United States and Mexico have also entered into an agreement that covers the exchange of information with respect to tax matters. Mexico has also entered into and is negotiating several other tax treaties that may reduce the amount of Mexican withholding tax to which payments of interest on the Notes may be subject. Prospective purchasers of the Notes should consult their own tax advisors as to the tax consequences, if any, of such treaties.

Payments of Interest, Principal and Premium in Respect of the Notes

Under the Mexican Income Tax Law, payments of interest we make in respect of the Notes (including payments of principal in excess of the issue price of such Notes, which, under Mexican law, are deemed to be interest) to non-Mexican holders will generally be subject to a Mexican withholding tax assessed at a rate of 4.9% if, as expected, the following requirements are met: (1) the Notes are placed through banks or brokerage houses (*casas de bolsa*) in a country with which Mexico has entered into a tax treaty for the avoidance of double taxation, which is in effect, (2) the CNBV has been notified of the issuance of the Notes (including the principal characteristics of the Notes) pursuant to the Mexican Income Tax Law, Article 7 second paragraph of the Mexican Securities Market Law and Articles 24 Bis, 24 Bis 1 and other applicable provisions of the General Regulations Applicable to Issuers of Securities and Other Securities’ Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*), and (3) we comply in a timely manner with the informational requirements specified from time to time by the Mexican tax authorities under their general rules, including, after completion of the transaction described in this offering memorandum, the filing with the Mexican Tax Administration Service or SAT (*Servicio de Administración Tributaria*), after the placement of the notes, of certain information regarding such placement and this offering memorandum and of the quarterly reports that shall be filed thereafter.

In case that any of the above requirements are not met, the applicable withholding tax rate will be 10%. If the beneficial owners, whether acting directly or indirectly, individually or jointly with related parties, that receive more than 5% of the interest paid under the Notes are (1) persons who own, directly or indirectly, individually or with related parties, more than 10% of our voting stock, or (2) corporations or other entities, whose more than 20% of their voting stock is owned, directly or indirectly, individually or with related parties, by us, then the Mexican withholding tax rate applicable to payments of interest under our notes may increase to the maximum applicable rate according to the law (currently 35%). For these purposes, persons will be related if:

- one person holds an interest in the business of the other person;
- both persons have common interests; or
- a third party has an interest in the business or assets of both persons.

Under the Mexican Income Tax Law, payments of interest we make with respect to the Notes to a non-Mexican pension or retirement fund generally will be exempt from Mexican withholding taxes, provided that: (1) the fund is the beneficial owner of such interest income; (2) the fund is duly established pursuant to the laws of its country of origin; (3) the relevant interest income is exempt from taxation in such country; and (4) such fund provides certain information to us, that we in turn may provide to SAT, in accordance with administrative rules issued by SAT for these purposes. As mentioned, this exemption on interest income may be subject to the foreign pension or retirement funds providing certain information prior to the relevant interest payment, as established by Mexican Income Tax Law and its administrative rules.

We have agreed, subject to specified exceptions and limitations, to pay Additional Interests to the holders of Notes in respect of the Mexican withholding taxes mentioned above. Such Additional Interests shall be considered as income for Mexican tax purposes subject to taxation according to the applicable provisions of the Mexican Income

Tax Law. If we pay Additional Interests in respect of such Mexican withholding taxes, any refunds of such withholding taxes will be for our account. See “Description of Notes– Additional Interests.”

Holders or beneficial owners of the Notes may be requested to, subject to specified exceptions and limitations, provide certain information or documentation necessary to enable us to establish the appropriate Mexican withholding tax rate applicable to such holders or beneficial owners. Additionally, the Mexican Income Tax Law provides that, in order for a non-Mexican holder to be entitled to the benefits under the treaties for the avoidance of double taxation entered into by Mexico, which are in effect, it is necessary for the non-Mexican holder to meet the procedural requirements established in the Mexican Income Tax Law. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not provided on a timely manner, we may withhold Mexican tax from interest payments on the notes to that non-Mexican holder or beneficial owner at the maximum applicable rate in effect, and our obligations to pay Additional Interests may be limited as set forth under “Description of Notes– Additional Interests.”

Under the Mexican Income Tax Law, any payments of principal that we make to a foreign holder of the Notes will not be subject to any Mexican withholding tax.

Taxation of Disposition of Notes

Under the Mexican Income Tax Law, capital gains resulting from the sale or other disposition of the notes by a non-Mexican holder to another foreign holder are not taxable in Mexico. Gains resulting from the sale of the notes by a non-Mexican holder to a Mexican resident for tax purposes or to a non-Mexican holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments.

Other Mexican Taxes

There is currently no Mexican estate, gift, inheritance or value added tax applicable to the purchase, ownership or disposition of our notes by a non-Mexican holder; however, gratuitous transfers of our notes may, in certain circumstances, result in the imposition of Mexican federal income tax on the recipient. There are no Mexican stamp, issue, registration or similar taxes payable by a non-Mexican holder with respect to the purchase, ownership or disposition of the Notes.

United States Federal Income Taxation

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a Note. This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the “Code”), applicable Treasury regulations, case laws, rulings and decisions now in effect, all of which are subject to change, possibly with retroactive effect. This summary deals only with beneficial owners of Notes that will hold Notes as capital assets and acquired notes upon original issuance at their original issue price, and does not address particular tax considerations that may be applicable to investors that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold Notes as a position in a “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction, entities taxed as partnerships or the partners therein, persons subject to the alternative minimum tax, non-resident alien individuals present in the United States for more than 182 days in a taxable year, U.S. expatriates, or persons that have a “functional currency” other than the U.S. dollar.

This summary addresses only U.S. federal income tax consequences, and does not address consequences arising under state, local, foreign tax laws, the Medicare tax on net investment income or under special timing rules prescribed under section 451(b) of the Code. Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes under such tax laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

As used herein, a “U.S. holder” is a beneficial owner of a Note that is a citizen or resident of the United States, a U.S. domestic corporation or any other person that otherwise will be subject to U.S. federal income taxation on a net income basis in respect of the Note.

Payments of Interest and Additional Interests

Under applicable U.S. Treasury Regulations, we intend to report interest income on the notes based on the assumption that the notes will bear interest at their original stated coupon, unless and until the notes are required to bear interest at a higher coupon as a result of the failure or inability to timely provide the Satisfaction Notification or as a result of the Sustainability Performance Target not being timely satisfied or confirmed, an eventuality which we believe is remote. See “Description of the Notes and Guarantee—Principal and Interest.” A U.S. Holder should consult its own tax advisor regarding the tax consequences of the notes potentially or actually bearing interest at the higher coupon.

The gross amount of stated interest and Additional Interests (i.e., without reduction for Mexican withholding tax) will generally be taxable to a U.S. holder as ordinary interest income at the time it accrues or is actually or constructively received, in accordance with the U.S. holder’s method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the Notes will be issued without original issue discount (“OID”) for U.S. federal income tax purposes. In general, however, if the Notes are issued with OID at or above a de minimis threshold, a U.S. holder will be required to include OID in gross income, as ordinary income, under a “constant-yield method” before the receipt of cash attributable to such income, regardless of the U.S. holder’s regular method of accounting for U.S. federal income tax purposes.

Subject to generally applicable limitations, restrictions and conditions, Mexican withholding taxes paid at the appropriate rate applicable to a U.S. holder will be treated as foreign income tax eligible (1) for credit against a U.S. holder’s U.S. federal income tax liability, or (2) at the election of such U.S. holder, for deduction in computing such U.S. holder’s taxable income (provided that the U.S. holder elects to deduct, rather than credit, all foreign income taxes paid or accrued for the relevant taxable year). Interest and Additional Interests will constitute income from sources without the United States for foreign tax credit purposes. Such income generally will constitute “passive category income” or, in the case of certain U.S. holders, “general category income.” The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of such deduction, involves the application of rules that depend on a U.S. holder’s particular circumstances. U.S. holders should consult their own tax advisors regarding the availability of foreign tax credits or deductions in their particular situations.

Sale, Exchange and Retirement of Notes

Upon the sale, exchange or retirement of a Note, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which will be taxable as such) and the U.S. holder’s tax basis in such Note. A U.S. holder’s tax basis in a note will generally equal the cost of the Note to such holder. Gain or loss recognized by a U.S. holder generally will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deduction of capital losses is subject to limitations.

Capital gain or loss recognized by a U.S. holder generally will be U.S.-source gain or loss.

Specified Foreign Financial Assets

Individual U.S. holders that own “specified foreign financial assets” with an aggregate value in excess of US\$50,000 on the last day of the taxable year or US\$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include Notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

Information Reporting and Backup Withholding

Information returns will be filed with the IRS in connection with payments on the Notes made to, and the proceeds of dispositions of Notes effected by, certain U.S. holders. In addition, certain U.S. holders may be subject to backup withholding in respect of such amounts if they do not provide their taxpayer identification numbers to the person from whom they receive payments. A holder that is not a U.S. holder (a “non-U.S. holder”) may be required to comply with applicable certification procedures to establish that he or she is not a U.S. holder in order to avoid the application of such information reporting requirements and backup withholding. The amount of any backup withholding from a payment to a U.S. or non-U.S. holder will be allowed as a credit against the holder’s U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

PLAN OF DISTRIBUTION

Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, are acting as the representatives of the initial purchasers.

Subject to the terms and conditions stated in the purchase agreement, dated May 6, 2021, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to the initial purchasers, the principal amount of the Notes set forth opposite such initial purchaser's name.

Initial Purchaser	Principal Amount Of 2026 Notes	Principal Amount Of 2031 Notes
Citigroup Global Markets Inc.....	US\$153,846,000	US\$128,206,000
J.P. Morgan Securities LLC.....	US\$153,846,000	US\$128,206,000
Morgan Stanley & Co. LLC	US\$153,846,000	US\$128,206,000
BBVA Securities Inc.	US\$46,154,000	US\$38,461,000
BNP Paribas Securities Corp.	US\$46,154,000	US\$38,461,000
MUFG Securities Americas Inc.	US\$46,154,000	US\$38,460,000
Total.....	600,000,000	500,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed to purchase all of the Notes of each series sold under the purchase agreement if any of these Notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated. The initial purchasers may offer and sell the notes through certain of their respective affiliates.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering each series of the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The initial purchasers have advised us that they propose initially to offer each series of the Notes at the offering price set forth on the cover page of this offering memorandum and to certain dealers at that price less a selling concession. After the initial offering, the offering price, concession or any other term of the offering may be changed.

Notes Are Not Being Registered

The Notes have not been registered under the Securities Act, or the securities law of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Each purchaser of each series of the Notes will be deemed to have made acknowledgements, representations and agreements as described under "Notice to investors." In connection with sales outside the United States, each of the initial purchasers has agreed that it will not offer, sell or deliver the Notes to, or for the account of, U.S. persons (unless in reliance on Rule 144A) (1) as part of their distribution at any time or (2) otherwise until 40 days after the later of the commencement of the offering and the closing date, and it will send to each dealer to whom it sells such Notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of each series of the Notes are restricted as described below under "Notice to investors."

Further, until 40 days after the commencement of the offering, an offer or sale of the Notes of either series within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

New Issue of Notes

Each series of the Notes will constitute a new issue of securities with no established trading market. Application has been made to list the Notes of each series on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market. However, we cannot assure you that the listing application will be approved. We have been advised by the initial purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes of each series. If an active trading market for the Notes of each series does not develop, the market price and liquidity of the Notes of each series may be adversely affected. If the Notes of each series are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

The delivery of each series of the Notes was made to investors on May 11, 2021, which was the third business day following the date of this offering memorandum (such settlement being referred to as “T+3”). Under Rule 15c6-1 under the U.S. Securities Exchange Act of 1934, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wished to trade Notes prior to the day that is two business days prior to the delivery of the Notes hereunder were required, by virtue of the fact that the Notes initially settle in T+3, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement.

No Sales of Similar Securities

We and our subsidiary guarantors have agreed that for a period of 30 days after the date of this offering memorandum, we and our subsidiary guarantors will not without first obtaining the prior written consent of the representatives of the initial purchasers, directly or indirectly, sell, offer, announce the offering of, or file any registration statement under the Securities Act in respect of, any of our or our subsidiary guarantors’ debt securities offered or sold in the Mexican or international capital markets, except for the Notes sold to the initial purchasers pursuant to the purchase agreement and except for the offer and sale of *certificados bursátiles* in the local Mexican market.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the Notes in the open market. Short sales involve the sale by the initial purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing Notes in the open market.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Certain of the initial purchasers and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the initial purchasers

and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. Certain of the initial purchasers or their affiliates have also acted as lenders under our revolving line of credit for US\$1 billion.

In addition, we intend to use the net proceeds from this offering to redeem part or all of our Peso 2022 notes and our USD 2022 notes. Because the affiliates of certain of the initial purchasers may hold an interest in the Peso 2022 notes and the USD 2022 notes, these affiliates may receive a portion of the proceeds from this offering (in excess of any initial purchaser discount or commission).

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the Notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Notice to Prospective Investors in Mexico

The information contained in this offering memorandum is exclusively our responsibility and has not been reviewed or authorized by the CNBV. The Notes have not been and will not be registered with the Mexican National Securities Registry (*Registro Nacional de Valores*) maintained by the CNBV and, therefore, the Notes may not be publicly offered or sold nor be the subject of brokerage activities in Mexico, except that the Notes may be offered and sold to investors in Mexico that qualify as institutional or accredited investors, on a private placement basis, pursuant to Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*). After the issuance of the Notes, we will notify the CNBV of the offering of the Notes outside of Mexico. Such notice will be submitted for informational purposes to the CNBV to comply with Article 7 second paragraph of the Mexican Securities Market Law and regulations thereunder. The delivery to, and receipt by, the CNBV of such notice does not constitute or imply any certification as to the investment quality of the Notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this offering memorandum. This offering memorandum may not be publicly distributed in Mexico.

Notice to Prospective Investors in the EEA

Each initial purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this offering memorandum to any retail investor in the European Economic Area (the “EEA”). For these purposes:

- (a) a retail investor means a person who is one (or more) of:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Notice to Prospective Investors in United Kingdom

Each initial purchaser has represented, warranted and agreed that:

- (a) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the

FSMA received by it in connection with the issue or sale of such Notes in circumstances in which Section 21(1) of the FSMA does not, or would not, apply to us; and

(b) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Prohibition of sales to UK Retail Investors

Each initial purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this offering memorandum in relation thereto to any retail investor in the United Kingdom (“UK”). For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (EUWA); or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression “an offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Notice to Prospective Investors in Switzerland

This document, as well as any other material relating to the Notes which are the subject of the offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The Notes will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the Notes, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The Notes are being offered in Switzerland by way of a private placement, *i.e.* to a small number of selected investors only, without any public offer and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached by us from time to time..

Notice to Prospective Investors in the Dubai International Financial Centre

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The Notes which are the subject of the offering contemplated by this offering memorandum may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If you do not understand the contents of this document you should consult an authorized financial adviser.

Notice to Prospective Investors in Hong Kong

The Notes may not be offered or sold by means of any document other than (1) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), (2) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (3) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to

be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferrable within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:
 - (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
 - (2) where no consideration is or will be given for the transfer; or
 - (3) where the transfer is by operation of law; or
 - (4) as specified in Section 276(7) of the SFA; or
 - (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Section 309B Notification - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “CMP Regulations 2018”), the Company has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)), that the notes are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and the initial purchasers have agreed that it will not offer or sell any Notes, directly

or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Chile

The offer of the Notes is subject to General Rule No. 336 of the SVS. The Notes being offered will not be registered under the Securities Market Law in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the Notes are not subject to the supervision of the SVS. The Notes being unregistered securities, we are not required to disclose public information about the Notes in Chile. In case that the Notes are offered within Chile, they will be offered and sold only pursuant to General Rule No. 336 of the SVS (an exemption to the registration requirements in the Securities Registry), or in circumstances which would not constitute a public offering of securities in Chile within the meaning of Article 4 of the Chilean Securities Market Law. The commencement date of this offering is the one contained in the cover page of this offering memorandum. Accordingly, the Notes cannot and will not be offered or sold to persons in Chile unless they are registered in the corresponding securities registry, except in circumstances which have not resulted and will not result in a public offering under Chilean law and in compliance with General Rule No. 336 of the SVS.

La oferta de los bonos se acoge a la Norma de Carácter General N°336 de la SVS. Si dichos valores son ofrecidos dentro de Chile, serán ofrecidos y colocados sólo de acuerdo a lo establecido en la Norma de Carácter General 336 de la SVS (una excepción a la obligación de inscripción en el Registro de Valores), o en circunstancias que no constituyan una oferta pública de valores en Chile según lo definido por el Artículo 4 de la Ley de Mercado de Valores. La fecha de inicio de la presente oferta es la indicada en la portada de este offering memorandum.

Notice to Prospective Investors in Peru

The Notes have not been and will not be approved by or registered with the Peruvian securities regulatory authority, the Superintendence of the Securities Market (*Superintendencia del Mercado de Valores*). However, application will be made to have the Notes registered with the Superintendence of Banking, Insurance and Private Pension Funds (*Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones*) in order to be sold in private placement transactions addressed to Peruvian institutional investors such as Peruvian private pension funds.

Notice to Prospective Investors in Colombia

The Notes may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010 to offer privately the Notes to their Colombian clients.

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Israel

This offering memorandum does not constitute a prospectus under the Israeli Securities Law, 5728-1968, and has not been filed with or approved by the Israel Securities Authority. In Israel, this offering memorandum is being distributed only to, or is directed only at, qualified investors listed in the first addendum, or the Addendum, to the Israeli Securities Law. Qualified investors may be required to submit written confirmation that they fall within the scope of the Addendum. In addition, we may distribute and direct this document in Israel, at our sole discretion, to investors who are not considered qualified investors, provided that the number of such investors in Israel shall be no greater than 35 in any 12-month period.

TRANSFER RESTRICTIONS

The Notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the Notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Notes are being offered and sold only:

- in the United States to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons (“non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

As used herein, the terms “offshore transaction,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S under the Securities Act.

Purchasers’ representations and restrictions on resale and transfer

Each purchaser of Notes (other than the initial purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);

(2) it acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any U.S. state, that the Notes are being offered in a transaction that does not involve any public offering in the United States within the meaning of the Securities Act and that the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that Notes initially offered in the United States to qualified institutional buyers will be represented by a global Note and that Notes offered outside the United States pursuant to Regulation S will also be represented by a global Note;

(4) it will not resell or otherwise transfer any of such Notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(5) it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;

(6) it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement or in respect of Notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(7) it acknowledges that the trustee, registrar or transfer agent for the Notes will not be required to accept for registration transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with;

(8) it acknowledges that we will not be required to accept for registration of transfer any Notes

acquired by us, except upon presentation of evidence satisfactory to us that the restrictions set forth herein in this section have been complied with;

(9) if it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S Note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40 day “distribution compliance period” within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a U.S. Note;

(10) it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify us and the initial purchasers; and

(11) if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF ORBIA ADVANCE CORPORATION, S.A.B. DE C.V. (THE “COMPANY”) THAT THIS NOTE OR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION TO NON U.S. PERSONS IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AFFORDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES THAT IT SHALL NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.”

The following is the form of restrictive legend which will appear on the face of the Regulation S global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY OTHER APPLICABLE JURISDICTION.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DATE ON WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE ORIGINAL ISSUE DATE OF THE NOTES.”

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see “Description of Notes.”

Other Jurisdictions

The distribution of this offering memorandum and the offer and sale or resale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by us and the initial purchasers to inform themselves about and to observe any such restrictions.

GENERAL INFORMATION

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream Luxembourg. In addition, application has been made to have the Notes accepted for trading in book-entry form by DTC. For the 2026 Rule 144A Notes, the ISIN number is US68560EAA64 and the CUSIP number is 68560EAA6. For the 2026 Regulation S Notes, the ISIN number is USP7S81YAB11 and the CUSIP number is P7S81YAB1. For the 2031 Rule 144A Notes, the ISIN number is US68560EAB48 and the CUSIP number is 68560EAB4. For the 2031 Regulation S Notes, the ISIN number is USP7S81YAC93 and the CUSIP number is P7S81YAC9.

Legal Entity Identifier

Our legal entity identifier (LEI) is 549300MVHZ20SBIOEQ79.

Listing

Application has been made to the Luxembourg Stock Exchange for each series of the Notes to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market. Copies of (1) our by-laws, (2) the by-laws of our subsidiary guarantors, (3) the indenture, which contains the terms of the subsidiary guarantees, as may be amended or supplemented from time to time, (4) our published annual audited consolidated financial statements and (5) any published quarterly unaudited consolidated financial statements, will be available at our principal executive offices, as well as at the offices of the trustee, registrar, paying agent and transfer agent, and at the offices of the Luxembourg listing agent, paying agent, and transfer agent, as such addresses are set forth in this offering memorandum. Our subsidiary guarantors do not publish separate non-consolidated financial statements. Their financial accounts are consolidated with ours when we publish financial statements. We do not publish unconsolidated financial statements. We believe that the auditor's reports included herein have been accurately reproduced. We will maintain a paying and transfer agent in Luxembourg for so long as any of the Notes are listed on the Luxembourg Stock Exchange.

As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of each series of the Notes outside of Mexico. Such notice has been delivered to the CNBV to comply with a legal requirement and for information purposes only, and the delivery to, and the receipt by, the CNBV of such notice does not imply any certification as to the investment quality of the Notes of each series or our solvency, liquidity or credit quality. The information contained in this offering memorandum is exclusively our responsibility and has not been reviewed or authorized by the CNBV. The acquisition of each series of the Notes by an investor who is a resident of Mexico will be made under its own responsibility.

Authorization

Pursuant to resolutions adopted by our board of directors on April 27, 2021, we have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes.

No material adverse change

Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position or prospects or that of our subsidiaries taken as a whole since September 30, 2021.

Litigation

We are not involved in any legal or arbitration proceedings (including any such pending or threatened proceedings) relating to claims or amounts that may have or have had, during the 12 months prior to the date of this offering memorandum, a material adverse effect on our financial position and that of our subsidiaries taken as a whole.

General information regarding the issuer

We are a publicly traded stock corporation with variable capital (*sociedad anónima bursátil de capital variable*) that was incorporated on June 30, 1978 in Mexico City, Federal District, Mexico, under the laws of Mexico

with a duration of 99 years. Our executive offices are located at Río San Javier No.10, Fraccionamiento Viveros del Río, Tlalnepantla, Estado de México, México, C.P. 54060.

Subsidiary guarantors

Each series of the Notes will be guaranteed by the following subsidiaries of the issuer:

- (i) Mexichem Brasil Industria de Transformação Plastica Ltda., a limited liability company (*sociedade limitada*) incorporated under the laws of Brazil on December 4, 1997 with an indefinite duration;
- (ii) Mexichem Derivados, S.A. de C.V., a *sociedad anónima de capital variable* incorporated under the laws of Mexico on March 9, 1956 with a duration of 99 years from the date of incorporation;
- (iii) Mexichem Resinas Vinílicas, S.A. de C.V., a *sociedad anónima de capital variable* incorporated under the laws of Mexico on February 20, 1965 with a duration of 99 years from the date of incorporation;
- (iv) Mexichem Flúor, S.A. de C.V., a *sociedad anónima de capital variable* incorporated under the laws of Mexico on July 8, 1971 with a duration of 100 years from the date of incorporation;
- (v) Mexichem Resinas Colombia, S.A.S., a *sociedad por acciones simplificada*, incorporated under the laws of Colombia on January 14, 1963 with an indefinite duration;
- (vi) Mexichem Soluciones Integrales, S.A. de C.V., a *sociedad anónima de capital variable* incorporated under the laws of Mexico on December 22, 1961 with a duration of 99 years from the date of incorporation;
- (vii) Mexichem Compuestos, S.A. de C.V., a *sociedad anónima de capital variable* incorporated under the laws of Mexico on December 15, 2006 with a duration of 99 years from the date of incorporation;
- (viii) Mexichem UK Limited, a private company limited by shares incorporated under the laws of England on November 26, 2009;
- (ix) Mexichem Fluor, Inc., a corporation incorporated under the laws of the State of Delaware on January 22, 2010 with a perpetual existence;
- (x) Mexichem Ecuador, S.A. a stock company incorporated under the laws of Ecuador on March 12, 1958 with a duration of 100 years from the date of record before the Commercial Registry; and
- (xi) Mexichem Flúor Comercial, S.A. de C.V., a *sociedad anónima de capital variable* incorporated under the laws of Mexico on November 5, 1968 with a duration of 99 years from the date of incorporation.

The addresses of the subsidiary guarantors are the following:

- (i) Mexichem Brasil Industria de Transformação Plastica Ltda., in Barra Velha 100, Barrio Floresta, 89211,-730, Joinville, Santa Catarina, Brasil;
- (ii) Mexichem Derivados, S.A., de C.V., in Boulevard Manuel Ávila Camacho 2610, Torre B Pisos 12,14,15, Valle de los Pinos, Tlalnepantla, Estado de México, 54040, México;
- (iii) Mexichem Resinas Vinílicas, S.A. de C.V., in Autopista Altamira Km. 4.5, Puerto Industrial de Altamira, Altamira, Tamaulipas, México, C.P. 89603;
- (iv) Mexichem Flúor, S.A. de C.V., in Eje 106 S/N, Zona Industrial, San Luis Potosí, San Luis Potosí, México, C.P. 78395;
- (v) Mexichem Resinas Colombia, S.A.S., in Zona Industrial Mamonal, Km. 8, Cartagena, Colombia;

- (vi) Mexichem Soluciones Integrales, S.A. de C.V., in Boulevard Manuel Ávila Camacho 2610, Torre B Pisos 12,14,15, Valle de los Pinos, Tlalnepantla, Estado de México, 54040, México;
- (vii) Mexichem Compuestos, S.A. de C.V., in Autopista Altamira km 4.5 Col. Puerto Industrial de Altamira, Altamira, Tamaulipas, México, C.P. 89603;
- (viii) Mexichem UK Limited, in The Heath, Bussines and Technical Park, Runcorn, Cheshire WA7 4QF, United Kingdom;
- (ix) Mexichem Fluor, Inc., in 4990 B, ICI Road Highway 75, PO Box 30, St. Gabriel, LA, USA. 70776;
- (x) Mexichem Ecuador, in S.A. Km. 4.5 Vía Durán-Tambo, Guayas, Durán, Ecuador; and
- (xi) Mexichem Flúor Comercial, S.A. de C.V., in Eje 106 sin número, Zona Industrial, San Luis Potosí, San Luis Potosí, México, C.P. 78395.

LEGAL MATTERS

The validity of the Notes and the subsidiary guarantees will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP, New York, New York and for the initial purchasers by Davis Polk & Wardwell LLP, New York, New York. Certain Mexican legal matters will be passed upon for us by Ritch, Mueller, Heather y Nicolau, S.C., Mexico City, Mexico and for the initial purchasers named herein by Creel, García-Cuellar, Aiza y Enriquez, S.C., Mexico City, Mexico.

INDEPENDENT AUDITORS

The consolidated financial statements of Orbia Advance Corporation, S.A.B. de C.V., and its subsidiaries as of December 31, 2020, 2019 and 2018 and for each of the years then ended included in this offering memorandum, have been audited by Galaz, Yamazaki, Ruíz Urquiza, S.C. (member of Deloitte and Touche Tohmatsu Limited), independent auditors, as stated in their report appearing herein.

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PRINCIPAL EXECUTIVE OFFICES

ORBIA ADVANCE CORPORATION, S.A.B. DE C.V.

Río San Javier No.10, Fraccionamiento Viveros del Río
Tlalnepantla, Estado de México
54060 México

TRUSTEE, REGISTRAR, PRINCIPAL PAYING AND TRANSFER AGENT

Deutsche Bank Trust Company Americas
60 Wall Street, 24th Floor
MS NYC60-2405
New York, New York 10005
USA

LUXEMBOURG LISTING AGENT AND TRANSFER AGENT

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg

LEGAL ADVISORS

*To the Issuer
as to United States Law*

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New York, New York 10006
USA

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as to Mexican Law*

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11040 Ciudad de México
México

*To the Initial Purchasers
as to United States Law*

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
USA

*To the Initial Purchasers
as to Mexican Law*

Creel, García-Cuellar, Aiza y Enriquez, S.C.
Av. Pedregal No. 24
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Col. Molino del Rey
11040 Ciudad de México
México

INDEPENDENT AUDITORS

Galaz, Yamazaki, Ruiz Urquiza, S.C.
(Member of Deloitte Touche Tohmatsu Limited)
Paseo de la Reforma 505 – 28th Floor
Colonia Cuauhtémoc
México, Distrito Federal 06500
México

**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,
2020, 2019 and 2018, 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, 2020, 2019 and
2018**

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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, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, 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, 2020. 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 16)**

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. Because of the COVID-19 pandemic, during the first half of 2020 there was a decrease in the cash flows of some of the Entity's cash-generating units, which had an effect on the recoverable amount of assets and gave rise to a higher degree of uncertainty associated with COVID-19. However, during the second half of 2020, the Entity had a significant recovery in its operations and profitability. As of December 31, 2020, the balances of intangible assets and goodwill recognized in the consolidated financial statements are \$1,733,531 and \$1,491,395, 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 23**

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, 2020, the deferred tax asset related to tax losses and other tax credits is approximately \$365,000.

(continued)



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 valuation of deferred income tax assets. These tax net operating losses relate primarily from the Entity's operations in three countries: Mexico, representing 78% of the balance; Brazil, representing 3% of the balance; and the USA, representing 17% 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.

During 2018, Management recognized a deferred tax asset related from net operating losses that had not been recognized in prior years. This deferred tax asset will be used against taxable income generated by a series of measures that the Entity will implement in the near future. As of December 31, 2020, these plans remain in place and they are estimated to materialize in the near future. The value of the deferred income tax supported by this is approximately \$250,000.

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 11.

(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.

As regards 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.

(continued)





- 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 be 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 2020 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, 2021

(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, 2020, 2019 and 2018
(Amounts in thousands of U.S. dollars)

Assets	Notes	2020	2019	2018
Current assets:				
Cash and cash equivalents	8	\$ 875,185	\$ 586,409	\$ 699,878
Accounts receivable	9	1,324,738	1,352,028	1,317,549
Due from related parties	21a	5,445	4,757	5,371
Inventories	10	861,122	834,438	865,799
Prepaid expenses		60,423	65,280	78,299
	12 and			
Derivative financial instruments	13	19,589	107	-
Assets classified as held for sale		<u>9,650</u>	<u>9,096</u>	<u>10,277</u>
Total current assets		<u>3,156,152</u>	<u>2,852,115</u>	<u>2,977,173</u>
Non-current assets				
Property, machinery and equipment	14	3,186,497	3,348,821	3,507,386
Right-of-use assets	15	323,355	336,890	-
Equity investment in associates	4l	38,585	33,843	35,533
Other assets, Net		69,246	88,760	100,893
Deferred taxes	23a	199,701	125,649	95,879
Employee benefits asset	18	12,649	13,781	13,856
Intangible assets, Net	16a	1,733,531	1,765,538	1,851,547
Goodwill	16b	<u>1,491,395</u>	<u>1,491,684</u>	<u>1,492,691</u>
Total non-current assets		<u>7,054,959</u>	<u>7,204,966</u>	<u>7,097,785</u>
Total assets		<u>\$ 10,211,111</u>	<u>\$ 10,057,081</u>	<u>\$ 10,074,958</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 Income and Other Comprehensive Income

For the Years Ended December 31, 2020, 2019 and 2018

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

	Notes	2020	2019	2018
Continuing operations:				
Net sales		\$ 6,419,770	\$ 6,987,182	\$ 7,198,136
Cost of sales	22a	<u>4,573,608</u>	<u>5,028,919</u>	<u>5,199,495</u>
Gross profit		1,846,162	1,958,263	1,998,641
Selling and development expenses	22b	584,916	624,701	588,151
Administrative expenses	22c	507,860	467,834	449,113
Other expenses, Net	22d	32,916	42,707	26,563
Foreign exchange gain		(101,623)	(49,384)	(84,052)
Foreign exchange loss		104,001	67,781	131,592
Interest expense		238,681	272,073	250,674
Interest income		(10,119)	(14,195)	(19,847)
Change in fair value of redeemable non-controlling interests		9,713	18,488	18,593
Monetary position loss/(gain)		1,436	(151)	(12,671)
Share of profit in associates	4l	<u>(867)</u>	<u>(4,142)</u>	<u>(4,272)</u>
Profit before income tax		479,248	532,551	654,797
Income taxes	23c	<u>150,811</u>	<u>205,542</u>	<u>194,680</u>
Profit from continuing operations		328,437	327,009	460,117
Discontinued operations:				
Net (loss)/profit from discontinued operations	24b	<u>(9,657)</u>	<u>(107)</u>	<u>22,829</u>
Consolidated net profit for the year		<u>318,780</u>	<u>326,902</u>	<u>482,946</u>
Other comprehensive income:				
Items that will not be subsequently reclassified to profit or loss:				
Actuarial losses		(37,393)	(19,971)	(12,886)
Income taxes		<u>9,488</u>	<u>6,700</u>	<u>3,866</u>
		(27,905)	(13,271)	(9,020)

(continued)



	Notes	2020	2019	2018
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation		4,876	(41,685)	(126,881)
Unrealized (loss)/gain on valuation of financial instruments		(22,653)	34,956	37,007
Income taxes		<u>6,790</u>	<u>(10,694)</u>	<u>(11,102)</u>
		<u>(10,987)</u>	<u>(17,423)</u>	<u>(100,976)</u>
Total other comprehensive loss		<u>(38,892)</u>	<u>(30,694)</u>	<u>(109,996)</u>
Consolidated comprehensive income for the year		<u>\$ 279,888</u>	<u>\$ 296,208</u>	<u>\$ 372,950</u>
Consolidated net profit for the year attributable to:				
Equity holders of the parent		\$ 194,702	\$ 206,731	\$ 354,888
Non-controlling interest		<u>124,078</u>	<u>120,171</u>	<u>128,058</u>
		<u>\$ 318,780</u>	<u>\$ 326,902</u>	<u>\$ 482,946</u>
Consolidated comprehensive income attributable to:				
Equity holders of the parent		\$ 159,343	\$ 187,084	\$ 252,428
Non-controlling interests		<u>120,545</u>	<u>109,124</u>	<u>120,522</u>
		<u>\$ 279,888</u>	<u>\$ 296,208</u>	<u>\$ 372,950</u>
Basic earnings per share:				
From continuing operations		<u>\$ 0.09</u>	<u>\$ 0.10</u>	<u>\$ 0.16</u>
From discontinued operations		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.01</u>
Total Basic earnings per share		<u>\$ 0.09</u>	<u>\$ 0.10</u>	<u>\$ 0.17</u>
Weighted average ordinary shares outstanding		<u>2,100,000,000</u>	<u>2,100,000,000</u>	<u>2,100,000,000</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, 2020, 2019 and 2018
(Amounts in thousands of U.S. dollars)

	Contributed capital			Retained earnings	
	Nominal share capital	Share premium	Cumulative inflation adjustment	Legal reserve	Retained earnings
Balance as of January 1, 2018	\$ 256,482	\$ 1,474,827	\$ 23,948	\$ 51,298	\$ 1,023,941
Dividends declared	-	-	-	-	(318,000)
Share buybacks	-	-	-	-	736
Partial reversal of share buyback reserve	-	-	-	-	359,876
Increase in share buyback reserve	-	-	-	-	(376,154)
Additional non-controlling interests derived from business combination	-	-	-	-	-
Redeemable non-controlling interests	-	-	-	-	-
Distribution of capital to non-controlling interests in subsidiary	-	-	-	-	-
Purchase of non-controlling interests	-	-	-	-	(35,019)
Other comprehensive income for the year	-	-	-	-	(9,020)
Net profit for the year	-	-	-	-	354,888
Balance as of December 31, 2018	256,482	1,474,827	23,948	51,298	1,001,248
Dividends declared	-	-	-	-	(180,000)
Share buybacks	-	-	-	-	(8,357)
Partial reversal of share buyback reserve	-	-	-	-	335,379
Increase in share buyback reserve	-	-	-	-	(334,079)
Distribution of capital to non-controlling interests in subsidiary	-	-	-	-	-
Other comprehensive loss for the year	-	-	-	-	(13,271)
Net profit for the year	-	-	-	-	206,731
Balance as of December 31, 2019	256,482	1,474,827	23,948	51,298	1,007,651
Share buybacks	-	-	-	-	-
Increase in share buyback reserve	-	-	-	-	(146,677)
Distribution of capital to non-controlling interests in subsidiary	-	-	-	-	-
Share-based payments	-	-	-	-	780
Other comprehensive income for the year	-	-	-	-	-
Net profit for the year	-	-	-	-	194,702
Balance as of December 31, 2020	<u>\$ 256,482</u>	<u>\$ 1,474,827</u>	<u>\$ 23,948</u>	<u>\$ 51,298</u>	<u>\$ 1,056,456</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, 2020, 2019 and 2018

(Amounts in thousands of U.S. dollars)

	2020	2019	2018
Operating activities:			
Consolidated net profit for the year	\$ 318,780	\$ 326,902	\$ 482,946
Adjustments for:			
Income tax expense	150,811	205,542	194,680
Loss (gain) from discontinued operations	9,657	107	(22,829)
Labor cost	11,702	14,020	12,442
Depreciation and amortization	597,787	542,183	461,732
Loss on sale of fixed assets	467	1,739	4,432
Unrealized foreign exchange loss	2,378	18,396	47,337
Impairment of fixed assets	8,092	-	-
Change in fair value of redeemable non-controlling interests	9,713	18,488	18,593
Share of profit of associates	(867)	(4,142)	(4,272)
Interest income	(10,119)	(14,195)	(19,847)
Interest expense	<u>238,681</u>	<u>272,073</u>	<u>250,674</u>
	1,337,082	1,381,113	1,425,888
Working capital adjustments:			
(Increase)/Decrease in:			
Trade receivables	64,929	(34,479)	20,997
Inventories	(26,684)	31,361	(19,549)
Other assets	(63,701)	(16,948)	244,120
Assets held for sale	(554)	1,181	(875)
Increase/(decrease) in:			
Suppliers	62,504	(133,769)	(99,763)
Related parties	(1,841)	(15,949)	(61,337)
Other liabilities	(7,751)	90,216	(31,644)
Income tax paid	(280,637)	(233,240)	(225,669)
Liabilities associated with assets held for sale	(22)	(780)	20,752
Interest received	<u>10,119</u>	<u>14,195</u>	<u>19,847</u>
Net cash flows from operating activities	1,093,443	1,082,901	1,292,767
Investing activities:			
Purchase of machinery and equipment	(204,474)	(261,000)	(282,652)
Investments in other assets and intangible assets	(31,303)	(35,631)	(71,252)
Sale of machinery and equipment	20,846	23,045	3,789
Acquisition of equity investment in associate	(3,672)		
Acquisition of subsidiaries, net of cash acquired	<u>-</u>	<u>-</u>	<u>(1,426,574)</u>
Net cash flows used in investing activities	(218,603)	(273,586)	(1,776,689)

(continued)



	2020	2019	2018
Financing activities:			
Proceeds from loans obtained	1,467,628	83,130	297,232
Repayment of loans repaid	(1,294,569)	(200,105)	(128,904)
Interest paid	(231,494)	(275,767)	(221,653)
Lease payments	(89,304)	(91,570)	-
Dividends paid	(229,912)	(218,000)	(196,926)
Acquisition of non-controlling interests	-	-	(159,342)
Distribution to non-controlling interests in subsidiary	(142,110)	(151,191)	(145,050)
Share buybacks	<u>(42,207)</u>	<u>(40,447)</u>	<u>(67,160)</u>
Net cash flows used in financing activities	(561,968)	(893,950)	(621,803)
Adjustment for effects of foreign exchange differences	<u>(24,096)</u>	<u>(28,834)</u>	<u>(94,237)</u>
Net increase/(decrease) in cash and cash equivalents	288,776	(113,469)	(1,199,962)
Cash and cash equivalents at beginning of year	<u>586,409</u>	<u>699,878</u>	<u>1,899,840</u>
Cash and cash equivalents at the end of year	<u>\$ 875,185</u>	<u>\$ 586,409</u>	<u>\$ 699,878</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, 2020, 2019 and 2018

(Amounts in thousands of U.S. dollars)

1. Nature of Operations

Orbia Advance Corporation, S.A.B. de C.V. and subsidiaries (the Entity 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 an entity that holds the shares of a group of companies located in the American and European continents, as well as certain countries in Asia and Africa. Orbia is a leading supplier of goods and solutions in multiple sectors, from construction, infrastructure, agriculture and, irrigation, health, transportation, telecommunications, energy, to petrochemical, among others. It is one of the largest manufacturers of pipes, connectors and plastic irrigation drippers, as well as fluorite, worldwide.

The Entity's operating segments are included in five business groups: i) Wavin (Building & Infrastructure), ii) Dura-Line (Data Communications), iii) Netafim (Precision Agriculture), (which were previously presented as the "Fluent" reportable segment), iv) Koura (formerly Fluor), and iv) Vestolit (Polymer Solutions) (formerly Vinyl). The main products of these segments are: PVC pipes and connections, polyethylene (PE) and polypropylene (PP), high density polyethylene (HDPE), irrigation droppers and geosynthetics; as well as fluorite, fluorocomposites, hydrofluoric acid, refrigerant gases and medical propellants, and resins and polyvinyl chloride (PVC) compounds, among others.

2. Significant Events

- a. 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. During 2020, the Entity continued to safeguard its employees' health and well-being and sustain its operations by:

- Maintaining strict health and safety measures in all operating locations
- Introducing phased return-to-work protocols, where applicable, for essential sites and facilities
- Continuing restrictions on all non-essential business travel while encouraging employees across geographies to work remotely, where possible; and
- Utilizing digital tools to efficiently collaborate, deliver to customers and drive innovation, while enhancing digital infrastructure to accommodate volume increases and expanded stakeholder needs

As an extension of its human-centered approach, Orbia undertook additional measures to support its people, including:

- Expanding remote learning and training, while offering remote health support and physician access to all employees
- Implementing an employee assistance program in Latin America to provide medical and psychological support, which will continue after the COVID-19 pandemic
- Continuing to support innovation and internal crowdsourcing efforts

Almost all of Orbia's facilities have remained operational and the Entity has not experienced any meaningful supply chain disruptions. The Entity also has adapted its manufacturing processes and streamlined prototyping timelines to produce and deliver essential medical equipment and materials, including tens of thousands of inhalers that use Orbia's medical propellants, flexible critical care infrastructure, rapid COVID-19 testing devices, sanitation tents and intelligent health assessments, and medical-grade personal protective equipment made from its plastics.



On the other hand, 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; however, there is still uncertainty around the potential impact that COVID-19 will have.

The most significant impacts on the Entity's financial performance include a decrease in sales resulting from disruptions in the supply chain as well as a decrease in demand, mainly during the months of April and May 2020. Likewise, as mentioned in the next paragraph, the Entity utilized its lines of credit as a precautionary measure due to the uncertainty arising from the COVID-19 contingency.

- b. On March 5, 2020, the Entity notified its agent bank 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 had a \$500 million reduction, 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. The amount of principal changed to \$1 billion in March 2020. On March 27, 2020, the Entity drew down the full amount of the available line of credit, which was repaid 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.
- c. On September 16, 2020, the Entity established a Trade Paper Program for £300 million pounds 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 will expire on May 18, 2021; the annual cost of the equivalent line in US dollars is 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 reduces the overall cost of financing and the uncertainty caused by the pandemic.
- d. Until 2019, the Entity's strategic position focused mainly on the production and sale of value-added products to end customers, as well as the production of chemicals, through three business groups: Vinyl, Fluor and Fluent. Due to the growth experienced by the Entity in recent years, Management conducted an analysis to identify whether such business groups continued to act as a reference point when operational and financial decisions are made; as well as to assess their efficiency, considering that the Entity has focused on the expansion into new and existing markets through organic growth. This, in addition to the acquisition of companies that offer synergies and opportunities to improve the Entity's supply of products and services, taking advantage of the rise of their local brands in the countries and territories where it operates.

Therefore, after completion of this analysis (as of April 2020), the Entity defined a new structure and way of analyzing business groups, which will allow it to obtain detailed information for decision-making as follows: i) Wavin (Building & Infrastructure), ii) Dura-Line (Data Communications), iii) Netafim (Precision Agriculture), iv) Koura (Fluor), and v) Vestolit (Polymer Solutions).

- e. ***Change of corporate name*** - At a shareholders' meeting held on August 26, 2019, the Entity's shareholders agreed to change the Entity's name to Orbia Advance Corporation, S.A.B. de C.V. This change reflects the new strategy and global reorganization undertaken by the Entity, which also implies the re-branding of its identity and corporate image in accordance with its mission, vision and philosophy.

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 2020***

The Entity has adopted new and amended standards issued by the International Accounting Standards Board (IASB) which are effective for annual periods beginning on or after January 1, 2020.



Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7.

In September 2019, the IASB issued *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are relevant to the Entity given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Entity's accounting in the following ways:

- The Entity will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Entity consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

Impact of the initial application of other new and amended IFRS Standards that are effective for annual periods beginning on or after January 1, 2020

In the current year, the Entity has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 1, 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

*Amendments to
References to the
Conceptual
Framework in IFRS
Standards*

The Entity has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the *Framework* so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASB *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

*Amendments to IFRS
3 Definition of a
business*

The Entity has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.



	The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020. The adoption of these amendments had no effect on the Entity's financial statements.
<i>Amendments to IAS 1 and IAS 8 Definition of material</i>	The Entity has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the <i>Conceptual Framework</i> that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

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

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

IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases</i>

Entity management does not expect that the adoption of the Standards listed above will have a material impact on the Entity's consolidated financial statements in future periods, except as noted below:

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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



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

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

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The Entity does not expect that the adoption of these amendments will have a material effect 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 does not expect that the adoption of these amendments will have a material effect on its consolidated financial statements.

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

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

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

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.



The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

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

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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

Annual Improvements to IFRS Standards 2018–2020

The *Annual Improvements* include amendments to four Standards, and their potential impact on the Entity is explained below.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IFRS 9 *Financial Instruments*

IFRS 16 *Leases*

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

c. Classification of costs and expenses

Costs and expenses are analyzed by their function; given that this is a common disclosure in the industry in which the Entity operates.

4. Significant Accounting Policies

a. Compliance statement

The accompanying consolidated financial statements as of December 31, 2020, 2019 and 2018 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; 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).;

Going concern

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

During the first months of 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. Its recent global expansion has led to a series of containment measures in the different geographic areas where the Entity operates and the Mexican authorities and the various governments where the Entity operates have taken health 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, the Entity reported strong profitability and high levels of free cash flow during the year, as well as a sequential top-line sales improvement. This strong performance demonstrates the resilience of a diversified portfolio showing results that exceeded internal and external expectations during these extraordinary times.



Given continued uncertainty around the pace and cadence of a COVID-19 recovery, including uncertainty around the potential impact of the pandemic on the Entity's future operations, 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 COVID-19 pandemic continue to evolve, 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; and
- 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 the non-controlling interests having a deficit balance.

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

All intercompany balances and transactions are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Entity's equity therein. 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. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to the non-controlling interests even if this results in the non-controlling interests having 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, 2020, 2019 and 2018 per business group is as follows:

Group	Country	% equity interest
Vestolit (Polymer Solutions):		
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
Vinyl Compounds Holdings, 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
Koura (Fluor):		
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
Wavin (Building and Infrastructure):		
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 N.V.	Netherlands	100
Wavin Nederland B.V.	Netherlands	100
Wavin Belgium N.V.	Belgium	100
Wavin (Foshan) Piping Systems Co. Ltd.	China	100
Wavin Ekoplastik S.R.O.	Czech Republic	100



Group	Country	% equity interest
Nordisk Wavin A/S	Denmark	100
Norsk Wavin A/S	Norway	100
Wavin Estonia OU	Estonia	100
Wavin-Labko Oy	Finland	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
Wavin Latvia SIA	Latvia	100
UAB Wavin Baltic	Lithuania	100
Wavin Metalplast-BUK Sp.zo.o.	Poland	100
Wavin Romania s r.l.	Romania	100
OOO Wavin Rus	Russia	100
Wavin Balkan d o.o.	Serbia	100
AB Svenska Wavin	Sweden	100
Wavin TR Plastik Sanayi Anonim Sirketi	Turkey	100
Wavin Ltd.	United Kingdom	100
Wavin Ltd. (GB) Ltd.	United Kingdom	100
Wavin Ukrain O.O.O.T.O.V.	Ukraine	100
Dura-Line (Data Communications):		
Dura-Line Holdings, Inc.	USA	100
Mexichem Canada Limited	Canada	100
Netafim (Precision Agriculture):		
Netafim, LTD.	Israel	80
Holdings:		
Mexichem Soluciones Integrales Holding, S.A. de C.V.	Mexico	100

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 shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiaries. The Entity shall recognize directly 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 shall be 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 the equity investment in the subsidiary that were previously recognized in other comprehensive income shall be recognized based on the accounting treatment applicable to the disposal of the related assets and liabilities (that is, they shall be 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 2020, 2019 and 2018, the Entity recognized the effects of inflation on its operations in Venezuela. As of 2018, the Entity recognized the effects of inflation on its operations in 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 (presentation 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 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 2,960%, 12,903% and 1,698,484% for the years ended December 31, 2020, 2019 and 2018, respectively. To translate these amounts as of December 31, 2020, 2019 and 2018, 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; 284,052,162 and 223,090,269 bolivars per U.S. dollar, respectively. A summary of the main financial statement captions related to this operation is as follows:

Venezuela

	2020	2019	2018
Total assets	\$ <u>656</u>	\$ <u>771</u>	\$ <u>17,372</u>
Equity	\$ <u>599</u>	\$ <u>26</u>	\$ <u>11,032</u>
Net sales	\$ <u>148</u>	\$ <u>147</u>	\$ <u>2,566</u>
Net profit	\$ <u>514</u>	\$ <u>2,107</u>	\$ <u>5,060</u>

In 2018, the Argentinian operation became a hyperinflationary economy given that the country's compound inflation for the last three years is greater than 100%; therefore, the amounts have been restated using the official annual inflation rates of 36.1% and 53.8% in 2020 and 2019, respectively. As of December 31, 2020, 2019, and 2018, the official exchange rates of 84.15, 59.89 and 37.70 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

	2020	2019	2018
Total assets	\$ <u>22,442</u>	\$ <u>20,755</u>	\$ <u>20,608</u>



	2020	2019	2018
Equity	\$ <u>11,773</u>	\$ <u>13,796</u>	\$ <u>378</u>
Net sales	\$ <u>30,968</u>	\$ <u>32,315</u>	\$ <u>33,608</u>
Net loss	\$ <u>(1,483)</u>	\$ <u>(2,316)</u>	\$ <u>(5,283)</u>

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 ruling 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 ruling at the reporting date. Exchange differences are recognized in profit or loss.

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

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

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



- 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 due to impairment in the value of its 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 of 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-I).

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.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) over their 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
Automotive equipment	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 any 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; and
- 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. The 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 rents that do not depend on an index or rate are not included in the measurement 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 in the line "Leases" in profit or loss (see Note 22).

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 not used this practical expedient. For a 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.

Through December 31, 2018, the Entity classified a lease as a finance lease whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee; these assets are so specific that only the lessee can use them without making substantial changes or the lease term represents most of the economic life of the asset. All other leases are classified as operating leases.

Lease payments were recognized in profit or loss on a straight-line basis over the term of the lease, unless another systematic basis was more representative of the pattern of consumption of the benefits of the lease. Contingent rents are recognized as expenses in the period in which they are incurred.



- k. **Borrowing costs** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily 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. Whenever there are indicators of impairment in the Entity's equity investments in associates, these are tested for impairment.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

After initial recognition, the comprehensive income of the associates, as well as any distribution of profits or capital reimbursements, are incorporated in the 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 *Non-current Assets Held for Sale and Discontinued Operations*. 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 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 IAS 39 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 (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. Any 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 IAS 39. 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 in relation to that 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 associate or joint venture is disposed of.

Investment in associates in 2020, 2019 and 2018 are as follows: 40% of GF Wavin AG (Switzerland); 25% of Salz. Westfalen GmbH (Germany); and 51% of Netafim Agricultural Financing Agency Ltd. (NAFA); equivalent to \$38,585, \$33,843 and \$35,533, in these years, and a share of profit of associates of \$867; \$4,142 and \$4,272, respectively.



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.

When a Entity entity undertakes its activities under joint operations, the Entity as a joint operator recognizes in relation to its interest in a joint operation:

- 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; and
- 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 particular assets, liabilities, revenue and expenses.

When a Entity entity transacts with a joint operation in which a Entity entity is a joint operator (such as a 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.

When a Entity entity transacts with a joint operation in which a Entity entity is a joint operator (such as a purchase of assets), 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 attaching 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. Impairment in goodwill is 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 41.

- 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 have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where 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.

Recoverable amount is 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 *Business Combinations* 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 and IAS 19, 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; and
- iii. assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.



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 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 a 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 (see above), 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 issue of financial assets and financial liabilities (other than financial assets and financial liabilities 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 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; and
- 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; and
- 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 (i.e. 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 (see below). 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 on 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.



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).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

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 at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called ‘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 at 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 (see hedge accounting policy).

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 ruling at the end of each reporting period.

Impairment of financial assets

The Entity always 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 future 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 taken into account 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 forecast 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; and
- 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; or
- 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 guarantee 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 also 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 (e.g., 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, on the basis of 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 IAS 39: *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 the 'other comprehensive income' line item. Fair value is determined in the manner described in Note 12.

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 (where 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, as well as interest rate risks 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 (fair value hedges), hedges of highly probable forecasted transactions or hedges of foreign exchange risk on firm commitments (cash flow hedges), 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 13 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 of 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 enter into 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.



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 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.

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 reliable 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, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its 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. **Restructurings** - 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 amounts that are both necessarily entailed by the restructuring and not 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 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 where 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, with actuarial valuations being carried out 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 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 (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).
- If contributions are linked to services, they 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 19:70 for the gross benefits.



cc. **Share-based payments**

The Entity has established a Long-Term Incentive Plan (LTIP) for a group of executives, the purpose of which is to align executive compensation with shareholder interests, by conditioning the payment of this incentive upon the Entity's financial performance. Under this plan, the Entity annually awards a specific number of phantom shares aligned with the price movement of the Entity's actual shares, as follows: payments based on restricted phantom shares and payments based on performance phantom shares, which may be exercised, provided that the Entity's financial targets are achieved under the conditions set forth in the plan.

The LTIP is granted annually to the active executives selected, who have at least six months of continuous service at the time of the grant. The number of shares to be awarded will be determined based on the share closing price on the trading day for the period from July 1st to December 31, of the year prior to the grant date.

Payments based on restricted phantom shares: of the total value assigned, 40% is paid in three equal annual installments, only if the Entity's annual performance conditions, established in the plan, are achieved and if eligible personnel is active at the time of payment. The amount payable is calculated based on the average daily closing price of the month prior to that in which the restricted phantom shares are paid.

Payments based on performance phantom shares: 60% of the total value will be paid in the third year of the allocation, only if the Entity's financial performance targets, accumulated for the three years, are achieved, as established in the plan. The amount payable is calculated based on the average daily closing price of the month immediately prior to that in which the performance phantom shares are paid.

The liability recognized is accrued as the employees render service over the period. Payments are made only to employees active in payroll when the exercise of the phantom shares is approved.

The methodology used to project share prices is in accordance with the Black & Scholes methodology, calculated in Mexican pesos, and payable in the local currency of each entity at the exchange rate in effect at the settlement date.

Current options represent liability instruments. An analysis of the share option plan is as follows:

	LTIP restricted	LTIP for performance	Total
Balance as of December 31, 2017	2,029	11,696	13,725
Charge to profit or loss and adjustments	<u>7,237</u>	<u>5,328</u>	<u>12,565</u>
Balance as of December 31, 2018	9,266	17,024	26,290
Charge to profit or loss and adjustments	<u>4,424</u>	<u>(11,320)</u>	<u>(6,896)</u>
Balance as of December 31, 2019	13,690	5,704	19,394
Charge to profit or loss and adjustments	<u>4,550</u>	<u>3,975</u>	<u>8,525</u>
Balance as of December 31, 2020	<u>\$ 18,240</u>	<u>\$ 9,679</u>	<u>\$ 27,919</u>



Valuation of options at fair value and accounting recognition

Current options qualify as liability instruments and are valued at their fair value estimated at the reporting date, with changes in valuation recognized in the statement of profit or loss and other comprehensive income. The fair value of the options was determined considering the remaining lives of the instruments and expected dividend, volatility and interest rates assumptions based on fair market conditions, in accordance with the Black & Scholes methodology.

- 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.
- ee. 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 to which the Entity expects to be entitled in exchange for transferring goods or services to a customer.

Sales-related warranty associated 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, consistent with its previous accounting treatment.

1) Sales of goods

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

- i. **Dura-Line (Data Communications):** 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.
- ii. **Koura (Fluor):** 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.
- iii. **Netafim (Precision Agriculture):** the Entity 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. All this allows the Entity to offer the widest range of solutions according to its customers' needs.



- iv. **Vestolit (Polymer Solutions):** 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.
- v. **Wavin (Building and Infrastructure):** a 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. In Latin America and Europe, 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 handing systems, as well as systems in buildings for "Soil and Waste" and for heating and cooling systems "Hot & Cold" b, including surface heating and cooling.

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 in order to allocate resources and evaluate the performance of each business group:



	Business Group	2020	
PVC paste and resin, compounds, chloride and caustic soda	Vestolit (Polymer Solutions)	\$ 2,170,679	\$
Fluorite, fluorocarbons and hydrofluoric acid	Koura(Fluor)	697,951	
	Wavin (Building and		
Pipelines, natural gas and high-pressure water pipelines	Infrastructure)	2,071,265	
Telecommunications/ datacom	Dura-Line (Data Communications)	732,154	
	Netafim (Precision		
Agriculture and irrigation	Agriculture)	972,015	
Service revenue ⁽ⁱ⁾	Holding	183,720	
Eliminations and other	Other	(408,014)	
		<u>\$ 6,419,770</u>	<u>\$</u>

- (i) Includes other minor-related revenue, mainly from the provision of services, property leases and royalty income related to products and technologies.

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.

- 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.
- The Entity uses estimates to determine both its allowance for obsolete inventories and its allowance for doubtful accounts. The factors that the Entity considers for the inventory allowance are production and sales volumes, and changes in demand for certain products. The factors that the Entity considers to determine 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. Discount rate used to determine the carrying amount of the Entity's defined benefits obligation. 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 contingent 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 the legal advisors.
- f. Control over Ingleside Ethylene LLC - Note 4c describes that Inglesiden Ethylene LLC is a subsidiary of the Entity, who holds a 45% equity interest. Based on contractual agreements with the other investor, the Entity makes the decisions regarding production and sales that give rise to variable returns from this subsidiary.
- 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 separates 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. Business Combinations

In 2018, Orbia acquired Netafim and Sylvin Technologies. The operating results of the acquired businesses are recognized in the consolidated financial statements as of the effective acquisition date. Note 2 to the accompanying consolidated financial statements include disclosures regarding the Entity's business acquired, the most important of which was the acquisition of 80% of the shares of Netafim, Ltd. for a price of \$1,424 million.

a. Consideration transferred

2018	Cash
Netafim, Ltd.	\$ 1,424,093
Sylvin Technologies, Inc.	<u>39,607</u>
	<u>\$ 1,463,700</u>



b. Assets acquired and liabilities assumed at the acquisition date (2018)

As of December 31, 2018, the Entity completed the identification and measurement of the assets acquired and liabilities assumed in its business combinations in 2018, at their fair values at the acquisition date. Therefore, the amounts presented in this note regarding the 2018 business acquired are as follows:

2018	Netafim, Ltd	Sylvin Technologies, Inc.
Assets:		
Cash and cash equivalents	\$ 37,126	\$ -
Accounts receivable and other	297,372	4,758
Inventories	172,233	2,115
Property, plant and equipment	159,096	5,653
Other non-current assets	755,794	15,284
Deferred income taxes	12,303	-
Liabilities:		
Suppliers and other accounts payable	(337,388)	(2,980)
Bank loans and long-term debt	(115,394)	-
Other long-term liabilities	<u>(234,303)</u>	<u>(669)</u>
Total net assets	746,839	24,161
Less: market value of non-controlling interests	<u>(149,368)</u>	<u>-</u>
Total net assets of equity holders of the parent	<u>\$ 597,471</u>	<u>\$ 24,161</u>

c. Redeemable non-controlling interest

Under the shareholders' agreement entered into with the minority shareholders who retained the remaining 20% of the share capital of Netafim (see Note 2f.i), 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 its interest in Netafim to the Entity and Orbia will have the obligation to acquire it at the price agreed in the respective agreement. The value of the option will depend on the market value of Netafim's shares and certain conditions linked to the multiples of the share value. The Entity recognized the future value based on estimated scenarios, while considering the current value of the assumed obligation. This option is known as a redeemable non-controlling interest is reflected as a reduction in its retained earnings in the consolidated statements of changes in stockholders' equity, and as a credit in the non-current liabilities caption of \$227,205. As of December 31, 2020, 2019 and 2018, the Entity's liabilities in the amount of \$274,000, \$264,287 and \$245,799, respectively, were recognized in the Entity's consolidated financial statements at the date acquisition of Netafim.

d. Goodwill from acquisitions

2018	Cash consideration	Liabilities assumed	Value of net assets acquired	Goodwill
Netafim, LTD.	\$ 1,424,093	\$ 38,670	\$ 597,471	\$ 787,952
Sylvin Technologies, Inc.	<u>39,607</u>	<u>-</u>	<u>24,161</u>	<u>15,446</u>
	<u>\$ 1,463,700</u>	<u>\$ 38,670</u>	<u>\$ 621,632</u>	<u>\$ 803,398</u>



Goodwill has arisen in a business combination due to the fact that the consideration paid for this acquisition effectively included amounts in relation to the benefits of the expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash flows from acquisition of subsidiaries

	2018
Cash consideration	\$ 1,463,700
Less: balances of cash and cash equivalents acquired	<u>(37,126)</u>
Net	<u>\$ 1,426,574</u>

f. Effect of acquisitions in the Entity's financial position (unaudited)

The Entity's (unaudited) consolidated statements of financial position as of December 31, 2018, and the pro forma (unaudited) consolidated statements of profit or loss for the year ended December 31, 2018 are presented below. This pro forma information does not necessarily present the real figures which would have been obtained had the acquisitions occurred at that date.

	2018
Condensed consolidated statements of financial position	
Cash and cash equivalents	\$ 699,878
Accounts receivable, Net	1,317,549
Other current assets	<u>959,746</u>
Total current assets	2,977,173
Non-current assets	<u>7,097,785</u>
Total assets	<u>\$ 10,074,958</u>
Bank loans and current portion of long-term debt	\$ 395,928
Suppliers and letters of credit	1,413,669
Other current liabilities	<u>898,390</u>
	2,707,987
Bank loans and long-term debt	3,175,497
Other long-term liabilities	<u>1,021,634</u>
Total liabilities	6,905,118
Share capital	1,755,257
Retained earnings	<u>653,099</u>
Equity holders of the parent	2,408,356
Non-controlling interest	<u>761,484</u>
Total shareholders' equity	<u>3,169,840</u>
Total liabilities and shareholders' equity	<u>\$ 10,074,958</u>



	For the year ended December 31, 2018 (pro forma unaudited)
Consolidated Statements of Income and Other Comprehensive Income	
Net sales	\$ 7,256,916
Cost of sales	<u>5,301,998</u>
Gross profit	1,954,919
General expenses	1,017,349
Net financing income	267,904
Share of loss of associates	<u>(4,272)</u>
Profit before income tax	673,938
Income tax	<u>195,015</u>
Income before discontinued operations	478,923
Discontinued operations	<u>(22,829)</u>
Consolidated net profit	<u>\$ 501,752</u>

7. Transactions which did not generate or required Cash Flows

The Entity has made strategic investments in adherence with the terms and conditions of a lease agreement. In 2020, 2019 and 2018, these transactions represent additions to right-of-use assets totaling \$82,699, \$313,498 and \$3,560, respectively.

8. Cash and Cash Equivalents

An analysis of cash and cash equivalents as of December 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Cash	\$ 623,097	\$ 361,577	\$ 509,481
Cash equivalents:			
Bank papers	78,283	34,516	7,745
Highly liquid investments	<u>173,805</u>	<u>190,316</u>	<u>182,652</u>
	<u>\$ 875,185</u>	<u>\$ 586,409</u>	<u>\$ 699,878</u>

9. Accounts Receivable

An analysis of accounts receivable as of December 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Trade receivables	\$ 1,160,257	\$ 1,217,249	\$ 1,208,211
Less - Allowance for doubtful accounts	<u>(66,852)</u>	<u>(58,915)</u>	<u>(58,320)</u>
	1,093,405	1,158,334	1,149,891
Accounts receivable due from insurance companies	-	-	7,206
Recoverable taxes and other	<u>231,333</u>	<u>193,694</u>	<u>160,452</u>
	<u>\$ 1,324,738</u>	<u>\$ 1,352,028</u>	<u>\$ 1,317,549</u>



Trade receivables -

The average credit term sale for the sale of goods is 58 days as of December 31, 2020. 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 5.8% 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 3.57% of the Entity's trade receivable balance.

Accounts receivable disclosed in the preceding paragraphs include amounts that are past due at the reporting date (see analysis of balances more than 60 days past due below) 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.

	2020	2019	2018
60-90 days	\$ 16,063	\$ 23,050	\$ 18,294
More than 91 days	<u>82,578</u>	<u>64,154</u>	<u>55,599</u>
Total	<u>\$ 98,641</u>	<u>\$ 87,204</u>	<u>\$ 73,893</u>
Average age (days)	<u>58</u>	<u>53</u>	<u>52</u>

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

	2020	2019	2018
Beginning balance	\$ 58,915	\$ 58,320	\$ 42,193
Business combinations	-	-	22,205
Charge to profit or loss	20,403	11,442	5,239
Charges against the allowance	(10,512)	(8,533)	(7,136)
Foreign currency translation reserve	<u>(1,954)</u>	<u>(2,314)</u>	<u>(4,181)</u>
Ending balance	<u>\$ 66,852</u>	<u>\$ 58,915</u>	<u>\$ 58,320</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.



10. Inventories

An analysis of the Entity's inventories as of December 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Finished products	\$ 594,909	\$ 596,175	\$ 585,027
Raw materials	194,310	203,548	229,160
Merchandise in transit	93,758	57,473	73,085
Spare parts	<u>42,652</u>	<u>40,566</u>	<u>43,522</u>
	925,629	897,762	930,794
Less - Allowance for obsolete and slow-moving inventories	<u>(64,507)</u>	<u>(63,324)</u>	<u>(64,995)</u>
	<u>\$ 861,122</u>	<u>\$ 834,438</u>	<u>\$ 865,799</u>

As of December 31, 2020, 2019 and 2018, inventories recognized in the cost of goods sold for inventory use during the reporting period from continuing operations was \$4,165 million, \$4,655 million and \$4,936 million, respectively. During 2020, 2019 and 2018, there were no write-downs of inventory to their net realizable value.

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

	2020	2019	2018
Beginning balance	\$ 63,324	\$ 64,995	\$ 46,848
Charge to profit or loss	2,657	2,706	7,139
Charges against the allowance	(1,716)	(4,202)	(2,804)
Business combinations	-	-	16,785
Foreign currency translation reserve	<u>242</u>	<u>(175)</u>	<u>(2,973)</u>
Ending balance	<u>\$ 64,507</u>	<u>\$ 63,324</u>	<u>\$ 64,995</u>

11. 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 cost-bearing debt includes \$50 and \$365 in 2019 and 2018, respectively, related to letters of credit and supplier accounts payable more than 180 days old, which, for financial restriction purposes, are considered as financial debt. In 2020, the balance for such type of transactions was Ps. 0.



An analysis of the debt ratio is as follows:

	2020	2019	2018
Net cost-bearing debt	2,750,827	2,864,607	2,871,912
Pro Forma EBITDA (unaudited) (12 months)	<u>1,318,256</u>	<u>1,365,205</u>	<u>1,401,149</u>
Debt ratio	<u>2.09</u>	<u>2.10</u>	<u>2.05</u>
	2020	2019	2018
Pro Forma EBITDA (unaudited) (12 months)	1,318,256	1,365,205	1,401,149
Total interest expense	<u>210,725</u>	<u>224,232</u>	<u>211,695</u>
Interest coverage ratio	<u>6.26</u>	<u>6.09</u>	<u>6.62</u>
Net cost-bearing debt	2,750,827	2,864,557	2,871,912
EBITDA **	<u>1,318,256</u>	<u>1,365,205</u>	<u>1,396,546</u>
Debt ratio	<u>2.09</u>	<u>2.10</u>	<u>2.06</u>
EBITDA **	1,318,256	1,365,205	1,396,546
Total interest expense	<u>210,725</u>	<u>224,232</u>	<u>211,695</u>
Interest coverage ratio	<u>6.26</u>	<u>6.09</u>	<u>6.6</u>

** For purposes of this calculation, actual EBITDA is considered. EBITDA only includes businesses acquired from their dates of incorporation.

- b. Interest rate risk management** - The Entity is exposed to interest rate risk because it borrowed funds at floating interest rates. The Entity manages this risk through the use of interest rate swaps when projected rate fluctuations exceed 100 to 200 basis point per quarter. 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 had an increase of 100 basis points at each reporting period, with all other variables held constant, the Entity's profit before income tax in 2020, 2019 and 2018 would have decreased by \$2 million, \$4 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 undiscounted 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, 2020	Average weighted effective interest rate	3 months	6 months	1 year
Bank loans and general market	4.55%	\$ 113,774	\$ 438,339	\$ 8
Suppliers and letters of credit (1)	1.00%	896,324	418,607	1
Other accounts payable and other		486,872	101,549	4
Redeemable non-controlling interest		-	-	-
Lease liabilities	4.67%	23,968	22,137	4
Derivative financial instruments (net cash flow)		13,762	-	-
Total		<u>1,534,700</u>	<u>980,632</u>	<u>19</u>
Cash and cash equivalents		875,185	-	-
Trade and other accounts receivable		<u>1,097,617</u>	<u>135,408</u>	<u>8</u>
Total		<u>1,972,802</u>	<u>135,408</u>	<u>8</u>
Net		<u>\$ 438,102</u>	<u>\$ (845,224)</u>	<u>\$ (10)</u>



As of December 31, 2019	Average weighted effective interest rate	3 months	6 months	1 year
Bank loans and general market	5.55%	\$ 271,631	\$ 107,165	\$ 8
Suppliers and letters of credit (1)	1.00%	849,874	400,612	1
Other accounts payable and other		400,722	296,592	15
Redeemable non-controlling interest		-	-	-
Lease liabilities	4.61%	25,885	31,550	2
Derivative financial instruments (net cash flow)		<u>6,019</u>	<u>-</u>	<u>-</u>
Total		<u>1,554,131</u>	<u>835,919</u>	<u>28</u>
Cash and cash equivalents		586,279	130	-
Trade and other accounts receivable		<u>1,138,000</u>	<u>132,529</u>	<u>8</u>
Total		<u>1,724,279</u>	<u>132,659</u>	<u>8</u>
Net		<u>\$ 170,148</u>	<u>\$ (703,260)</u>	<u>\$ (20)</u>

As of December 31, 2018	Average weighted effective interest rate	3 months	6 months	1 year
Bank loans and general market	5.53%	\$ 138,845	\$ 36,586	\$ 50
Suppliers and letters of credit (1)	1.00%	1,040,812	357,432	1
Other accounts payable and other		437,654	196,566	11
Redeemable non-controlling interest		-	-	-
Lease liabilities	5.41%	5,409	9,066	-
Derivative financial instruments (net cash flow)		<u>8,254</u>	<u>-</u>	<u>-</u>
Total		<u>1,630,974</u>	<u>599,650</u>	<u>65</u>
Cash and cash equivalents		696,073	3,805	-
Trade and other accounts receivable		<u>1,158,101</u>	<u>115,990</u>	<u>4</u>
Total		<u>1,854,174</u>	<u>119,795</u>	<u>4</u>
Net		<u>\$ 223,200</u>	<u>\$ (479,855)</u>	<u>\$ (60)</u>

(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, 2020, the Entity has access to a revolving line of credit with an unused balance of \$1 billion.

- e. **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		
	2020	2019	2018
Euros	196,722	150,338	27,338
Brazilian real	752,300	408,219	39,219
Mexican pesos	2,029,405	1,816,540	1,816,540
Colombian pesos	288,536,207	230,940,505	195,040,505
Pounds sterling	92,996	107,706	1,706

- Foreign currency sensitivity analysis

The following table details the Entity's sensitivity to a 10% increase/decrease in the Mexican peso against the relevant foreign currencies. The 10% 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. 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 external loans as well as loans from foreign operations inside the Entity where the loan is denominated in a currency other than the U.S. dollar. A negative or positive figure, respectively (as shown in the following table) indicates a (decrease) or increase in the results derived from a 10% weakening of the currency against the foreign currency in question:

	2020	2019	2018
Euros	107,046	123,152	91,130
Brazilian real	(5,889)	(3,735)	(5,740)
Mexican pesos	19,677	24,302	17,872
Colombian pesos	(1,827)	(1,239)	(390)
Pounds sterling	4,198	(5,879)	(4,888)

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

As of December 31, the U.S. dollar exchange rates in the following countries where the Entity operates were as follows:

	2020	2019	2018
Brazil	5.20	4.03	3.87
Colombia	3,432.50	3,277.14	3,249.75
Mexico	19.95	18.85	19.68
United Kingdom	0.73	0.76	0.78
European Union (Euro)	0.81	0.89	0.87

- 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, liquidity risk and cash flow interest rate 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 iv 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, including:

- Mexican peso-US dollar Cross Currency Swaps to mitigate the exposure in debts in Mexican pesos.
- Foreign currency Principal Only Swaps to hedge exchange risks arising from the translation into Euros of the Entity's investment in foreign operations whose functional currency is the Euro.
- Interest rate swaps, which serve to exchange variable interest rates of Euro-denominated debt for a fixed rate.
- Dollar-Euro, Dollar-Pound Sterling, Dollar-Israeli Shekel, Dollar-Turkish Lira, Dollar-Indian Rupee, Dollar- Japanese Yen, Dollar- Australian Dollar, Dollar- Yuan Renminbi, Dollar-South African Rand (ZAR) and Dollar-Brazilian Real exchange rate forwards to mitigate exposure to debts with financial institutions and intercompanies in the aforementioned currencies.
- Euro-dollar options to mitigate the exposure in results denominated in such currencies.

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.

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

Principal Only- Swaps - According to the cross-currency swap contracts, 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.

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 and options 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: Euros (EUR), Pounds (GBP), Israeli shekels (ILS), Indian rupees (INR), South African rand (ZAR) and Turkish lira (TRY), among others. These contracts are for terms of one year.

The Entity's functional currency is the U.S. dollar. The Entity has issued: i) debt totaling 3 billion Mexican pesos with 10-year maturities at a fixed rate of 8.12%; and ii) trade paper totaling 300 million GBP maturing in May 2021 at an interest rate of 0.60%.

These swaps have been formally designated as hedging transactions for accounting purposes, as follows:



The Entity currently has five U.S dollar-Euro Principal Only Swaps designated as hedging relationships on a net investment for subsidiaries in Europe.

Similarly, the Entity has four Mexican peso-U.S. Dollar Cross Currency Swaps, which have been designated as cash flow hedging relationships to hedge the Entity's exposure to exchange rate fluctuations related to the revaluation of debt in Mexican pesos.

The Entity has evaluated and measured the hedging effectiveness and concluded that its hedge strategy is highly effective as of December 31, 2020, 2019 and 2018. The Entity uses the ratio analysis method, based on the hypothetical derivative model to simulate the behavior of the hedged item. Such 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 a perfect coverage of the hedged item.

As of December 31, 2020, 2019 and 2018, the fair value of the currency swaps represents a liability of \$102 million, \$79 million and \$128 million, respectively. The effect recognized in equity for the hedge of the investment in the foreign subsidiaries is \$(16) million, \$24 million and \$27 million, net of deferred taxes. With regard to the portion hedging the debt in Mexican pesos and intercompany debt in Euros, the effect of changes in fair value is \$13.5 million, \$6.6 million and \$1.6 million, respectively, and is recognized in profit or loss to cover the revaluation of the hedged item. The amount to be carried to profit or loss during the next 12 months will depend on the behavior in the exchange rates.

12. 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, those 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 provides information on how the fair values of the financial assets and liabilities are determined (specifically, the valuation techniques and the input data used). The following table shows the net fair value of financial instruments by type and their categorization in the fair value hierarchy.



Financial Assets/liabilities	Fair value			Fair value hierarchy	
	31/12/2020 Liabilities	31/12/2019 Liabilities	31/12/2018 Liabilities		
1) Exchange rate and interest rate Swap (see Note 13)	\$ (14,717)	\$ (23,036)	\$ (47,287)	Level 2	T
2) Principal-only Swap EUR/USD (see Note 13)	Liabilities (87,523)	Liabilities (56,089)	Liabilities (80,661)	Level 2	T
3) Forward contracts (see Note 13)	Assets 14,008	Liabilities (265)	Liabilities (285)	Level 2	D
4) Options contracts (see Note 13)	Liabilities (514)	Assets -	Liabilities (54)	Level 2	D
	(88,746)	(79,390)	(128,287)		
Less - Current portion - Net	<u>5,827</u>	<u>(12,609)</u>	<u>(15,629)</u>		
Total	<u>\$ (94,573)</u>	<u>\$ (66,781)</u>	<u>\$ (112,658)</u>		

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

	2020		2019		
	Carrying amount	Fair value	Carrying amount	Fair value	
Financial assets:					
Cash and cash equivalents	\$ 875,185	\$ 875,185	\$ 586,409	\$ 586,409	
Loans and receivables:					
Trade receivables and other current assets	1,319,293	1,319,293	1,356,785	1,356,785	
Accounts payable	(2,537,577)	(2,537,577)	(2,675,382)	(2,675,382)	
Redeemable non-controlling interests	(274,000)	(274,000)	(264,287)	(264,287)	
Bank loans and current portion of long-term debt	<u>(3,626,012)</u>	<u>(4,168,384)</u>	<u>(3,450,966)</u>	<u>(3,450,966)</u>	
Total	<u>\$ (4,243,111)</u>	<u>\$ (4,785,483)</u>	<u>\$ (4,447,441)</u>	<u>\$ (4,447,441)</u>	

As of December 31, 2020, 2019 and 2018, the fair value hierarchy of cash and cash equivalents totaling \$875,187, \$586,409 and \$699,878, respectively, is Level 1.



The fair values shown as of December 31, 2020, 2019 and 2018 do not differ from their carrying amounts, except for bank loans and the current portion of long-term debt (fair value hierarchy Level 1), as the values observed in the market are very similar to those recorded at such date.

During the period, there were no transfers between levels 1 and 2.

13. Derivative Financial Instruments

- a. Foreign currency forwards
 - i. During 2020, the Entity contracted US Dollar (USD)/British Pound (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.
 - ii. In 2019 and 2018, Netafim contracted Euro (EUR)/US dollar (USD), USD/Turkish lira (TRY) and USD/South African rand (ZAR) exchange rate Forwards with Discount, HSBC, Leumi, Mizrachi 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.
 - iii. In July 2017, Wavin (European subsidiary) contracted an EUR/TRY exchange rate Forward with Ak Bank with a term from July 27, to January 26, 2018, for a notional amount of EUR 8 million. The agreed-upon exchange rate was 4.406 Turkish lira per Euro. The forward contract was renewed on July 24, 2018, maturing on January 25, 2019, for a notional amount of EUR 8 million at a forward exchange rate of 6.309.
- b. Options
 - After the acquisition of Netafim, EUR/USD options with HSBC, Leumi, Mizrachi and Poalim were incorporated, which had been contracted by Netafim in 2017, with a term from November 2017 to November 2018 for a notional amount of EUR 19.4 million. The agreed-upon exchange rate ranges from 1.2050 to 1.2138 U.S. dollars per Euro. Similarly, in 2018, EUR/USD options were contracted, with a term from August 2018 to April 2019, as stated in section d. of this Note.
 - “Put” option - 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 (see Note 2a.), 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 its interest in Netafim to the Entity and Orbia will have the obligation to acquire it at the price agreed in the respective agreement. The value of the option will depend on the market value of Netafim’s shares and certain conditions linked to the multiples of the share value. The Entity recognized the future value based on estimated scenarios, while considering the current value of the assumed obligation. The initial accounting record was a debit to equity and a credit to non-current liability as part of the redeemable non-controlling interest caption of \$227 million. As of December 31, 2020, 2019 and 2018, the value of the option was \$274 million, \$264 million and \$245 million, with changes in fair value recognized in profit or loss for the year.
- c. Exchange Rate Swaps, Interest Rate Swaps and Principal-Only Swaps
 - After the acquisition of Netafim, interest rate swaps with Hapoalim and Igud were incorporated; such swaps had been contracted by Netafim in 2015, maturing on March 19, 2020 and June 19, 2018 for a notional amount of EUR 70.6 million and USD \$ 63.7, respectively.
 - Swap contract transactions carried out in 2020, 2019, 2019 and 2018 represent a hedge from a financial standpoint. For accounting purposes these transactions were classified as hedging and trading transactions. The fair value as of December 31, 2020, 2019 and 2018 was \$102,240, \$79,125 and \$127,948, respectively. Changes in fair value were recognized in other comprehensive income and under foreign exchange gain/(loss).



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

Derivative financial instruments	Financial institution	Start date	Maturity date
Exchange rate and interest rate swap	J.P. Morgan	September/08/2015	March/05/2021
Exchange rate and interest rate swap	Bank of America	September/08/2015	March/05/2021
Exchange rate and interest rate swap	HSBC	January/23/2014	March/05/2021
Exchange rate and interest rate swap	Banamex	June/16/2017	March/09/2021
Principal-Only swap EUR/USD	Morgan Stanley	June/10/2015	March/17/2021
Principal-Only swap EUR/USD	Santander	June/11/2015	March/17/2021
Principal-Only swap EUR/USD	Bancomer	May/05/2015	March/18/2021
Principal-Only swap EUR/USD	Banamex	December/03/2015	March/17/2021
Principal-Only swap EUR/USD	Barclays	December/03/2015	March/17/2021
Exchange rate forward	Barclays	September/15/2020	May/17/2021
Exchange rate forward	BBVA	September/15/2020	May/17/2021
Exchange rate forward	Morgan Stanley	September/15/2020	May/17/2021
Exchange rate forward	Santander	September/03/2020	March/11/2021
Exchange rate forward	Santander	November/19/2020	February/10/2021
Exchange rate forward	HSBC	July/06/2020	November/30/2020
Exchange rate forward	Leumi	November/12/2020	June/15/2021
Exchange rate forward	Leumi	July/14/2020	June/30/2021
Exchange rate forward	Leumi	September/16/2020	December/13/2020
Exchange rate forward	Leumi	September/09/2020	April/15/2021
Exchange rate forward	Leumi	September/03/2020	March/15/2021
Exchange rate forward	Poalim	September/03/2020	December/13/2020
Exchange rate forward	Poalim	July/13/2020	August/31/2020
Exchange rate forward	Poalim	November/16/2020	June/15/2021
Exchange rate forward	Poalim	December/23/2020	January/21/2021
Exchange rate forward	Mizrachi	September/09/2020	July/15/2021
Exchange rate forward	HSBC	October/09/2020	July/15/2021
Exchange rate forward	HSBC	September/09/2020	August/13/2020
Exchange rate forward	HSBC	September/03/2020	October/15/2020
Exchange rate forward	HSBC	December/09/2020	January/05/2021
Exchange rate forward	HSBC	December/29/2020	January/07/2021
Exchange rate forward	HSBC	December/11/2020	January/05/2021
Exchange rate forward	HSBC	November/16/2020	January/15/2021
Exchange rate forward	Mizrachi	July/13/2020	March/31/2021
Exchange rate forward	Mizrachi	November/18/2020	June/15/2021
Exchange rate forward	Mizrachi	December/17/2020	January/04/2021
Exchange rate forward	Mizrachi	December/14/2020	January/28/2021
Exchange rate forward	Discount	October/24/2020	March/15/2021
Exchange rate forward	Discount	December/21/2020	January/04/2021
Exchange rate forward	Discount	July/08/2020	January/29/2021
Exchange rate forward	Discount	November/18/2020	March/20/2021
Exchange rate forward	FIBI	July/06/2020	February/25/2021
Exchange rate forward	Investec	November/05/2020	January/15/2021
Exchange rate forward	Investec	September/18/2020	April/15/2021
Plain vanilla options	Discount	August/05/2020	July/30/2021
Plain vanilla options	Leumi	July/29/2020	March/31/2021
Plain vanilla options	Mizrachi	June/10/2020	November/30/2020
Plain vanilla options	Poalim	July/22/2020	November/30/2020

- (i) In May 2019, the Principal-Only swap EUR/USD contracted with Morgan Stanley was canceled.
- (ii) In October 2013, the Entity acquired an exchange rate and interest rate swap with Morgan Stanley, with a term from October 9, 2013 to March 5, 2021, for a notional amount of MXN 1,500,000,000; in September 2015, the Entity negotiated a novation with Bancomer by transferring half of the total amount of the operation, with a resulting notional amount of MXN 750,000,000. In March 2018, a novation was negotiated with Bank of America, transferring the total amount of the operation that the Entity previously had with Morgan Stanley, which is currently in effect with a notional amount of MXN 150,000,000.



- (iii) In September 2015, the Entity negotiated a novation with Bancomer for an exchange rate and interest rate swap that the Entity previously had with Morgan Stanley, with a term from September 10, 2015 to March 5, 2021 for a notional amount of MXN 750,000,000. In March 2018, a novation was negotiated with J.P. Morgan by transferring the total amount of the operation that the Entity previously had with Bancomer, which is currently in effect with a notional amount of MXN 150,000,000.

Derivative financial instruments	Financial Institution	Start date	Maturity date
Exchange rate and interest rate swap	J.P. Morgan	March/05/2018	March/05/2021
Exchange rate and interest rate swap	Bank of America	March/05/2018	March/05/2021
Exchange rate and interest rate swap	HSBC	January/23/2014	March/05/2021
Exchange rate and interest rate swap	Banamex	June/16/2017	March/09/2021
Exchange rate and interest rate swap	MUFG	November/05/19	May/05/2021
Interest rate swap	Hapoalim	June /19/2015	March/19/2021
Principal-Only swap EUR/USD	Morgan Stanley	June/10/2015	March/17/2021
Principal-Only swap EUR/USD	Santander	June/11/2015	March/17/2021
Principal-Only swap EUR/USD (i)	HSBC	September/17/2014	September/17/2021
Principal-Only swap EUR/USD	Bancomer	May/05/2015	March/18/2021
Principal-Only swap EUR/USD	Banamex	December/03/2015	March/17/2021
Principal-Only swap EUR/USD	Barclays	December/03/2015	March/17/2021
Exchange rate forward	Discount	October/15/2019	January/15/2021
Exchange rate forward	FIBI	October/10/2019	February/28/2021
Exchange rate forward	HSBC	December/02/2019	May/29/2021
Exchange rate forward	Leumi	October/18/2019	January/30/2021
Exchange rate forward	Mizrachi	October/10/2019	September/30/2021
Exchange rate forward	Poalim	December/31/2019	April/30/2021
Exchange rate forward	HSBC	December/30/2019	January/30/2021
Exchange rate forward	HSBC	October/28/2019	April/15/2021
Exchange rate forward	Leumi	November/19/2019	April/15/2021
Exchange rate forward	Leumi	December/30/2019	January/02/2021

- (iv) In March 2018, a novation was negotiated with J.P. Morgan transferring the total of the operation that the Entity previously had with Bancomer.
- (v) In March 2018, a novation was negotiated with Bank of America transferring the total of the operation that the Entity previously had with Morgan Stanley.

Derivative financial instruments	Financial institution	Start date	Maturity date
Exchange rate and interest rate swap (i)	J.P. Morgan	March/05/2018	March/05/2021
Exchange rate and interest rate swap (ii)	Bank of America	March/05/2018	March/05/2021
Exchange rate and interest rate swap	HSBC	January/23/2014	March/05/2021
Exchange rate and interest rate swap	Banamex	June/16/2017	March/09/2021
Interest rate swap	Hapoalim	June /19/2015	March/19/2021
Principal-Only swap EUR/USD	Morgan Stanley	June/10/2015	March/17/2021
Principal-Only swap EUR/USD	Santander	June/11/2015	March/17/2021
Principal-Only swap EUR/USD	HSBC	September/17/2014	September/17/2021
Principal-Only swap EUR/USD	Bancomer	May/05/2015	March/18/2021
Principal-Only swap EUR/USD	Banamex	December/03/2015	March/17/2021
Principal-Only swap EUR/USD	Barclays	December/03/2015	March/17/2021
Exchange rate forward	Poalim	August/13/2018	June/28/2021
Exchange rate forward	Leumi	October/31/2018	April/05/2021
Exchange rate forward	HSBC	August/13/2018	July/31/2021
Exchange rate forward	Ak Bank	July/24/2018	January/25/2021
Plain vanilla options	FIBI	September/05/2018	March/29/2021



Derivative financial instruments	Financial institution	Start date	Maturity date
Plain vanilla options	Discount	September/07/2018	May/31/2019
Plain vanilla options	Discount	October/25/2018	May/07/2019
Plain vanilla options	HSBC	September/06/2018	June/28/2019
Plain vanilla options	HSBC	October/17/2018	June/07/2019
Plain vanilla options	Leumi	October/25/2018	May/07/2019
Plain vanilla options	Poalim	October/25/2018	June/07/2019

14. Property, Plant and Equipment

	Balance as of December 31, 2019	Additions	Additions through business combinations	Fixed asset discontinued operations
Investment:				
Land	\$ 212,336	\$ 920	\$ -	\$ -
Buildings and structures	994,958	4,841	-	(2,000)
Machinery and equipment	5,956,449	56,242	-	(15,000)
Office furniture and equipment	165,915	3,280	-	(1,000)
Automotive equipment	38,364	302	-	(1,000)
Projects in process	186,400	138,889	-	(1,000)
Total investment	7,554,422	204,474	-	(19,000)
Depreciation:				
Buildings and structures	597,730	32,841	-	(1,000)
Machinery and equipment	3,453,303	304,188	-	(14,000)
Office furniture and equipment	127,596	14,452	-	(1,000)
Automotive equipment	26,972	2,217	-	(1,000)
Total accumulated depreciation	4,205,601	353,698	-	(17,000)
Net investment	\$ 3,348,821	\$ (149,224)	\$ -	\$ (2,000)
	Balance as of December 31, 2018	Additions	Additions through business combinations	Fixed asset discontinued operations
Investment:				
Land	\$ 220,482	\$ 835	\$ -	\$ -
Buildings and structures	995,559	4,610	-	(1,000)
Machinery and equipment	5,912,673	11,805	-	(6,000)
Office furniture and equipment	152,860	14,731	-	(1,000)
Automotive equipment	38,610	497	-	(1,000)
Projects in process	161,154	191,159	-	(1,000)
Total investment	7,481,338	223,637	-	(9,000)
Depreciation:				
Buildings and structures	579,241	32,294	-	(1,000)
Machinery and equipment	3,247,917	279,008	-	(5,000)
Office furniture and equipment	120,197	19,067	-	(1,000)
Automotive equipment	26,597	2,267	-	(1,000)
Total accumulated depreciation	3,973,952	332,636	-	(6,000)
Net investment	\$ 3,507,386	\$ (108,999)	\$ -	\$ (2,000)



	Balance as of December 31, 2017	Additions	Additions through business combinations	Fixed asset dis- continued op
Investment:				
Land	\$ 250,467	\$ 9	\$ 2,633	\$ -
Buildings and structures	1,042,616	8,087	42,675	(6
Machinery and equipment	5,693,016	59,606	324,418	(6
Office furniture and equipment	121,442	11,349	39,263	(1
Automotive equipment	38,549	324	3,567	(
Projects in process	<u>102,550</u>	<u>154,977</u>	<u>685</u>	
Total investment	7,248,640	234,352	413,241	(8
Depreciation:				
Buildings and structures	588,127	32,606	15,670	(
Machinery and equipment	2,911,836	305,249	204,281	(6
Office furniture and equipment	96,093	13,666	31,447	(1
Automotive equipment	<u>26,089</u>	<u>2,037</u>	<u>2,750</u>	(
Total accumulated depreciation	3,622,145	353,558	254,148	(8
Net investment	<u>\$ 3,626,495</u>	<u>\$ (119,206)</u>	<u>\$ 159,093</u>	<u>\$ (</u>

15. Right-of-use Assets

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

	Balance as of December 31, 2019	Direct additions	Disposals
Investment:			
Land	\$ 28,903	\$ 73	\$ -
Building	184,678	37,353	(
Machinery and equipment	72,526	12,122	(
Office furniture and equipment	8,334	4,682	(
Automotive equipment	<u>142,182</u>	<u>28,469</u>	<u>(</u>
Total investment	436,623	82,699	(
Depreciation:			
Land	1,791	1,479	
Building	33,855	30,748	(
Machinery and equipment	21,966	23,651	(
Office furniture and equipment	1,907	1,187	(
Automotive equipment	<u>40,214</u>	<u>38,558</u>	<u>(</u>
Total accumulated depreciation	99,733	95,623	(
Net investment	<u>\$ 336,890</u>	<u>\$ (12,924)</u>	<u>\$ (</u>
	Balance as of January 1, 2019	Direct additions	Disposals
Investment:			
Land	\$ 20,531	\$ 14,308	\$ -
Building	142,144	41,878	-
Machinery and equipment	65,612	15,889	(
Office furniture and equipment	6,661	2,301	-
Automotive equipment	80,313	63,470	-
Lease prepayments	<u>1,723</u>	<u>-</u>	<u>-</u>
Total investment	316,984	137,846	(1



	Balance as of January 1, 2019	Direct additions	Disposals
Depreciation:			
Land	653	1,138	-
Building	8,362	25,930	-
Machinery and equipment	9,782	12,472	-
Office furniture and equipment	336	1,571	-
Automotive equipment	10,916	29,976	-
Total accumulated depreciation	<u>30,049</u>	<u>71,087</u>	<u>-</u>
Net investment	<u>\$ 286,935</u>	<u>\$ 66,759</u>	<u>\$ (1)</u>

a. Lease liability

	Amount
Lease liabilities as of January 1, 2019	\$ 345,529
New lease liability	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
Current lease liability	<u>82,426</u>
Non-current lease liability	<u>\$ 262,539</u>

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

	Leases under IFRS 16		Financial
Expiration	2020	2019	
1 year	\$ 82,426	\$ 78,149	\$
2 years	53,355	56,296	
3 years	42,438	40,653	
4 years	35,092	32,158	
>4 years	<u>131,654</u>	<u>138,273</u>	
	<u>\$ 344,965</u>	<u>\$ 345,529</u>	<u>\$</u>

b. Lease liabilities recognized in profit or loss for the year ended December 31, 2020

	Amount
Interest expense on lease liabilities	\$ 14,389
Expense related to short-term leases	25,088
Expense related to leases of low-value assets	<u>821</u>
	<u>\$ 40,298</u>



16. Intangible assets and Goodwill

An analysis of intangible assets and goodwill as of December 31, 2020, 2019 and 2018 is as follows:

a. Intangible assets -

	Useful life (years)	2020	2019
Non-compete agreements	5	\$ 382	\$ 83
Customer portfolio	25	784,264	83
Trademark use	Indefinite / finite	608,099	59
Intellectual property	10	248,707	26
Other	5 - 7	<u>92,079</u>	<u>7</u>
		<u>\$ 1,733,531</u>	<u>\$ 1,76</u>
Cost	Non-compete agreements	Customer portfolio	Trademark
Balance as of January 1, 2018	\$ 184,359	\$ 920,476	\$ 43
Acquisitions through business combinations	-	292,660	19
New developments and investments	-	-	-
Foreign currency translation reserve	<u>168</u>	<u>10,271</u>	<u>(1)</u>
Balance as of December 31, 2018 (cost)	184,527	1,223,407	62
Acquisitions through business combinations	-	-	-
New developments and investments	-	-	-
Foreign currency translation reserve	<u>9</u>	<u>(22,915)</u>	<u>(1)</u>
Balance as of December 31, 2019 (cost)	184,536	1,200,492	61
New developments and investments	-	-	-
Foreign currency translation reserve	<u>(4)</u>	<u>14,149</u>	<u>1</u>
Balance as of December 31, 2020 (cost)	<u>\$ 184,532</u>	<u>\$ 1,214,641</u>	<u>\$ 63</u>
Amortization	Non-compete agreements	Customer portfolio	Trademark
Balance as of January 1, 2018 (amortization)	183,111	266,528	2
Amortization expense	<u>349</u>	<u>48,194</u>	<u>-</u>
Balance as of December 31, 2018 (amortization)	183,460	314,722	2
Amortization expense	341	50,885	-
Balance as of December 31, 2019 (amortization)	<u>183,801</u>	<u>365,607</u>	<u>2</u>
Amortization expense	349	54,770	-
Balance as of December 31, 2020 (amortization)	<u>184,150</u>	<u>430,377</u>	<u>2</u>
Net assets as of December 31, 2020	<u>\$ 382</u>	<u>\$ 784,264</u>	<u>\$ 60</u>



b. Goodwill -

	2020	2019	2018
Netafim, Ltd.	\$ 787,952	\$ 787,952	\$ 787,952
Dura-Line Holdings, Inc.	166,356	166,356	166,356
Mexichem Resinas Vinílicas, S.A. de C.V.	101,176	101,176	101,176
Mexichem Amanco Holding, S.A. de C.V.	87,964	90,582	90,582
Mexichem Speciality Resins, Inc.	65,546	65,546	65,546
Mexichem Resinas Colombia, S.A.S.	54,593	54,593	54,593
Mexichem Specialty Compounds, Inc.	65,991	65,991	65,991
Fluorita de México, S.A. de C.V.	45,682	45,682	45,682
Wavin N.V.	30,249	27,545	27,545
VESTO PVC Holding GmbH	31,767	28,929	28,929
Other	<u>54,119</u>	<u>57,332</u>	<u>57,332</u>
Total	<u>\$ 1,491,395</u>	<u>\$ 1,491,684</u>	<u>\$ 1,491,684</u>
Beginning balance	\$ 1,491,684	\$ 1,492,691	\$ 1,492,691
Business combinations during the year (Note 6d)	-	-	80,000
Foreign exchange loss	<u>(289)</u>	<u>(1,007)</u>	<u>(1,007)</u>
Ending balance	<u>\$ 1,491,395</u>	<u>\$ 1,491,684</u>	<u>\$ 1,491,684</u>

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

An analysis of this caption is as follows:

	2020	2019	2018
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.	750,000	750,000	750,000



	2020	2019	2018
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
Bank of England Issuance of Commercial Paper for £300 million. The loan's discount rate is 0.60%, and matures on May 18, 2021.	408,753	-	-
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
Rabobank 5-year bank loan for \$75 million, bearing quarterly interest at a variable rate (3-month LIBOR + 1.75%) The loan principal is repayable quarterly, and matures in March 2024.	60,000	70,000	-
IFC Bank loan for \$40 million, bearing interest at a variable rate (3-month LIBOR + 1.95%). The loan matures on June 28, 2024.	40,000	-	-
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.	38,750	46,250	-
Bank loan for £107 million, bearing interest at a fixed rate of 16.45%. The loan matures on June 15, 2024.	14,611	-	-



	2020	2019	2018
Issuance of a 10-year International Bond for \$350 million, bearing semi-annual interest at a fixed rate of 8.75%. The loan principal was repaid upon original maturity in November 2019.	-	-	82,882
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	200,000
HSBC Line of credit for \$51 million, bearing quarterly interest at the LIBOR + 1.50%. The loan principal was repaid in a single installment upon maturity in April 2020. The loan principal was repaid in full in 2019.	-	-	51,000
Syndicated loan for \$75 million, bearing quarterly interest at a variable rate (3-month LIBOR + 3.96%). The loan had a grace period of 1.5 years. After that period, 35% of the loan principal was repaid on a semi-annual basis, with a final payment upon maturity of the remaining 65% in March 2020. The Entity repaid \$20 million against the loan in March 2018. The loan was repaid in full in March 2019.	-	-	39,584
Syndicated loan for €70.7 million, bearing quarterly interest at a variable rate (3-month EURIBOR + 3.84%). The loan had a grace period of 1.5 years. After that period, 35% of the loan principal was repaid on a semi-annual basis, with a final repayment upon maturity of the remaining 65% in March 2020. The Entity repaid €18.6 million against the loan in March 2018. The loan was repaid in full in March 2019.	-	-	42,950



	2020	2019	2018
Short-term revolving loan with an available line of credit of up to \$200 million. The loan bears interest at a variable LIBOR rate + 2.30%.	-	-	38,669
Other	38,474	42,078	39,687
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.	150,386	159,192	152,417
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	77,644
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	-
Total	3,666,361	3,500,513	3,624,833
Less - Bank loans and current portion of long-term debt	(495,306)	(322,346)	(395,928)
Less - Debt issue costs	(40,349)	(49,547)	(53,408)
	<u>\$ 3,130,706</u>	<u>\$ 3,128,620</u>	<u>\$ 3,175,497</u>

An analysis of long-term debt maturities, net of related debt issue costs, as of December 31, 2020 is as follows:

Maturity date	
2022	\$ 929,562
2023	39,411
2024	42,932
2025 and thereafter	<u>2,118,801</u>
	<u>\$ 3,130,706</u>



As of December 31, 2020, 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 of not less than between 3.0 and 1.0.
- c. The Entity must maintain a gearing ratio on the earnings before interest, taxes, depreciation and amortization of not less than between 3.0 to 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

18. 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 a retirement benefit plan managed by local governments. To finance the plan, the relevant subsidiaries are required to contribute a specific percentage of the employees' salary to the retirement benefit plan. The Entity's only legal obligation in regard 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.

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.

The 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.
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, a higher salary increase than projected of the plan participants will increase the defined benefit plan's liability.

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, 2020 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 follows:

	2020	2019	2018
Discount rate	2.70%	3.25%	4.47%
Expected salary increase rate	2.79%	2.45%	3.32%
Expected return on plan assets	2.70%	3.25%	4.47%

The amounts recognized in the Entity's consolidated comprehensive income in respect of the defined benefit plans are as follows:

	2020	2019	2018
Service cost:			
Current-year service cost	\$ 9,616	\$ 5,464	\$ 5,571
Past service cost and (gain)/loss from settlements	(851)	(35)	1,742
Interest expense, net	<u>2,937</u>	<u>8,591</u>	<u>5,129</u>
Defined benefit cost items recognized in profit or loss	<u>11,702</u>	<u>14,020</u>	<u>12,442</u>
Remeasurement of defined benefit obligation, net:			
Return on plan assets (excluding amounts included in net interest expense)	\$ (31,111)	\$ (18,527)	\$ 8,205
Actuarial losses/(gains) arising from changes in demographic assumptions	60,961	24,020	15,111
Actuarial losses/(gains) arising from changes in financial assumptions	3,146	17,152	(7,415)
Actuarial losses/(gains) arising from past experience adjustments	<u>4,397</u>	<u>(2,674)</u>	<u>(3,015)</u>
Components of defined benefit costs recognized in other comprehensive income	<u>37,393</u>	<u>19,971</u>	<u>12,886</u>
Total	<u>\$ 49,095</u>	<u>\$ 33,991</u>	<u>\$ 25,328</u>



In 2020, changes in demographic assumptions gave rise to actuarial losses. Such changes included the following:

- A revision of the life expectancy assumption to reflect the most recent data and models
- The elimination of the +1 classification used in the mortality assumption
- The adoption of updated cash swap factors; only Wavin will modify the percentage of the pension that is supposed to be exchanged for cash upon retirement.

The primary contributing factor for the actuarial loss was the elimination of the +1 age classification used in the mortality assumption. As a result, the defined benefit obligation increased by approximately £12 million for Wavin and £2 million for Hepworth.

The gain from the change in the retirement assumption for Wavin has been included in the change in the demographic assumptions and has offset some of the actuarial losses.

The current year service cost and net interest cost for the year are included in the employee benefit expense in the consolidated statements of income and other comprehensive income, both in selling expenses, in selling and development expenses as in administrative expenses.

The remeasurement of the net defined benefit obligation is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Entity's obligation in respect to its defined benefit plans is as follows:

	2020	2019	2018
Present value of funded defined benefit obligation	\$ (614,460)	\$ (525,018)	\$ (465,697)
Fair value of plan assets	<u>366,236</u>	<u>319,564</u>	<u>283,670</u>
Net liability from the defined benefit obligation	(248,224)	(205,454)	(182,027)
Share-based payments and other benefits	<u>(13,078)</u>	<u>(10,018)</u>	<u>(18,078)</u>
	(261,302)	(215,472)	(200,105)
Employee benefits	<u>(12,649)</u>	<u>(13,781)</u>	<u>(13,856)</u>
Long-term liabilities for employee benefits	<u>\$ 273,951</u>	<u>\$ 229,253</u>	<u>\$ 213,961</u>

	2020					
	Polymer solutions	Fluor	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:

	2020	2019	2018
Beginning balance of defined benefit obligation	\$ 525,018	\$ 465,697	\$ 503,957
Current-year service cost	9,616	5,464	5,571
Interest cost	10,258	17,943	6,923
Remeasurement of (gains)/losses			
Actuarial losses/(gains) arising from changes in demographic assumptions	60,961	38,098	(10,661)
Actuarial losses/(gains) arising from changes in financial assumptions	8,382	17,174	(7,567)
Actuarial (gains)/losses arising from past experience adjustments	(3,916)	(1,667)	792
Changes in plan asset ceiling	3,462	-	-
Past service cost, including gains from curtailments	(851)	(35)	1,742
Liabilities assumed in business combinations	-	72	7,958
Exchange rate differences applicable to plans denominated in a currency other than the presentation currency	23,945	4,183	(21,347)
Benefits paid	(22,453)	(22,329)	(21,944)
Plan contributions	<u>38</u>	<u>418</u>	<u>273</u>
Ending balance of defined benefit obligation	<u>\$ 614,460</u>	<u>\$ 525,018</u>	<u>\$ 465,697</u>

Changes in the present value of plan assets:

	2020	2019	2019
Beginning balance of plan assets at fair value	\$ 319,564	\$ 283,670	\$ 318,028
Interest income	7,322	9,351	1,795
Remeasurement of gains/(losses)			
Return on plan assets (excluding amounts included in net interest expense)	31,111	18,527	(8,205)
Employer contributions	11,051	9,785	5,791
Plan participant contributions	38	43	(211)
Assets acquired in a business combination	-	-	3,887
Exchange rate differences on foreign plans	12,083	15,164	(19,787)
Benefits paid	(13,777)	(15,855)	(16,549)
Administrative expenses	<u>(1,156)</u>	<u>(1,121)</u>	<u>(1,079)</u>
Ending balance of plan assets at fair value	<u>\$ 366,236</u>	<u>\$ 319,564</u>	<u>\$ 283,670</u>



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

	2020	2019	2018
Equity investments	\$ 84,960	\$ 75,608	\$ 67,046
Debt investments and debt instruments	171,543	156,684	135,899
Investments in funds and other	<u>109,733</u>	<u>87,272</u>	<u>80,725</u>
Total	<u>\$ 366,236</u>	<u>\$ 319,564</u>	<u>\$ 283,670</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 and 2018, the plan assets include common shares of the Entity with an accumulated fair value of \$41 and \$46, respectively. In 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 2020, 2019 and 2018, if the discount rate was 1% higher/(lower), the defined benefit obligation would have decreased/(increased) by \$17,862, \$22,676 and \$18,458, 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 primary strategic decisions taken in the context of the Fund's actuarial policy whitepaper are:

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		
	2020	2019	2018
Equity instruments	0.63%	0.77%	1.06%
Debt instruments	<u>2.07%</u>	<u>2.48%</u>	<u>3.41%</u>
Weighted average expected return	<u>2.70%</u>	<u>3.25%</u>	<u>4.47%</u>

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:

	2020	2019	2018
Present value of defined benefit obligation	\$ 614,460	\$ 525,018	\$ 46
Fair value of plan assets	<u>(366,236)</u>	<u>(319,564)</u>	<u>(28)</u>
Net defined benefit obligation	\$ 248,224	\$ 205,454	\$ 18
Experience adjustments on plan liabilities	\$ (3,905)	\$ (73)	\$
Experience adjustments on plan assets	\$ 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, 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 global market portfolio (GMP) and the changes in assumptions in respect of 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.

19. Provisions

An analysis of provisions as of December 31, 2020, 2019 and 2018 is as follows:

	Legal	Restructurings	Warrant
Balance as of December 31, 2018	23,158	3,899	
Business combination	2,601	-	
Charge/(credit) to profit or loss	18,257	(655)	
Charges against the allowance	(11,852)	(3,184)	
Foreign currency translation reserve	<u>(6,439)</u>	<u>498</u>	
Balance as of December 31, 2018	25,725	558	
Business combination	-	-	-
Charge/(credit) to profit or loss	33,315	1,417	
Charges against the allowance	(1,285)	(737)	
Foreign currency translation reserve	<u>267</u>	<u>(278)</u>	
Balance as of December 31, 2019	58,022	960	
Charge/(credit) to profit or loss	23,970	8,750	
Charges against the allowance	(50,680)	(2,876)	
Foreign currency translation reserve	<u>(655)</u>	<u>288</u>	
Balance as of December 31, 2020	\$ 30,657	\$ 7,122	\$
Current	19,612	7,052	6,375
Non-current	11,045	70	1,547



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 risk level of less than probable and higher than remote of resulting in unfavorable verdicts for the Entity. The Entity considers that these legal proceedings will not have an adverse material effect on its consolidated financial position.

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 reserve amount covers an estimated five-year period, mainly for Wavin's operations.

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

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.

20. Stockholder's Equity

a. Contributed capital

The Entity's share capital as of December 31, 2020, 2019 and 2018 is represented by 2,100,000,000 common registered shares, issued and outstanding, with voting rights and no par value. Fixed share capital is represented by registered Class "I" shares without withdrawal rights. Variable share capital is represented by registered Class "II" shares with no par value, which must not exceed 10 times the Entity's minimum fixed share capital. An analysis of the Entity's share capital as of December 31, 2020, 2019 and 2018 is as follows:

	No. of shares	Amount
Paid-in capital		
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>

Basic earnings per share are equal to the diluted earnings per share because the Entity does not have potential shares that may result in dilution of earnings per share.

b. Share buyback reserve

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.

At an Ordinary Shareholders' Meeting held on April 23, 2018, the shareholders approved a partial cancellation of the share buyback fund balance which was not used from April 26, 2017 through April 22, 2018 of \$359,876; similarly, the shareholders agreed to increase the reserve by \$376,154 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 December 2, 2019, the shareholders approved the payment of a cash dividend of \$180 million, applied to retained earnings and the net taxed profits account (CUFIN, by its acronym in Spanish), payable in four installments during 2020. d

At an Ordinary Shareholders' Meeting held on November 26, 2018, the shareholders approved the payment of a cash dividend of \$168 million, applied to retained earnings and the CUFIN balance, payable in four installments during 2019.

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, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, the Entity has the following tax balances:

	2020	2019	2018
Restated contributed capital account (CUCA)	\$ <u>1,558,658</u>	\$ <u>1,621,179</u>	\$ <u>1,507,554</u>
Net taxed profits account (CUFIN)	\$ <u>183,429</u>	\$ <u>331,764</u>	\$ <u>449,552</u>



21. Related party balances and transactions

- a. An analysis of balances due from and to related parties is as follows:

	2020	2019	2018
Due from:			
Pochteca Materias Primas, S.A. de C.V.	\$ 1,499	\$ 3,645	\$ 2,631
Eternit Colombiana, S.A.	113	373	411
Elementia Servicios Administrativos, S.A. de C.V.	3,369	720	1,760
Elementia, S.A. de C.V.	-	-	-
Other	<u>464</u>	<u>19</u>	<u>569</u>
	<u>\$ 5,445</u>	<u>\$ 4,757</u>	<u>\$ 5,371</u>
Due to:			
Kaluz, S.A. de C.V.	\$ -	\$ 99,655	\$ 116,097
George Fisher Wavin	377	-	-
Pochteca Materias Primas, S.A. de C.V.	210	538	319
Other	<u>84</u>	<u>340</u>	<u>139</u>
	<u>\$ 671</u>	<u>\$ 100,533</u>	<u>\$ 116,555</u>

- b. The Entity had the following transactions with its related parties:

	2020	2019	2018
Revenue from:			
Sales	\$ 6,897	\$ 6,163	\$ 6,261
Administrative services	<u>-</u>	<u>3,056</u>	<u>3,330</u>
	<u>\$ 6,897</u>	<u>\$ 9,219</u>	<u>\$ 9,591</u>
Expenses for:			
Administrative services	\$ 4,528	\$ 13,551	\$ 10,495
Purchases	2,245	1,723	2,768
Donations	-	-	1,178
Others	<u>446</u>	<u>314</u>	<u>719</u>
	<u>\$ 7,239</u>	<u>\$ 15,588</u>	<u>\$ 15,160</u>

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

	2020	2019	2018
Short-term employee benefits	\$ 8,651	\$ 7,200	\$ 7,556
Termination benefits	<u>3,519</u>	<u>1,819</u>	<u>873</u>
	<u>\$ 12,170</u>	<u>\$ 9,019</u>	<u>\$ 8,429</u>



22. Cost of sales and operating expenses

a. Cost of sales

	2020	2019	2018
Raw material and other consumable goods	\$ 3,041,732	\$ 3,381,373	\$ 3,739,211
Labor cost	441,119	419,077	415,993
Manufacturing expenses	324,337	437,093	309,712
Freight	372,951	417,731	409,518
Depreciation	<u>393,469</u>	<u>373,645</u>	<u>325,061</u>
	<u>\$ 4,573,608</u>	<u>\$ 5,028,919</u>	<u>\$ 5,199,495</u>

b. Selling and development expenses

	2020	2019	2018
Salaries, wages and other travel expenses	\$ 314,835	\$ 338,110	\$ 330,818
Repair and maintenance	7,277	8,970	7,310
External services	63,814	66,334	80,530
Leases	10,278	12,582	25,300
Advertising and marketing	23,170	31,172	16,715
Sales commissions	31,369	38,082	35,764
Taxes and fees	2,357	2,449	2,726
Insurance	5,599	9,491	4,357
Allowance for doubtful accounts	20,403	11,441	4,390
Others	46,194	54,977	47,746
Depreciation	36,530	31,889	13,382
Amortization	<u>23,090</u>	<u>19,204</u>	<u>19,113</u>
	<u>\$ 584,916</u>	<u>\$ 624,701</u>	<u>\$ 588,151</u>

c. Administrative expenses

	2020	2019	2018
Salaries, wages and other benefits	\$ 211,086	\$ 203,417	\$ 204,027
External services	95,742	81,457	52,056
Taxes and fees	8,505	9,397	10,241
Telephone service	8,190	4,219	2,616
Repair and maintenance	19,733	21,061	20,452
Insurance	8,182	7,137	6,936
Leases	7,298	7,786	14,251
Related-party administrative services	4,427	13,551	10,495
Others	-	2,365	23,863
Depreciation	25,041	19,338	18,101
Amortization	<u>119,656</u>	<u>98,106</u>	<u>86,075</u>
	<u>\$ 507,860</u>	<u>\$ 467,834</u>	<u>\$ 449,113</u>



d. Other expenses, net

	2020	2019	2018
Expenses:			
Legal provisions	\$ 6,430	\$ 30,172	\$ 16,406
Extraordinary taxes	-	3,433	939
Loss on sale of fixed assets	9,286	1,739	4,432
Recovery of insurance claims	-	42	443
Business acquisitions	-	4,329	5,001
Restructuring	15,533	6,692	998
Donations	1,360	406	1,520
Others	5,041	-	303
	<u>37,650</u>	<u>46,813</u>	<u>30,042</u>
Revenue:			
Gain on sale of waste materials	(644)	(2,014)	-
Recovery of taxes	(2,242)	-	-
Recovery of insurance claims	(1,848)	-	(3,479)
Others	-	(2,092)	-
	<u>(4,734)</u>	<u>(4,106)</u>	<u>(3,479)</u>
Other expenses, net	<u>\$ 32,916</u>	<u>\$ 42,707</u>	<u>\$ 26,563</u>

23. Income Tax

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 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 are 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, 2020 is approximately \$2,857.

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, the Entity made the seventh deferred payment for tax losses arising from the sale of shares in 2020. This payment amounted to \$1,134 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 2020, 2019 and 2018 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 2020 in the countries where the Entity operates are as follows:

	%		%
Germany	33	Italy	24
Argentina	35	Japan	30
Australia	30	Kenya	30
Austria	25	Latvia	20
Belgium	29	Lithuania	15
Brazil	34	Morocco	31
Bulgaria	10	Mexico	30
Canada	27	Nicaragua	30
China	25	Norway	22
Chile	27	Oman	15
Colombia	32	Panama	25
Costa Rica	30	Peru	30
Croatia	18	Poland	19
Denmark	22	United Kingdom	19
Ecuador	25	Czech Republic	19
El Salvador	30	Serbia	15
Slovakia	21	Rwanda	30
United States of America	21	Romania	16
Estonia	20	Russia	20
Spain	25	South Africa	28
Finland	20	Sweden	21
France	33	Switzerland	21
Guatemala	25	Singapore	17
Greece	24	Thailand	20
Netherlands	25	Taiwan	20
Honduras	25	Turkey	22
Hungary	9	Ukraine	18
India	30	Uruguay	25
Israel	23	Venezuela	34
Indonesia	25	Vietnam	20
Ireland	13		

a. Deferred taxes

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

	2020	2019	2018
Property, plant and equipment	\$ 454,043	\$ 477,631	\$ 471,928
Inventories		52	(350)
Liabilities deductible upon payment	(64,399)	(42,304)	(24,323)
Tax loss carryforwards	(365,343)	(330,341)	(335,846)
Intangible assets	100,688	101,173	121,974
Other	(10,912)	3,630	19,418
	<u>114,077</u>	<u>209,841</u>	<u>252,801</u>
Deferred tax asset	<u>\$ 199,701</u>	<u>\$ 125,649</u>	<u>\$ 95,879</u>
Deferred tax liability	<u>\$ 313,778</u>	<u>\$ 335,490</u>	<u>\$ 348,680</u>



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

	2020	2019	2018
Beginning balance	\$ 209,841	\$ 252,801	\$ 78,336
Income tax provision recognized in profit or loss	(94,747)	(37,293)	(30,989)
Effect of assets and liabilities of acquired companies	-	-	188,448
Foreign currency translation reserve	15,262	(2,382)	14,457
Discontinued operations		(129)	9,785
Effect on equity of components of other comprehensive income	<u>(16,278)</u>	<u>(3,156)</u>	<u>(7,236)</u>
	<u>\$ 114,078</u>	<u>\$ 209,841</u>	<u>\$ 252,801</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:

	2020	%	2019
Profit before income tax	\$ 479,248	25.89	\$ 53,448
Permanent items:			
Cumulative annual inflation adjustment	127,990	6.92	10,448
Non-taxable revenue	(139,480)	(7.55)	(11,448)
Non-deductible expenses	44,346	2.40	6,448
Assets for tax losses not previously recognized and unrecognized loss, net	132,246	7.14	(29,448)
Effect of changes on statutory tax rate	3,541	0.19	
Other taxes	28,411	1.53	9,448
Dividends from foreign operations	89,212	4.82	20,448
Foreign exchange gain or loss and translation effect, net	(129,496)	(7.01)	18,448
Others	<u>(52,851)</u>	<u>(2.86)</u>	<u>4,448</u>
Total permanent items	<u>103,919</u>	<u>5.58</u>	<u>29,448</u>
Taxable profit	<u>\$ 583,167</u>	<u>31.47</u>	<u>\$ 82,896</u>
Current income tax	\$ 245,558		\$ 24,448
Deferred income tax	<u>(94,747)</u>		<u>(3,448)</u>
Total income tax	<u>\$ 150,811</u>		<u>\$ 20,999</u>
Effective income tax rate	31.47%		38.47%
Average statutory income tax rate	25.89%		24.47%



The Entity has tax losses from prior years for which it has recognized the corresponding deferred tax asset and that it may carry forward against taxable profit of future years if certain requirements are met. The expiration dates of the tax losses and recoverable taxes of the individual entities and their restated amounts as of December 31, 2020 are as follows:

Year of expiration	Tax loss carryforwards
2021	\$ 589
2022	2,681
2023	13,812
2024	44,673
2025	258,066
2026	361,646
2027	77,564
2028	181
2029 and thereafter	360,139
No expiration	<u>533,278</u>
	<u>\$ 1,652,629</u>

As of December 31, 2020, the Entity reported tax losses of \$353,294 for which it did not recognize a deferred tax asset, since management is uncertain that these deferred tax assets will materialize in the future.

24. 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 2020, 2019 and 2018.

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.

	2020	2019	2018
Sales	\$ 27	\$ 414	\$ -
Cost of sales	(175)	(140)	
Other income/(expenses), net	(9,239)	(295)	32,613
Interest income, net	(345)	95	-
Income tax expense/(benefit)	<u>75</u>	<u>(181)</u>	<u>(9,784)</u>
(Loss)/profit from discontinued operations	<u>\$ (9,657)</u>	<u>\$ (107)</u>	<u>\$ 22,829</u>

25. Lease arrangements

As of December 31, 2020 and 2019, the Entity has contractual lease commitments for the amount of \$5,974 and \$2,960, respectively. In 2018, the Entity had commitments under operating leases for the amount of \$306,991 in accordance with IAS 17.



An analysis of the maturities of contractual commitments as of December 31, 2020 is as follows:

	Year	Amount		
	2021	\$	3,916	
	2022		1,669	
	2023		221	
	2024		168	
	2025 and thereafter		-	
		\$	<u>5,974</u>	

Leased asset	Balance 2020	Balance 2019	Balance 2018
Buildings	\$ 473	\$ -	\$ 179,678
Machinery and equipment	5,048	1,195	100,311
Office furniture and equipment	437	1,113	1,258
Automotive equipment	<u>16</u>	<u>652</u>	<u>25,744</u>
	<u>\$ 5,974</u>	<u>\$ 2,960</u>	<u>\$ 306,991</u>

26. Contingencies

The Entity is party to various lawsuits and claims arising from its normal course of business, and it has recognized contingent liabilities using estimates based on the current status of these lawsuits and claims. The Entity does not expect that these matters will have a material effect on its financial situation or operating results.

Netafim Ltd. is currently engaged in a government irrigation project in the Tigray region of Ethiopia (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 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. At present, all parties are cooperating and monitoring the situation, which appears to be gradually stabilizing. If the force majeure condition continues for an extended period of time, the parties to the project agreement each has the right to terminate the project agreement. In addition to potential costs arising from delays to the project and possible damage to the existing works, it is possible that Netafim could incur additional material liabilities under certain scenarios.

On September 25, 2018, Netafim Irrigation Inc. (Netafim), a subsidiary of Orbia in the US, learned that on September 22, 2018, Jain 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 Netafim, 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. As of the date hereof, Netafim intends to vigorously enforce its rights and does not anticipate that this matter will result in material liabilities to the Entity.



27. 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) Wavin (Building & Infrastructure), ii) Dura-Line (Data Communications), iii) Netafim (Precision Agriculture), (which were previously presented as the "Fluent" reportable segment), iv) Koura (formerly Fluor), and v) Vestolit (Polymer Solutions). 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:

	Polymer Solutions	Fluor	Building Infrastruct
Net sales	\$ 2,170,679	\$ 697,951	\$ 2,07
Cost of sales	<u>1,764,404</u>	<u>406,744</u>	<u>1,48</u>
Gross profit	406,275	291,207	58
General expenses	182,435	97,736	45
Other related party expenses/(income)	-	3	
Royalties	27,487	7,766	
Foreign exchange (gain)/loss, net	(4,135)	(13,945)	1
Interest expense	28,677	2,495	1
Interest income	(1,911)	(7,308)	(1
Change in fair value of redeemable non-controlling interests	-	-	-
Monetary position loss	-	-	
Share of gain of subsidiaries and associates	<u>(1,669)</u>	<u>(5,758)</u>	<u>(</u>
Profit before income tax	175,391	210,218	12
Income tax	<u>53,894</u>	<u>75,328</u>	<u>3</u>
Profit before discontinued operations	121,497	134,890	8
Discontinued operations	<u>(8,085)</u>	<u>(262)</u>	
Consolidated net profit	<u>\$ 113,412</u>	<u>\$ 134,628</u>	<u>\$ 8</u>

	Polymer Solutions	Fluor	Building Infrastruct
Net sales	\$ 2,333,796	\$ 805,187	\$ 2,23
Cost of sales	<u>1,900,166</u>	<u>434,244</u>	<u>1,63</u>
Gross profit	433,630	370,943	60
General expenses	162,762	77,354	46
Other related party expenses/(income)	61,016	26,689	-
Royalties	28,136	8,703	



	Polymer Solutions	Fluor	Building Infrastruc
Foreign exchange loss/(gain), net	3,851	1,692	
Interest expense	38,069	4,329	1
Interest income	(4,617)	(12,013)	(2)
Change in fair value of redeemable non-controlling interests	-	-	-
Monetary position gain	-	-	
Share of gain of subsidiaries and associates	(9,829)	(6,586)	(
Profit before income tax	154,242	270,775	14
Income tax	46,976	108,942	3
Profit before discontinued operations	107,266	161,833	11
Discontinued operations	502	(318)	
Consolidated net profit	<u>\$ 107,768</u>	<u>\$ 161,515</u>	<u>\$ 11</u>

	Polymer Solutions	Fluor	Building Infrastruc
Net sales	\$ 2,460,074	\$ 837,383	\$ 2,36
Cost of sales	<u>1,940,591</u>	<u>445,017</u>	<u>1,73</u>
Gross profit	519,483	392,366	62
General expenses	133,515	71,182	46
Other related party expenses/(income)	56,113	18,752	-
Royalties	28,980	8,704	
Foreign exchange loss/(gain), net	9,235	446	2
Interest expense	40,881	4,583	1
Interest income	(7,130)	(9,908)	(2)
Change in fair value of redeemable non-controlling interests	-	-	-
Monetary position gain	-	-	(1
Share of gain of subsidiaries and associates	(15,590)	(17)	(
Profit before income tax	273,479	298,624	15
Income tax	<u>63,451</u>	<u>66,613</u>	<u>2</u>
Profit before discontinued operations	210,028	232,011	13
Discontinued operations	20,727	1,937	
Consolidated net profit	<u>\$ 230,755</u>	<u>\$ 233,948</u>	<u>\$ 13</u>

The accounting policies for reporting segments are the same as those of the Entity (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.

	Polymer Solutions	Fluor	As o Building Infrastruc
Current assets:			
Cash and cash equivalents	\$ 231,474	\$ 122,345	\$ 28
Accounts receivable, net	405,620	211,657	31
Other current assets	263,302	450,304	40
Assets held for sale	<u>1,254</u>	<u>3,869</u>	
Total current assets	901,650	788,175	1,01
Property, plant and equipment	1,991,223	302,221	62
Other assets	<u>760,211</u>	<u>225,514</u>	<u>1,33</u>
Total assets	<u>\$ 3,653,084</u>	<u>\$ 1,315,910</u>	<u>\$ 2,97</u>



			As of December 31, 2018
	Polymer Solutions	Fluor	Building Infrastructure
Current liabilities:			
Bank loans and current portion of long-term debt	\$ 7,687	\$ 7,681	\$ -
Suppliers and letters of credit	702,872	46,905	33,000
Other current liabilities	250,477	63,075	42,000
Liabilities associated with assets held for sale	-	5,783	-
Total current liabilities	<u>961,036</u>	<u>123,444</u>	<u>76,000</u>
Bank loans and long-term debt	-	-	-
Other long-term liabilities	<u>807,552</u>	<u>178,748</u>	<u>30,000</u>
Total liabilities	<u>1,768,588</u>	<u>302,192</u>	<u>1,06,000</u>
Total equity	<u>\$ 1,884,496</u>	<u>\$ 1,013,718</u>	<u>\$ 1,90,000</u>

			As of December 31, 2017
	Polymer Solutions	Fluor	Building Infrastructure
Current assets:			
Cash and cash equivalents	\$ 192,898	\$ 120,591	\$ 14,000
Accounts receivable, net	444,641	199,627	34,000
Other current assets	264,912	384,608	36,000
Assets held for sale	<u>1,254</u>	<u>3,870</u>	<u>-</u>
Total current assets	<u>903,705</u>	<u>708,696</u>	<u>85,000</u>
Property, plant and equipment, net	2,091,671	301,585	67,000
Other assets, net	<u>783,145</u>	<u>271,633</u>	<u>1,35,000</u>
Total assets	<u>\$ 3,778,521</u>	<u>\$ 1,281,914</u>	<u>\$ 2,88,000</u>
Current liabilities:			
Bank loans and current portion of long-term debt	\$ 16,288	\$ 16,287	\$ -
Suppliers and letters of credit	674,527	42,101	28,000
Other current liabilities	515,017	89,553	39,000
Liabilities associated with assets held for sale	-	5,605	-
Total current liabilities	<u>1,205,832</u>	<u>153,546</u>	<u>69,000</u>
Bank loans and long-term debt	8,067	8,043	-
Other long-term liabilities	<u>614,494</u>	<u>201,472</u>	<u>28,000</u>
Total liabilities	<u>1,828,393</u>	<u>363,061</u>	<u>97,000</u>
Total equity	<u>\$ 1,950,128</u>	<u>\$ 918,853</u>	<u>\$ 1,90,000</u>



			As of
	Polymer Solutions	Fluor	Building & Infrastructure
Current assets:			
Cash and cash equivalents	\$ 146,954	\$ 204,760	\$ 18,384
Accounts receivable, net	428,156	171,592	38,471
Other current assets	307,170	358,471	38,471
Assets held for sale	<u>1,804</u>	<u>4,025</u>	<u>95,000</u>
Total current assets	884,084	738,848	95,000
Property, plant and equipment, net	2,210,676	296,822	69,000
Other assets, net	<u>671,963</u>	<u>169,260</u>	<u>1,350,000</u>
Total assets	<u>\$ 3,766,723</u>	<u>\$ 1,204,930</u>	<u>\$ 3,000,000</u>
Current liabilities:			
Bank loans and current portion of long-term debt	\$ 15,594	\$ 15,594	\$ 33,471
Suppliers and letters of credit	744,996	51,028	83,471
Other current liabilities	569,407	46,051	-
Liabilities associated with assets held for sale	<u>-</u>	<u>6,375</u>	<u>-</u>
Total current liabilities	1,329,997	119,048	1,166,942
Bank loans and long-term debt	74,244	23,212	-
Other long-term liabilities	<u>362,861</u>	<u>173,587</u>	<u>(19,000)</u>
Total liabilities	<u>1,767,102</u>	<u>315,847</u>	<u>97,942</u>
Total equity	<u>\$ 1,999,621</u>	<u>\$ 889,083</u>	<u>\$ 2,030,000</u>

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

	Depreciation and amortization		
	2020	2019	2018
Polymer Solutions	\$ 238,124	\$ 233,313	\$ 20,000
Fluor	60,859	57,840	4,000
Building & Infrastructure	134,257	129,912	12,000
Data Communications	32,901	29,933	2,000
Precision Agriculture	91,925	87,700	2,000
Controlling Entity	<u>39,721</u>	<u>3,485</u>	<u>4,000</u>
	<u>\$ 597,787</u>	<u>\$ 542,183</u>	<u>\$ 46,000</u>

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

Country or region	Net sales from external customers		
	December 2020	December 2019	December 2018
Mexico	\$ 1,247,375	\$ 1,322,888	\$ 1,340,000
Northwest Europe	1,138,524	1,237,309	1,250,000
U.S.A.	1,220,845	1,174,672	1,170,000
Southwest Europe	794,925	894,272	790,000



Country or region	Net sales from external customers		
	December 2020	December 2019	December 2018
Colombia	466,060	542,218	521,111
Africa, Middle East and Asia	383,642	473,155	473,155
Brazil	333,595	367,811	367,811
Central and Eastern Europe	227,054	237,123	281,111
Southeast Europe	35,472	41,552	22,111
Central America	159,063	196,839	181,111
Other	69,194	100,097	171,111
Israel	166,234	175,598	161,111
Peru	99,307	128,144	111,111
Ecuador	78,336	95,357	101,111
Venezuela	144	147	147
Total	<u>\$ 6,419,770</u>	<u>\$ 6,987,182</u>	<u>\$ 7,191,111</u>

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

28. Subsequent Events

As of December 31, 2020, the Entity created a reserve of \$25,000 in relation to the investigation on Vestolit GmbH by European Union authorities. On January 15, 2021, the Entity paid a fine of EUR 22,367,000 to the relevant authorities of the European Union, and has thus concluded the matter.

29. Approval of Issue of the Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2018 were approved by the Audit Committee, Board of Directors and at the Ordinary Shareholders' Meeting on February 25 and 26, and April 23, 2019, respectively. The consolidated financial statements for the year ended December 31, 2019 were approved on February 25 and 26, and April 23, 2020, respectively. On February 22, 2021, the issuance of the accompanying consolidated financial statements for the year ended December 31, 2020 was authorized by Mr. Edgardo Carlos, Finance Director, and by the Audit Committee; consequently, they 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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[105000] Comentarios y Análisis de la Administración

Comentarios de la gerencia [bloque de texto]

Orbia Anuncia sus Resultados del Primer Trimestre 2021

Ciudad de México, a 28 de abril de 2021 – Orbia Advance Corporation, S.A.B. de C.V. (BMV: ORBIA*) (“Orbia” o “la Compañía”) reporta sus resultados no auditados del primer trimestre de 2021.

Datos Relevantes del 1T 2021

(Todas las métricas se comparan con el 1T 2020 a menos que se indique lo contrario)

Orbia inició el año con un trimestre extraordinariamente sólido, registrando un crecimiento de doble dígito en ingresos y EBITDA, principalmente por la fortaleza registrada en los resultados de Polymer Solutions y Wavin, así como por el buen desempeño de Netafim.

- Los ingresos netos aumentaron 18% a \$1.9 mil millones, impulsados por el entorno de los precios de PVC en el caso de Polymer Solutions y una fuerte demanda en los mercados de Wavin y Netafim;
- El EBITDA reportado alcanzó \$451 millones, un incremento de 46%. El margen de EBITDA fue de 23.6%, aumentando 455 puntos básicos;
- La utilidad neta mayoritaria aumentó 213%, al ubicarse en \$141 millones;
- El flujo libre operativo fue negativo ubicándose en \$85 millones, reflejando el aumento en el capital de trabajo por los mayores niveles de ventas;
- El nivel de apalancamiento (Deuda Neta a EBITDA) mejoró a niveles de 1.97x;
- Revisión al alza de la perspectiva de crecimiento de EBITDA para 2021.

“Orbia continúa satisfaciendo las necesidades de sus clientes y obteniendo excelentes resultados financieros trimestrales, a pesar de los efectos persistentes de la pandemia mundial, de las dificultades derivadas de las condiciones meteorológicas extremas en la región de la Costa del Golfo de los Estados Unidos y de la escasez de materias primas,” dijo Sameer Bharadwaj, Director General de Orbia. “Mantuvimos el ímpetu en la ejecución de nuestra estrategia de crecimiento, centrándonos en productos de valor añadido, eficiencias operativas y expansión geográfica, mismos que favorecieron tanto el crecimiento de los ingresos como de los márgenes. Continuamos siendo optimistas en cuanto a las oportunidades que tenemos frente a nosotros y buscaremos seguir fortaleciendo la oferta de soluciones que son esenciales para impulsar la vida alrededor del mundo. Me gustaría agradecer personalmente a nuestros más de 21,500 colaboradores que han trabajado de forma incansable para hacer posible estos resultados”, añadió Bharadwaj.

Notas y Definiciones

Los resultados contenidos en este documento han sido preparados de acuerdo con las Normas Internacionales de Información Financiera (“NIIF” o “IFRS”), siendo el dólar americano la moneda funcional y de reporte. Salvo que se especifique de otra forma, las cifras se reportan en millones.

A partir del 1T 2019, reportamos el EBITDA de nuestros Grupos de Negocios con los cargos corporativos y regalías Inter compañías incluidos, el EBITDA de 2018 también ha sido ajustado para hacerlo comparable.

En nuestro esfuerzo continuo por informar mejor al mercado, y como parte de nuestra transformación para convertirnos en una organización más centrada en el cliente, a partir del 1T 2019, los ingresos en Fluent se presentaron de manera geográfica, así como por división global de negocio: Netafim (Precision Agriculture), Dura-Line (Data Communications), Wavin (Building & Infrastructure),— que anteriormente se presentaban como Fluent (sólo a efectos de información)— Polymer Solution (Vestolit & Alphagary) y Koura (Fluorinated Solution).

Las cifras y los porcentajes han sido redondeados y puede ser que, por lo mismo, no sumen.

Información Prospectiva

“En adición a información de carácter histórico, el presente comunicado de prensa contiene “Información Prospectiva” que refleja las expectativas de la administración en torno al futuro. La utilización de palabras como “anticipar”, “creer”, “estimar” “esperar” “tener la intención de”, “poder” “planear” “deber” y cualesquiera otras expresiones similares generalmente indican comentarios basados en expectativas. Los resultados finales podrían diferir materialmente de las expectativas actuales debido a diferentes factores, entre los que se incluyen, pero no se encuentran limitados a, cambios a nivel local e internacional de corte político, la economía, el negocio, la competencia, los mercados y cuestiones de carácter regulatorio, tendencias cíclicas en los mercados relevantes en que participa la Compañía, así como cualesquiera otros factores previstos en la sección “Factores de Riesgo” del reporte anual presentado por Orbia ante la Comisión Nacional Bancaria y de Valores (CNBV). La información prospectiva incluida en el presente representa los puntos de vista de Orbia a la fecha del presente comunicado de prensa. Orbia no asume obligación alguna de revisar o actualizar públicamente ninguna información prospectiva por cualquier razón salvo que así lo exija la legislación aplicable.”

Información a revelar sobre la naturaleza del negocio [bloque de texto]

Orbia es una comunidad de empresas unidas por un mismo propósito: Impulsar la vida alrededor del mundo. Los grupos de negocio de Orbia son Precision Agriculture (Netafim), Data Communications (Dura-Line), Building and Infrastructure (Wavin), Fluor (Koura) y Polymer Solutions (Vestolit) que de forma colectiva buscan garantizar la seguridad alimentaria, reducir la escasez de agua, reinventar el futuro de ciudades y hogares, conectar a las comunidades con la infraestructura de datos y ampliar el acceso a la salud y el bienestar con materiales avanzados. Orbia tiene actividades comerciales en más de 100 países y operaciones en 41, con sedes en la Ciudad de México, Boston, Ámsterdam y Tel Aviv.

Orbia es un proveedor líder de productos y soluciones en múltiples sectores, incluyendo construcción e infraestructura, agricultura, salud, transporte, telecomunicaciones, energía y químicos entre otros. Es uno de los mayores productores de tuberías y conexiones de plástico a nivel mundial y una de las mayores empresas químicas y petroquímicas de América Latina. Los principales productos de la Compañía son: tuberías y conexiones de PVC, polietileno (PE) y polipropileno (PP), de polietileno de alta densidad (HDPE), goteros de riego y geosintéticos; así como fluorita, fluorocompuestos, ácido fluorhídrico, gases refrigerantes y propelentes médicos, y finalmente resinas y compuestos de cloruro de polivinilo (PVC), entre otros.

Información a revelar sobre los objetivos de la gerencia y sus estrategias para alcanzar esos objetivos [bloque de texto]

Orbia se rige con un modelo de crecimiento global guiado por su propósito. Esto significa que nuestra organización está identificando problemas en la infraestructura y retos en comunidades y ciudades a lo largo y ancho del mundo y desarrollando soluciones innovadoras para resolverlos. Este planteamiento para nuestro negocio es una cuestión más sobre identificar los retos del hoy, así como analizar las trayectorias de crecimiento y de predecir los retos del mañana. Así, la Compañía ha decidido poner un mayor énfasis en sus mercados finales poniendo como centro de la estratégica al cliente y sus necesidades, para desarrollar productos cada vez más especializados, tecnológicos e innovadores y cada vez mas soluciones conocidas como “human-centered”, en las que

Orbia ha identificado y pueda seguir identificando apremiantes desafíos. Orbia ha adoptado una mayor disciplina en cuanto la decisión de inversión en los proyectos tanto orgánicos e inorgánicos mediante un modelo de asignación de capital en el que se incluye en un primer filtro los riesgos, mitigaciones, alineación a la estrategia de Orbia, potencial de crecimiento global y local, rentabilidad y capacidad operacional.

Información a revelar sobre los recursos, riesgos y relaciones más significativos de la entidad [bloque de texto]

- **Factores de Riesgo**

Los riesgos e incertidumbres descritos a continuación no son los únicos que enfrentamos. Los riesgos e incertidumbres adicionales de los que no tenemos conocimiento o que actualmente consideramos no materiales pueden también afectar nuestras operaciones comerciales. Cualquiera de los siguientes riesgos, en caso de que se presenten, podrían afectar de manera adversa y sustancial nuestro negocio, los resultados de operaciones, los prospectos y la situación financiera. En tal caso, el precio de mercado de nuestros CEBURES, Senior Notes y de la acción ORBIA * podría declinar y usted podría perder toda o parte de su inversión.

Factores de Riesgo Relacionados con nuestro negocio e industria

- La naturaleza cíclica de la industria puede disminuir los resultados del negocio y sus márgenes.

Las operaciones son dependientes en forma relevante de la industria energética y petroquímica.

La falta de desarrollo de nuevos productos, tecnologías de producción, acceso a nuevas tecnologías, la imposibilidad de desarrollar productos que satisfagan las necesidades del mercado, que se desarrollen materias primas que sustituyan las que la Compañía utiliza o produce actualmente Orbia o la imposibilidad de implementar iniciativas en materia de productividad y reducción de costos de manera exitosa, podría afectar de forma adversa su posición competitiva.

El no mantener avances tecnológicos actualizados en las industrias en que opera Orbia o buscar o desarrollar tecnologías comercialmente no aceptadas podría afectar su negocio, sus resultados de operación o situación financiera.

El negocio de la Compañía está sujeto a los riesgos generalmente relacionados con operaciones comerciales internacionales y sus ganancias y ventas netas podrían verse afectadas de manera adversa por las condiciones económicas y el panorama en los países donde operamos.

Orbia enfrenta una intensa competencia de otros proveedores de productos similares.

Las fluctuaciones en los precios de las principales materias primas, incluyendo gas natural, energía eléctrica, azufre, etano, etileno, resinas, entre otros, pueden afectar de forma adversa el negocio y resultados operativos de la Compañía.

Cualquier interrupción en el suministro de materias primas podría afectar las operaciones de Orbia.

El mantenimiento, el incremento y las mejoras relacionadas con la capacidad de producción, así como las operaciones de adquisiciones de la Compañía, por lo general requieren inversiones significativas, sin poderse garantizar la obtención del rendimiento esperado en éstas.

Orbia está expuesta al riesgo de una posible expropiación o nacionalización de los activos en algunos de los países en donde opera.

La base de clientes de la Emisora tiene cierto grado de dependencia a los principales clientes y la pérdida de la totalidad o de una parte de los negocios con algunos clientes importantes puede afectar de manera adversa sus resultados operativos.

La incapacidad de administrar el crecimiento eficazmente podría afectar de manera adversa el negocio de la Compañía, sus resultados operativos y situación financiera.

Recientemente Orbia ha hecho y puede hacer adquisiciones significativas que, en caso de no integrarse de manera satisfactoria con la compañía, pueden afectar de forma adversa sus resultados operativos.

Orbia está expuesta a riesgos de producto que podrían provocar daños a terceros.

Los impactos relacionados con el cambio climático podrían resultar en requisitos regulatorios o legales adicionales, así como en inversiones no contempladas por la Compañía.

Orbia está expuesta a riesgos relacionados con eventos meteorológicos extremos, incluyendo el posible daño a sus instalaciones y la falta de disponibilidad de recursos hídricos para mantener la operación de sus instalaciones.

Los desastres naturales, el peligro de producción y otros eventos podrían afectar de manera adversa las operaciones de Orbia.

La pérdida de ejecutivos clave tanto de la Emisora como de las sociedades adquiridas presentes o futuras pudiera afectar sus operaciones.

Los conflictos laborales podrían afectar los resultados operativos de Orbia.

Orbia es una controladora y no cuenta con activos significativos distintos a las acciones de sus subsidiarias; como resultado, puede no ser capaz de cumplir con sus obligaciones.

La incapacidad de obtener suficiente capital para financiar adquisiciones o expansiones podría retrasar o impedir la implementación de la estrategia comercial de la Compañía.

Orbia está sujeta a determinadas obligaciones restrictivas de hacer y no hacer por virtud de la celebración de sus contratos de crédito, lo que podría limitar sus actividades comerciales futuras.

Nuestra capacidad de vender acciones adicionales a fin de obtener capital para la expansión de nuestro negocio dependerá, en parte, del precio de mercado de nuestras acciones, y el incumplimiento con las expectativas del mercado con respecto a nuestro negocio podría tener un efecto negativo en el precio de mercado de las acciones y limitar nuestra habilidad de venderlas.

Orbia ha optado por cubrir una parte del riesgo asociado con las fluctuaciones en las tasas de interés y/o tipos de cambio utilizando contratos de cobertura.

La adopción de nuevos criterios contables, así como los cambios en los ya existentes pudieran traer un efecto material adverso en nuestros resultados de operación y situación financiera.

Podemos no ser capaces de proteger nuestros derechos de propiedad intelectual.

Empleamos y desarrollamos tecnologías que pueden infringir determinados derechos de propiedad intelectual de terceros.

Mayores compensaciones económicas podrían requerirse para pagarse a los empleados por innovación tecnológica.

Estamos sujetos a procedimientos legales y administrativos en determinados países en los que operamos, cuyos resultados podrían afectar de manera adversa nuestro negocio.

Los costos por incumplir con las leyes en materia de protección ambiental, salud y seguridad, así como cualquier contingencia que surja en relación con dichas leyes, pueden aumentar, afectando de manera adversa nuestras operaciones, resultados operacionales, flujos de efectivo o situación financiera.

En el supuesto de que la Compañía no cumpla con las disposiciones legales en materia de prevención de la corrupción, sobornos y lavado de dinero, podría hacerse acreedora a multas significativas y su prestigio y operaciones podrían verse afectados en forma adversa.

El uso de redes sociales podría afectar de manera adversa e impactar nuestra reputación.

Los cambios en las tecnologías de la información podrían afectar de manera negativa nuestra operación.

Nuestras operaciones podrían verse afectadas por una falla, interrupción o colapso de nuestro sistema de TI (Tecnologías de Información).

Las fallas en el sistema de seguridad de nuestra información y sistemas y procesos tecnológicos podrían afectar sustancialmente a nuestras subsidiarias, filiales, proveedores y clientes, así como restringir o afectar de manera adversa el acceso a nuestras redes y sistemas operativos, o exponernos a importantes consecuencias legales, financieras, operativas e incluso relacionadas con nuestra reputación.

Ataques cibernéticos u otras afectaciones a nuestra red o sistemas de información podría causar un efecto adverso en nuestro negocio.

Nuestro modelo de contratación para productos de polietileno de alta densidad (HDPE) implica determinados riesgos relacionados con retención de clientes, lo cual podría representar un efecto adverso sustancial en nuestra situación financiera y comercial.

Las operaciones de los grupos de negocio Netafim, Dura-Line y Wavin dependen de la industria de la agricultura, telecomunicaciones y construcción, respectivamente.

Los cambios en los niveles de inversión en la industria de telecomunicaciones de voz y de datos podrían afectar la producción y ventas de nuestros productos en Dura-Line.

Las ventas de Netafim son altamente dependientes al dinamismo de la industria de la agricultura incluyendo el apoyo del gobierno a este sector.

Las condiciones en Israel podrían afectar las operaciones del negocio de Netafim.

Una disminución en los precios o la actividad agrícola causada por el clima u otras condiciones, las enfermedades de los cultivos y los desastres naturales podrían llevar a una disminución de la demanda de nuestros productos y afectar adversamente nuestro negocio, condición financiera o resultado de operación.

Nuestras operaciones podrían verse interrumpidas o afectadas como resultado del deber de su equipo directivo clave de cumplir con el servicio militar.

Nuestra relación con OxyChem, nuestro socio en Ingleside Ethylene, o el proceso de toma de decisiones del Kibbutz Hatzerim respecto de su inversión en el 20% del capital social de Netafim, podría representar un efecto adverso sustancial en nuestra situación financiera y comercial.

Nuestros contratos establecidos con OxyChem, proveedores de etano, etileno y VCM pueden ser insuficientes para cumplir con todas nuestras necesidades operativas y comerciales, los cuales pueden afectar nuestros costos de producción por aumentos del precio de nuestras materias primas o por falta de capacidad de producción.

Nuestras concesiones mineras pudieran ser objeto de declaratoria de nulidad, cancelación, suspensión, expropiación o revocación de derechos de conformidad a las disposiciones legales aplicables y/o podríamos no ser capaces de renovar nuestras concesiones existentes, lo que podría tener un efecto sustancial adverso en nuestras operaciones y situación financiera.

El volumen de reservas de fluorita y nuestra tasa de producción pueden ser diferentes a las esperadas.

Las importaciones ilegales de gases refrigerantes a Europa afectan las ventas de Koura.

Factores de Riesgo Relativos a México y a otros Países donde la Compañía tiene sus principales operaciones.

Epidemias en los países en que realizamos nuestras operaciones productivas y comerciales o pandemias que afecten a todos los países, podrían interrumpirlas por suspensión de actividades, rompimiento de cadenas de suministro, o bloqueo de cadenas de distribución de los productos.

Los cambios en las políticas gubernamentales de México y otros de los principales países donde opera la Emisora podrían afectar adversamente las operaciones, resultados de operación, situación financiera y perspectivas

La situación económica, política y social en México, los EUA, Alemania, el Reino Unido, Colombia, Brasil e India puede afectar en forma adversa las operaciones de la Compañía

La Compañía se encuentra sujeta a controles cambiarios en algunos de los países en los que opera

Los sucesos políticos, geopolíticos y económicos en el mundo y sobre todo en los países en los que opera la Compañía o hacia los que vende sus productos y/o servicios, podrían afectar adversamente a los planes de negocio, la situación financiera y el resultado de operación de la Compañía

Orbia podría ser afectada a causa del cambio de administración federal y de nuevos congresistas en los Estados Unidos

Sucesos en México o en otros países podrían afectar adversamente la economía mexicana y otras economías latinoamericanas, el valor de mercado de los valores en los que Orbia cotiza y sus resultados de operación

La inflación y las medidas gubernamentales para restringir la inflación y/o reactivar las economías pueden afectar de manera negativa las economías de los países en los que opera la Compañía, así como su negocio, sus operaciones y los precios de mercado de sus valores

Las fluctuaciones cambiarias de las monedas de los países donde opera la Compañía, con respecto al Dólar, y una variación significativa en las tasas de interés variables, podrían afectar de manera negativa a la Compañía

Las leyes de competencia económica en México y en otros países en los que opera Orbia pueden limitar la capacidad para expandir sus operaciones

El incumplimiento de, o estar sujetos a regulaciones gubernamentales más estrictas podría afectarnos de manera negativa

El Congreso Mexicano y las autoridades legislativas de los países en los que Orbia tiene presencia, podrían aprobar legislaciones que resulten en incrementos a las obligaciones fiscales

Las NIIF difieren en varios aspectos con las normas de información financiera estadounidenses o con muchas de las Normas de Información Financiera que aplican en los países que Orbia opera o en donde se negocian sus valores

Factores de Riesgo Relacionados con los Valores emitidos por la Compañía.

- El precio de mercado de las acciones en circulación puede fluctuar de manera significativa

Liquidez relativamente baja y alta volatilidad del mercado de valores mexicano podría hacer que los precios y volúmenes de operación de las acciones fluctúen de manera significativa

Conforme a la legislación mexicana, los derechos de los accionistas pudiesen ser más limitados, diferentes o menos definidos que en otras jurisdicciones

No es posible asegurar que Orbia será capaz de pagar o mantener dividendos en efectivo, y sus políticas de dividendos están sujetas a cambios. El pago y el monto de los dividendos se encuentran sujetos a la resolución de los accionistas

Si se emiten acciones adicionales en el futuro, el inversionista puede sufrir una dilución, y los precios de operación para las acciones ORBIA* podrían disminuir

Los accionistas principales y relacionados, quienes controlan a Orbia, podrían tener intereses que difieran del resto de los accionistas y de los Tenedores de los Certificados Bursátiles y/o las Notas

Posibles incumplimientos de los requisitos de mantenimiento de listado de los valores en el BMV o de su inscripción en el RNV podría afectar el precio de los valores

Ausencia de mercado para las acciones en circulación o una baja en la bursatilidad de la acción podría afectar el precio de la acción

La Compañía registra niveles importantes de endeudamiento

Ausencia de Mercado para las Notas y Certificados Bursátiles

Los contratos y títulos que rigen la deuda, incluyendo las Notas y los Certificados Bursátiles, contienen previsiones cruzadas de incumplimiento que pueden causar que toda la deuda emitida bajo tales instrumentos se venza anticipadamente y sea exigible su pago de forma inmediata como resultado de un evento de incumplimiento previsto en otro instrumento de deuda no relacionado Las garantías de pago de la deuda por parte de las subsidiarias de Orbia podrían no ser ejecutables inmediatamente

Lo previsto por la legislación mexicana puede dificultar a los tenedores de las Notas y/o Certificados Bursátiles convertir las cantidades pagadas por la Compañía en beneficio de los tenedores en pesos mexicanos a dólares de los EUA o que les sean reconocidos la totalidad del valor de dichos pagos

Los tenedores de las Notas y los Certificados Bursátiles, podrían ver limitada su posibilidad de entablar procesos o juicios en contra de la Compañía en tribunales mexicanos

El cobro de intereses sobre intereses podría no ser exigible en México

El pago de las Notas y de los Certificados Bursátiles, así como de las garantías relacionadas, puede estar estructuralmente subordinado respecto de las obligaciones de deuda de las subsidiarias avales y garantes como de no avales ni garantes de Orbia, así como otra deuda que no tenga la misma estructura de garantías, estaría subordinada estructuralmente a aquella que sí la tenga

Una disminución en la calificación de riesgo de crédito de Orbia y/o de sus créditos podría afectar de manera adversa su posibilidad de acceso a los mercados de crédito

Resultados de las operaciones y perspectivas [bloque de texto]

Resultados Financieros por Grupo de Negocio

(Todas las métricas se comparan con el 1T 2020 a menos que se indique lo contrario)

Netafim (Precision Agriculture, 14% de las ventas):

Los sistemas de vanguardia de irrigación, servicios y tecnologías agrícolas digitales de Netafim permiten lograr rendimientos significativamente más altos y alimentos de mejor calidad mientras utilizan menos agua, fertilizantes y otros insumos. Al crecer más con menos, Netafim ayuda a los agricultores de todo el mundo a alimentar al planeta de manera más eficiente y sostenible.

En millones de dólares	Primer Trimestre		
	2021	2020	%Var.
Netafim			
Ingresos totales	275	232	19%
Utilidad de operación	29	15	93%
EBITDA	52	37	41%

Los ingresos totalizaron \$275 millones, un incremento de 19%, debido a los buenos resultados en la mayoría de las regiones, especialmente en Estados Unidos, Europa, Israel, Turquía y China. Los elevados precios de los cultivos de productos básicos también contribuyeron a la continua y sólida demanda.

El EBITDA se ubicó en \$52 millones, aumentando 41%. El margen de EBITDA ascendió a 19.1%, mejorando en 318 puntos básicos, gracias a la eficiencia operativa y a la reducción de los gastos, parcialmente compensada por el aumento de los costos de las materias primas.

Dura-Line (Data Communications, 9% de las ventas):

Dura-Line opera bajo la convicción de que cada organización, cada comunidad y cada habitante del planeta merecen la posibilidad de beneficiarse al máximo de la tecnología moderna. La Compañía produce anualmente más de 400 millones de metros de infraestructura esencial e innovadora -conductos, FuturePath, cables-en-conducto y accesorios- los cuales crean las vías físicas para la fibra óptica y otras tecnologías de red que conectan ciudades, hogares y personas. Dura-Line es el líder mundial en la fabricación

En millones de dólares	Primer Trimestre		
	2021	2020	%Var.
Dura-Line			
Ingresos totales	184	170	8%
Utilidad de operación	21	21	0%
EBITDA	29	29	0%

y distribución de dichos productos en una industria altamente dinámica.

Los ingresos alcanzaron \$184 millones, aumentando 8%, impulsados principalmente por la sólida demanda en Norteamérica y Europa. Los resultados se vieron afectados por condiciones meteorológicas desfavorables en el Medio Oeste de EE.UU. y en Texas, que limitaron la disponibilidad de resina y afectaron la ejecución de proyectos de fibra en la región.

El EBITDA se ubicó en \$29 millones, manteniéndose prácticamente estable. El margen de EBITDA fue del 15.8%, un descenso de 126 puntos básicos, debido principalmente a un aumento significativo de los costos de las materias primas en Norteamérica y Europa.

Wavin (Building & Infrastructure, 34% de las ventas):

Wavin está redefiniendo la industria actual de tuberías y sus accesorios, gracias a la creación de soluciones innovadoras con mayor vida útil y menor trabajo de instalación. Este grupo, con clientes en tres continentes, también desarrolla tecnologías sostenibles para sistemas de manejo del agua, así como sistemas de calentamiento y enfriamiento del agua en viviendas. Wavin es uno de los principales productores mundiales de estas soluciones en Latinoamérica y Europa.

En millones de dólares	Primer Trimestre		
	2021	2020	%Var.
Wavin			
Ingresos totales	679	512	33%
Utilidad de operación	62	20	210%
EBITDA	95	51	86%

Los ingresos ascendieron a \$679 millones, incrementándose 33%, debido a la sólida demanda de nuestros productos en la región de EMEA y Latinoamérica. La escasez de materias primas, que provocó un fuerte aumento en los precios, hizo que los clientes acumularan inventarios en marzo. Sin embargo, Wavin logró satisfacer la demanda de los clientes a pesar de la escasez de materias primas.

El EBITDA alcanzó \$95 millones, aumentando 86%, gracias a la transición a productos de mayor valor agregado, a una eficaz ejecución de la estrategia comercial y a eficiencias operativas. El sólido desempeño de Wavin en Europa particularmente en Alemania y en el Reino Unido, así como en Latinoamérica, particularmente en Brasil, México y Colombia, contribuyó al crecimiento del EBITDA. El margen de EBITDA se ubicó en 14.0%, aumentando 418 puntos básicos.

Tanto en la región de EMEA como en Latinoamérica, Wavin consiguió una mezcla de producto más favorable con un mayor crecimiento de ventas en el segmento de mayor valor agregado ("Above Ground").

Koura (Fluorinated Solutions, 9% de las ventas):

Koura provee productos, tecnologías y otras aplicaciones de materiales fluorados que dan soporte a la vida moderna en un sinnúmero de maneras. Con la mina de fluorita más grande del mundo, un sólido conocimiento y vasta experiencia en producción, este grupo desarrolla productos químicos de valor añadido, así como propelentes y materiales avanzados usados en una amplia gama de aplicaciones, incluyendo el sector automotriz, la infraestructura, la salud y la medicina, la climatización HVAC y la cadena de frío de los alimentos.

En millones de dólares	Primer Trimestre		
	2021	2020	%Var.
Koura			
Ingresos totales	172	182	-5%
Utilidad de operación	38	52	-27%
EBITDA	56	68	-18%

Los ingresos alcanzaron \$172 millones, una reducción del 5%, principalmente como resultado del continuo impacto del COVID-19 en los mercados en los que participamos, así como por las interrupciones en el suministro de materias primas, las cuales esperamos que se normalicen en el segundo trimestre. Las ventas de fluorita grado metalúrgico ("metspar") se mantuvieron resilientes durante el trimestre, como ha ocurrido durante toda la pandemia; mientras que los precios de los refrigerantes mejoraron especialmente en Europa, Japón y Norteamérica. Se prevé una recuperación en los mercados de fluorita grado ácido ("acidspar") y fluoruro de aluminio en la segunda mitad de este año y hacia 2022, a medida que se reactive la capacidad de producción de aluminio en Europa y las Américas, lo cual esperamos que incremente la demanda de los productos de Koura.

La importación ilegal de gases refrigerantes en Europa, que consideramos un problema a largo plazo, sigue teniendo un impacto en el negocio. Koura se siente alentada por el último Reporte de Estimaciones de Comercio Nacional ("*National Trade Estimate Report*"), en el que la Oficina del Representante de Comercio de EE.UU. ("*United States Trade Representative*") incluyó las importaciones ilegales de gases refrigerantes como una problemática que requiere atenderse.

El EBITDA se ubicó en \$56 millones, una disminución del 18%. El margen de EBITDA se ubicó en 32.4%, disminuyendo 476 puntos básicos, debido a la debilidad del mercado.

Polymer Solutions (Vestolit & Alphagary, 35% de las ventas):

El grupo de Polymer Solutions se centra en la producción de resinas generales y especiales de PVC y otros compuestos especiales de cero-halógenos con una amplia variedad de aplicaciones, generando soluciones que sustentan la vida cotidiana como tuberías, cables, pisos, autopartes, electrodomésticos, vestimenta, empaques y dispositivos médicos. Polymer Solutions es líder mundial en el negocio de vinilos, con una posición competitiva muy importante en las Américas y Europa.

En millones de dólares	Primer Trimestre		
	2021	2020	%Var.
Polymer Solutions			
Ingresos totales*	708	583	21%
Utilidad de operación	161	62	160%
EBITDA	224	121	85%

*Ventas intercompañías por \$79 millones y \$43 millones en 1T21 y 1T20, respectivamente.

Los ingresos ascendieron a \$708 millones, aumentando 21%, impulsados por la escasez en el mercado de PVC. El mercado está experimentando precios de PVC históricamente elevados debido a la fuerte demanda mundial de infraestructura y construcción, así como a limitaciones en el suministro de PVC y etileno provocada por condiciones meteorológicas adversas en la región de la Costa del Golfo de EE.UU. durante el primer trimestre. La fuerte demanda de compuestos se vio limitada por la disponibilidad de materias primas y las interrupciones a la cadena de suministro, incluyendo aquellas provocadas por el bloqueo temporal del Canal de Suez.

El EBITDA totalizó \$224 millones, incrementándose 85%. El margen de EBITDA se ubicó en 31.6%, aumentando 1,077 puntos básicos, debido a los mayores márgenes de PVC.

Estos sólidos resultados se lograron a pesar de las difíciles condiciones operativas causadas por las extremas condiciones meteorológicas.

Situación financiera, liquidez y recursos de capital [bloque de texto]

Flujo Libre Operativo

En millones de dólares	Primer Trimestre		
	2021	2020	%Var.
EBITDA	451	309	46%
Impuestos pagados, neto	(77)	(30)	157%
Intereses neto / comisiones bancarias	(80)	(89)	-10%
Variación de capital de trabajo ^{(1) (2)}	(257)	45	N/A
Otros (otros activos - provisiones, neto)	(15)	10	N/A
Efecto cambiario	(27)	(57)	-53%
Generación de caja	(4)	189	N/A
CAPEX total	(53)	(60)	-12%
Pagos de leasing	(28)	(24)	17%
Flujo libre operativo	(85)	105	N/A
Conversión Flujo libre (%)	-18.9%	33.9%	N/A
Dividendos a accionistas	(0)	(95)	-100%
Compra de acciones propias	(1)	(34)	-97%
Nueva deuda (pago)	(40)	929	N/A
Dividendos participación minoritaria	(31)	(39)	-21%
Otros	(6)	-	N/A
Cambio neto de caja	(162)	866	N/A
Caja inicial	875	586	49%
Caja final	713	1,452	-51%

Balance, liquidez y asignación de capital

El flujo libre operativo fue negativo ubicándose en \$85 millones a pesar del fuerte crecimiento en EBITDA durante el trimestre. Tras el robusto crecimiento secuencial en las ventas por \$172 millones, Orbia incrementó el capital de trabajo en \$257 millones, debido a un mayor nivel de cuentas por cobrar con una fuerte concentración de ventas en marzo, mayores costos de las materias primas y acumulación de inventarios que permitiesen mantener los mayores niveles de actividad.

Al cierre del 1T 2021, la deuda neta era de \$2,870 millones, la cual comprendía una deuda total de \$3,583 millones menos efectivo y equivalentes de efectivo por \$713 millones. La razón de deuda neta sobre EBITDA era de 1.97x, mientras que la de cobertura de intereses de la compañía era de 6.99x.

El CAPEX se ubicó en \$53 millones, disminuyendo 12%; sin embargo, Orbia espera alcanzar el monto estimado en nuestra proyección para el año completo.

En nuestra Asamblea General Anual Ordinaria de Accionistas del 30 de marzo de 2021, los accionistas aprobaron un dividendo ordinario de \$0.10 por acción a ser pagadero en cuatro cuotas durante 2021, de las cuales el primer pago de \$0.025 por acción se realizó el pasado 14 de abril.

El Consejo de Administración de Orbia ha decidido someter a la consideración de sus Accionistas la cancelación de substancialmente la totalidad de las acciones de la Compañía que se encuentran en su Fondo de Recompra durante el segundo trimestre de este año.

Perspectiva 2021

En la medida en que las economías mundiales continúen recuperándose, anticipamos ventas robustas de nuestros productos y servicios como resultado de la demanda de los consumidores, así como de las importantes inversiones gubernamentales para atender necesidades sociales y en infraestructura. Por lo tanto, y sobre la base de que los resultados de Orbia durante el primer trimestre fueron mejores a lo esperado, la Compañía ha decidido actualizar su guía de crecimiento del EBITDA para 2021 del 4% - 7% al 15%, con un potencial aumento adicional, si las sólidas condiciones del mercado y de precios continúan en 2021. Esta revisión asume que los negocios de Orbia no se verán afectados materialmente por la pandemia u otros factores.

Control interno [bloque de texto]

Los estatutos sociales de Orbia prevén la existencia de los Comités de Auditoría y de Prácticas Societarias, órganos corporativos intermedios constituidos de conformidad con la Legislación Aplicable con el fin de auxiliar al Consejo de Administración en el desempeño de sus funciones. Por medio de los citados comités y del Auditor Externo, se otorga la seguridad razonable de que las transacciones y actos efectuados por la Compañía se ejecutan y registran de conformidad con los términos y parámetros establecidos por el consejo de administración y los órganos directivos de Orbia, por la Legislación Aplicable y por los diferentes lineamientos generales, criterios y normas de información financiera aplicables (NIIFs).

Orbia ha implementado un Código de Ética que rige nuestras relaciones con nuestros empleados, clientes, proveedores, y grupos de interés en general. El Código de Ética de Orbia se encuentra disponible para su consulta en el siguiente enlace: http://www.Orbia.com/Codigo_de_etica.html. Asimismo, en cumplimiento con el Artículo 42 de la Ley del Mercado de Valores, a través de su Comité de Auditoría ha establecido un mecanismo de contacto a efecto que cualquier persona que tenga conocimiento del incumplimiento al Código de Ética o lineamientos y políticas de operación, sistema de control y auditoría internos y registro contable, ya sea de la propia Sociedad o de las personas morales que ésta controle, realice una denuncia la cual se garantiza se mantendrá en anonimato. La Línea de Denuncia es operada a través de un tercero. En México se puede denunciar cualquier anomalía por teléfono, o a través de la página de internet <http://www.ethic-line.com/Orbia> o al correo electrónico Orbia@ethic-line.com. Dichas denuncias serán informadas directamente al Comité de Auditoría de Orbia para su investigación.

Información a revelar sobre las medidas de rendimiento fundamentales e indicadores que la gerencia utiliza para evaluar el rendimiento de la entidad con respecto a los objetivos establecidos [bloque de texto]

Resultados financieros al primer trimestre 2021

(A menos que se indique lo contrario, todas las cifras en este comunicado se derivan de los Estados Financieros Consolidados de la Compañía al 31 de marzo de 2021 y se preparan de acuerdo con la Norma Internacional de Contabilidad 34 "Información Financiera Intermedia" de las Normas Internacionales de Información Financiera (NIIF), que han sido publicados en la Bolsa Mexicana de Valores (BMV). Consulte notas y definiciones "Comentarios de la Gerencia" para obtener una explicación más detallada de los términos utilizados en este documento)

(Todas las métricas se comparan con el 1T 2020 a menos que se indique lo contrario)

En millones de dólares	Primer Trimestre		
	2021	2020	%Var.
Información consolidada financiera seleccionada			
Ingresos netos	1,914	1,626	18%
Gastos de administración	277	256	8%
Utilidad de operación	305	172	77%
EBITDA	451	309	46%
Margen EBITDA	23.6%	19.0%	455 bps
Costo Financiero	68	85	-20%
Utilidad de operación antes de impuestos	237	87	172%
Impuesto a la utilidad	64	10	540%
Utilidad (pérdida) neta consolidada	173	77	125%
Utilidad (pérdida) neta mayoritaria	141	45	213%
Generación de caja	(4)	189	N/A
CAPEX total	(53)	(60)	-12%
Flujo libre operativo	(85)	105	N/A
Deuda neta	2,870	2,916	-2%

Los **ingresos netos** totalizaron \$1,914 millones, aumentando 18%; impulsados principalmente por el aumento en las ventas de los negocios de Polymer Solutions, Wavin y Netafim. Polymer Solutions continuó experimentando un sólido entorno de precios, ya que

los fenómenos meteorológicos en la región de la Costa del Golfo de Estados Unidos limitaron el suministro de PVC. Wavin consiguió cubrir una demanda creciente en Latinoamérica, así como en Europa, Medio Oriente y África (región de “EMEA” por sus siglas en inglés). Netafim tuvo un fuerte crecimiento en todos sus mercados clave.

Los **gastos administrativos** totalizaron \$277 millones, aumentando 8%, principalmente por el incremento en la provisión para compensación diferida.

El **EBITDA** totalizó \$451 millones, un aumento de 46%, debido al incremento en los márgenes de PVC en Polymer Solutions, la fuerte recuperación de las ventas y la mejor mezcla de productos en Wavin, así como al buen comportamiento de las ventas en Netafim. El margen de EBITDA se ubicó en 23.6%, aumentando 455 puntos básicos.

Los **costos financieros** ascendieron a \$68 millones en el trimestre, una reducción de 20%. Dicha disminución se debió a un entorno de bajas tasas de interés LIBOR, un costo no recurrente asociado a nuestra línea de crédito revolvente del año pasado y una menor devaluación de la mayoría de nuestras principales monedas, incluyendo el peso mexicano y el real brasileño.

Los **impuestos** se ubicaron en \$64 millones, frente a los \$10 millones de 2020, debido a utilidades significativamente mayores durante el trimestre y un menor impacto del escudo fiscal (“*tax shield*”) resultado de la fuerte devaluación del peso mexicano en el primer trimestre de 2020 debido al inicio de la pandemia de COVID-19.

La **utilidad neta** para los accionistas mayoritarios alcanzó \$141 millones, un aumento de 213%, lo que refleja una sólida rentabilidad en la mayoría de nuestros segmentos.

El **flujo libre operativo** fue negativo, ubicándose en \$85, a pesar del sólido desempeño en EBITDA. Tras el fuerte crecimiento secuencial de las ventas, Orbia aumentó el capital de trabajo en \$257 millones, principalmente en relación con un mayor nivel de cuentas por cobrar, con una fuerte concentración de ventas en marzo; así como por el mayor costo de las materias primas y un mayor nivel de inventarios para poder sostener los mayores niveles de actividad.

La **deuda neta** alcanzó \$2,870 millones, la cual comprende una deuda total de \$3,583 millones menos efectivo y equivalentes de efectivo por un importe de \$713 millones.

Ventas por región al primer trimestre 2021

(Todas las métricas se comparan con el 1T 2020 a menos que se indique lo contrario)

En millones de dólares	Primer Trimestre 2021			
Región	2021	2020	% Var. A/A	% Ingresos
Europa	668	561	19%	35%
Norteamérica	580	536	8%	30%
Sudamérica	433	295	47%	23%
Asia	187	178	5%	10%
África y otros	46	56	-18%	2%
Total	1,914	1,626	18%	100%

Estado de Resultados Consolidado

(Nota: Durante 2021, la empresa realizó una reclasificación de criterios de los gastos de venta y generales a los costos de las mercancías vendidas para el 1T 2020 en relación con el Almacenamiento Directo y la Expedición por un importe de aproximadamente 20 millones de dólares, con el fin de alinear completamente los criterios entre todos los segmentos.)

En millones de dólares	Primer Trimestre		
Estado de Resultados	2021	2020	%
Ingresos netos	1,914	1,626	18%
Costo de ventas	1,332	1,199	11%
Utilidad bruta	582	428	36%
Gastos de administración	277	256	8%
Utilidad (pérdida) de operación	305	172	77%
Costo Financiero	68	85	-20%
Participación en asociada	0	0	0%
Utilidad (pérdida) por operaciones continuas antes de impuesto a la utilidad	237	87	172%
Impuesto a la utilidad	64	10	540%
Utilidad (pérdidas) por operaciones continuas	173	77	125%
Operaciones discontinuadas	(0)	(0)	0%
Utilidad (pérdida) neta consolidada	173	77	125%
Interés minoritario	32	32	0%
Utilidad (pérdida) neta mayoritaria	141	45	213%
EBITDA	451	309	46%

Balance General Consolidado

	En millones de dólares		
Balance general	1º Mar 2021	31 Dic 2020	1º Mar 2020
Activo total	10,231	10,211	10,775
Activo circulante	3,316	3,156	3,694
Efectivo y equivalentes de efectivo	713	875	1,452
Clientes	1,322	1,093	1,212
Inventarios	937	861	819
Otros activos circulantes	343	326	212
Activo no circulantes	6,916	7,055	7,081
Propiedad, planta y equipo, neto	3,108	3,186	3,238
Activos por derecho de uso, neto	311	323	332
Activos intangibles y Crédito Mercantil	3,171	3,225	3,198
Activo largo plazo	325	320	312
Pasivo total	7,180	7,032	7,781
Pasivos circulantes	2,989	2,588	2,507
Porción circulante de deuda largo plazo	635	495	294
Proveedores	1,348	1,326	1,306
Pasivo por arrendamiento corto plazo	80	82	75
Otros pasivos circulantes	925	684	831
Pasivo no circulantes	4,192	4,444	5,274
Deuda largo plazo	2,948	3,131	4,074
Beneficios a empleados largo plazo	271	274	221
Pasivo por impuestos diferidos	307	314	326
Pasivo por arrendamiento largo plazo	251	263	262
Otros pasivos largo plazo	415	463	390
Capital contable consolidado	3,051	3,180	2,994
Capital contable minoritario	686	687	710
Capital contable mayoritario	2,365	2,493	2,284
Total de pasivos y capital contable	10,231	10,211	10,775

[110000] Información general sobre estados financieros**Clave de cotización:** ORBIA**Periodo cubierto por los estados financieros:** Del 2021-01-01 al 2021-03-31**Fecha de cierre del periodo sobre el que se informa :** 2021-03-31**Nombre de la entidad que informa u otras formas de identificación:** ORBIA**Descripción de la moneda de presentación :** USD**Grado de redondeo utilizado en los estados financieros:** MILES DE USD**Consolidado:** Si**Número De Trimestre:** 1**Tipo de emisora:** ICS**Explicación del cambio en el nombre de la entidad que informa u otras formas de identificación desde el final del periodo sobre el que se informa precedente:****Descripción de la naturaleza de los estados financieros:**

Información a revelar sobre información general sobre los estados financieros
[bloque de texto]

Seguimiento de análisis [bloque de texto]

Cobertura de análisis

1. Actinver Casa de Bolsa
2. Bank of America Merrill Lynch
3. Banorte-Ixe
4. Barclays

ORBIA**Consolidado**

Clave de Cotización: ORBIA

Trimestre: 1 Año: 2021

-
5. BBVA
 6. Bradesco
 7. BTG Pactual
 8. CITI
 9. Credicorp Capital
 10. Credit Suisse-Latin America
 11. GBM Casa de Bolsa
 12. INVEX Casa de Bolsa
 13. Itau BBA
 14. JPMorgan
 15. Morgan Stanley
 16. UBS
 17. Vector Casa de Bolsa
-

[210000] Estado de situación financiera, circulante/no circulante

Concepto	Cierre Trimestre Actual 2021-03-31	Cierre Ejercicio Anterior 2020-12-31
Estado de situación financiera [sinopsis]		
Activos [sinopsis]		
Activos circulantes[sinopsis]		
Efectivo y equivalentes de efectivo	713,321,000	875,185,000
Cientes y otras cuentas por cobrar	1,563,489,000	1,310,128,000
Impuestos por recuperar	69,936,000	80,478,000
Otros activos financieros	26,590,000	19,589,000
Inventarios	937,024,000	861,122,000
Activos biológicos	0	0
Otros activos no financieros	0	0
Total activos circulantes distintos de los activos no circulantes o grupo de activos para su disposición clasificados como mantenidos para la venta	3,310,360,000	3,146,502,000
Activos mantenidos para la venta	5,188,000	9,650,000
Total de activos circulantes	3,315,548,000	3,156,152,000
Activos no circulantes [sinopsis]		
Cientes y otras cuentas por cobrar no circulantes	0	0
Impuestos por recuperar no circulantes	0	0
Inventarios no circulantes	0	0
Activos biológicos no circulantes	0	0
Otros activos financieros no circulantes	0	0
Inversiones registradas por método de participación	0	0
Inversiones en subsidiarias, negocios conjuntos y asociadas	41,639,000	38,585,000
Propiedades, planta y equipo	3,108,433,000	3,186,497,000
Propiedades de inversión	0	0
Activos por derechos de uso	311,053,000	323,355,000
Crédito mercantil	1,483,366,000	1,491,395,000
Activos intangibles distintos al crédito mercantil	1,687,855,000	1,733,531,000
Activos por impuestos diferidos	203,193,000	199,701,000
Otros activos no financieros no circulantes	80,236,000	81,895,000
Total de activos no circulantes	6,915,775,000	7,054,959,000
Total de activos	10,231,323,000	10,211,111,000
Capital Contable y Pasivos [sinopsis]		
Pasivos [sinopsis]		
Pasivos Circulantes [sinopsis]		
Proveedores y otras cuentas por pagar a corto plazo	1,490,030,000	1,258,786,000
Impuestos por pagar a corto plazo	0	0
Otros pasivos financieros a corto plazo	1,213,564,000	1,049,871,000
Pasivos por arrendamientos a corto plazo	79,123,000	79,995,000
Otros pasivos no financieros a corto plazo	0	0
Provisiones circulantes [sinopsis]		
Provisiones por beneficios a los empleados a corto plazo	174,316,000	159,615,000
Otras provisiones a corto plazo	30,860,000	33,148,000
Total provisiones circulantes	205,176,000	192,763,000
Total de pasivos circulantes distintos de los pasivos atribuibles a activos mantenidos para la venta	2,987,893,000	2,581,415,000
Pasivos atribuibles a activos mantenidos para la venta	721,000	6,221,000
Total de pasivos circulantes	2,988,614,000	2,587,636,000
Pasivos a largo plazo [sinopsis]		
Proveedores y otras cuentas por pagar a largo plazo	310,490,000	305,207,000
Impuestos por pagar a largo plazo	55,210,000	42,475,000

Concepto	Cierre Trimestre Actual 2021-03-31	Cierre Ejercicio Anterior 2020-12-31
Otros pasivos financieros a largo plazo	2,984,186,000	3,233,824,000
Pasivos por arrendamientos a largo plazo	242,901,000	253,994,000
Otros pasivos no financieros a largo plazo	0	0
Provisiones a largo plazo [sinopsis]		
Provisiones por beneficios a los empleados a Largo plazo	270,714,000	273,951,000
Otras provisiones a largo plazo	20,568,000	20,674,000
Total provisiones a largo plazo	291,282,000	294,625,000
Pasivo por impuestos diferidos	307,479,000	313,778,000
Total de pasivos a Largo plazo	4,191,548,000	4,443,903,000
Total pasivos	7,180,162,000	7,031,539,000
Capital Contable [sinopsis]		
Capital social	280,430,000	280,430,000
Prima en emisión de acciones	1,474,827,000	1,474,827,000
Acciones en tesorería	0	0
Utilidades acumuladas	1,210,947,000	1,280,549,000
Otros resultados integrales acumulados	(600,959,000)	(542,896,000)
Total de la participación controladora	2,365,245,000	2,492,910,000
Participación no controladora	685,916,000	686,662,000
Total de capital contable	3,051,161,000	3,179,572,000
Total de capital contable y pasivos	10,231,323,000	10,211,111,000

[310000] Estado de resultados, resultado del periodo, por función de gasto

Concepto	Acumulado Año Actual 2021-01-01 - 2021-03-31	Acumulado Año Anterior 2020-01-01 - 2020-03-31
Resultado de periodo [sinopsis]		
Utilidad (pérdida) [sinopsis]		
Ingresos	1,914,017,000	1,626,367,000
Costo de ventas	1,331,740,000	1,198,744,000
Utilidad bruta	582,277,000	427,623,000
Gastos de venta	132,780,000	136,876,000
Gastos de administración	140,792,000	116,395,000
Otros ingresos	5,207,000	12,767,000
Otros gastos	8,715,000	15,248,000
Utilidad (pérdida) de operación	305,197,000	171,871,000
Ingresos financieros	35,264,000	162,559,000
Gastos financieros	103,343,000	247,515,000
Participación en la utilidad (pérdida) de asociadas y negocios conjuntos	(132,000)	(115,000)
Utilidad (pérdida) antes de impuestos	236,986,000	86,800,000
Impuestos a la utilidad	63,608,000	9,602,000
Utilidad (pérdida) de operaciones continuas	173,378,000	77,198,000
Utilidad (pérdida) de operaciones discontinuadas	(120,000)	(79,000)
Utilidad (pérdida) neta	173,258,000	77,119,000
Utilidad (pérdida), atribuible a [sinopsis]		
Utilidad (pérdida) atribuible a la participación controladora	141,384,000	44,762,000
Utilidad (pérdida) atribuible a la participación no controladora	31,874,000	32,357,000
Utilidad por acción [bloque de texto]		
Utilidad por acción [sinopsis]		
Utilidad por acción [partidas]		
Utilidad por acción básica [sinopsis]		
Utilidad (pérdida) básica por acción en operaciones continuas	0.08	0.04
Utilidad (pérdida) básica por acción en operaciones discontinuadas	0	0
Total utilidad (pérdida) básica por acción	0.08	0.04
Utilidad por acción diluida [sinopsis]		
Utilidad (pérdida) básica por acción diluida en operaciones continuas	0.08	0.04
Utilidad (pérdida) básica por acción diluida en operaciones discontinuadas	0	0
Total utilidad (pérdida) básica por acción diluida	0.08	0.04

[410000] Estado del resultado integral, componentes ORI presentados netos de impuestos

Concepto	Acumulado Año Actual 2021-01-01 - 2021-03-31	Acumulado Año Anterior 2020-01-01 - 2020-03-31
Estado del resultado integral [sinopsis]		
Utilidad (pérdida) neta	173,258,000	77,119,000
Otro resultado integral [sinopsis]		
Componentes de otro resultado integral que no se reclasificarán a resultados, neto de impuestos [sinopsis]		
Otro resultado integral, neto de impuestos, utilidad (pérdida) de inversiones en instrumentos de capital	0	0
Otro resultado integral, neto de impuestos, utilidad (pérdida) por revaluación	0	0
Otro resultado integral, neto de impuestos, utilidad (pérdida) por nuevas mediciones de planes de beneficios definidos	0	0
Otro resultado integral, neto de impuestos, cambio en el valor razonable de pasivos financieros atribuible a cambios en el riesgo de crédito del pasivo	0	0
Otro resultado integral, neto de impuestos, utilidad (pérdida) en instrumentos de cobertura que cubren inversiones en instrumentos de capital	0	0
Participación de otro resultado integral de asociadas y negocios conjuntos que no se reclasificará a resultados, neto de impuestos	0	0
Total otro resultado integral que no se reclasificará a resultados, neto de impuestos	0	0
Componentes de otro resultado integral que se reclasificarán a resultados, neto de impuestos [sinopsis]		
Efecto por conversión [sinopsis]		
Utilidad (pérdida) de efecto por conversión, neto de impuestos	(73,985,000)	(137,056,000)
Reclasificación de efecto por conversión, neto de impuestos	0	0
Efecto por conversión, neto de impuestos	(73,985,000)	(137,056,000)
Activos financieros disponibles para la venta [sinopsis]		
Utilidad (pérdida) por cambios en valor razonable de activos financieros disponibles para la venta, neto de impuestos	0	0
Reclasificación de la utilidad (pérdida) por cambios en valor razonable de activos financieros disponibles para la venta, neto de impuestos	0	0
Cambios en valor razonable de activos financieros disponibles para la venta, neto de impuestos	0	0
Coberturas de flujos de efectivo [sinopsis]		
Utilidad (pérdida) por coberturas de flujos de efectivo, neto de impuestos	0	0
Reclasificación de la utilidad (pérdida) por coberturas de flujos de efectivo, neto de impuestos	0	0
Importes eliminados del capital incluidos en el valor contable de activos (pasivos) no financieros que se hayan adquirido o incurrido mediante una transacción prevista de cobertura altamente probable, neto de impuestos	0	0
Coberturas de flujos de efectivo, neto de impuestos	0	0
Coberturas de inversiones netas en negocios en el extranjero [sinopsis]		
Utilidad (pérdida) por coberturas de inversiones netas en negocios en el extranjero, neto de impuestos	14,052,000	32,616,000
Reclasificación por coberturas de inversiones netas en negocios en el extranjero, neto de impuestos	0	0
Coberturas de inversiones netas en negocios en el extranjero, neto de impuestos	14,052,000	32,616,000
Cambios en el valor temporal de las opciones [sinopsis]		
Utilidad (pérdida) por cambios en el valor temporal de las opciones, neto de impuestos	0	0
Reclasificación de cambios en el valor temporal de las opciones, neto de impuestos	0	0
Cambios en el valor temporal de las opciones, neto de impuestos	0	0
Cambios en el valor de contratos a futuro [sinopsis]		
Utilidad (pérdida) por cambios en el valor de contratos a futuro, neto de impuestos	0	0
Reclasificación de cambios en el valor de contratos a futuro, neto de impuestos	0	0
Cambios en el valor de contratos a futuro, neto de impuestos	0	0
Cambios en el valor de márgenes con base en moneda extranjera [sinopsis]		
Utilidad (pérdida) por cambios en el valor de márgenes con base en moneda extranjera, neto de impuestos	0	0
Reclasificación de cambios en el valor de márgenes con base en moneda extranjera, neto de impuestos	0	0
Cambios en el valor de márgenes con base en moneda extranjera, neto de impuestos	0	0
Activos financieros a valor razonable a través del ORI [sinopsis]		
Utilidad (pérdida) en activos financieros a valor razonable a través del ORI, neto de impuestos	0	0
Ajustes por reclasificación de activos financieros a valor razonable a través del ORI, neto de impuestos	0	0

Concepto	Acumulado Año Actual 2021-01-01 - 2021-03-31	Acumulado Año Anterior 2020-01-01 - 2020-03-31
Monto del capital eliminado o ajustado contra el valor razonable de activos financieros reclasificados a través del ORI, neto de impuestos	0	0
ORI, neto de impuestos, de activos financieros a valor razonable a través del ORI	0	0
Participación de otro resultado integral de asociadas y negocios conjuntos que se reclasificará a resultados, neto de impuestos	0	0
Total otro resultado integral que se reclasificará al resultado del periodo, neto de impuestos	(59,933,000)	(104,440,000)
Total otro resultado integral	(59,933,000)	(104,440,000)
Resultado integral total	113,325,000	(27,321,000)
Resultado integral atribuible a [sinopsis]		
Resultado integral atribuible a la participación controladora	83,321,000	(56,337,000)
Resultado integral atribuible a la participación no controladora	30,004,000	29,016,000

[520000] Estado de flujos de efectivo, método indirecto

Concepto	Acumulado Año Actual 2021-01-01 - 2021-03-31	Acumulado Año Anterior 2020-01-01 - 2020-03-31
Estado de flujos de efectivo [sinopsis]		
Flujos de efectivo procedentes de (utilizados en) actividades de operación [sinopsis]		
Utilidad (pérdida) neta	173,258,000	77,119,000
Ajustes para conciliar la utilidad (pérdida) [sinopsis]		
+ Operaciones discontinuas	120,000	79,000
+ Impuestos a la utilidad	63,608,000	9,602,000
+ (-) Ingresos y gastos financieros, neto	54,783,000	62,150,000
+ Gastos de depreciación y amortización	146,034,000	137,622,000
+ Deterioro de valor (reversiones de pérdidas por deterioro de valor) reconocidas en el resultado del periodo	(138,000)	0
+ Provisiones	0	0
+ (-) Pérdida (utilidad) de moneda extranjera no realizadas	10,519,000	17,479,000
+ Pagos basados en acciones	0	0
+ (-) Pérdida (utilidad) del valor razonable	0	0
- Utilidades no distribuidas de asociadas	0	0
+ (-) Pérdida (utilidad) por la disposición de activos no circulantes	(12,000)	(1,847,000)
+ Participación en asociadas y negocios conjuntos	132,000	115,000
+ (-) Disminuciones (incrementos) en los inventarios	(75,902,000)	15,250,000
+ (-) Disminución (incremento) de clientes	(228,457,000)	(53,277,000)
+ (-) Disminuciones (incrementos) en otras cuentas por cobrar derivadas de las actividades de operación	15,552,000	40,450,000
+ (-) Incremento (disminución) de proveedores	22,167,000	42,728,000
+ (-) Incrementos (disminuciones) en otras cuentas por pagar derivadas de las actividades de operación	(6,950,000)	(8,086,000)
+ Otras partidas distintas al efectivo	0	0
+ Otros ajustes para los que los efectos sobre el efectivo son flujos de efectivo de inversión o financiamiento	0	0
+ Ajuste lineal de ingresos por arrendamientos	0	0
+ Amortización de comisiones por arrendamiento	0	0
+ Ajuste por valor de las propiedades	0	0
+ (-) Otros ajustes para conciliar la utilidad (pérdida)	2,927,000	9,281,000
+ (-) Total ajustes para conciliar la utilidad (pérdida)	4,383,000	271,546,000
Flujos de efectivo netos procedentes (utilizados en) operaciones	177,641,000	348,665,000
- Dividendos pagados	0	0
+ Dividendos recibidos	0	0
- Intereses pagados	0	0
+ Intereses recibidos	0	0
+ (-) Impuestos a las utilidades reembolsados (pagados)	77,165,000	30,100,000
+ (-) Otras entradas (salidas) de efectivo	0	0
Flujos de efectivo netos procedentes de (utilizados en) actividades de operación	100,476,000	318,565,000
Flujos de efectivo procedentes de (utilizados en) actividades de inversión [sinopsis]		
+ Flujos de efectivo procedentes de la pérdida de control de subsidiarias u otros negocios	0	0
- Flujos de efectivo utilizados para obtener el control de subsidiarias u otros negocios	0	0
+ Otros cobros por la venta de capital o instrumentos de deuda de otras entidades	0	0
- Otros pagos para adquirir capital o instrumentos de deuda de otras entidades	0	0
+ Otros cobros por la venta de participaciones en negocios conjuntos	0	0
- Otros pagos para adquirir participaciones en negocios conjuntos	0	0
+ Importes procedentes de la venta de propiedades, planta y equipo	2,196,000	14,211,000
- Compras de propiedades, planta y equipo	53,498,000	59,741,000
+ Importes procedentes de ventas de activos intangibles	0	0
- Compras de activos intangibles	944,000	0
+ Recursos por ventas de otros activos a largo plazo	0	0
- Compras de otros activos a largo plazo	0	0

Concepto	Acumulado Año Actual 2021-01-01 - 2021-03-31	Acumulado Año Anterior 2020-01-01 - 2020-03-31
+ Importes procedentes de subvenciones del gobierno	0	0
- Anticipos de efectivo y préstamos concedidos a terceros	0	0
+ Cobros procedentes del reembolso de anticipos y préstamos concedidos a terceros	0	0
- Pagos derivados de contratos de futuro, a término, de opciones y de permuta financiera	0	0
+ Cobros procedentes de contratos de futuro, a término, de opciones y de permuta financiera	0	0
+ Dividendos recibidos	0	0
- Intereses pagados	0	0
+ Intereses cobrados	0	0
+ (-) Impuestos a la utilidad reembolsados (pagados)	0	0
+ (-) Otras entradas (salidas) de efectivo	(3,500,000)	3,262,000
Flujos de efectivo netos procedentes de (utilizados en) actividades de inversión	(55,746,000)	(42,268,000)
Flujos de efectivo procedentes de (utilizados en) actividades de financiamiento[sinopsis]		
+ Importes procedentes por cambios en las participaciones en la propiedad en subsidiarias que no dan lugar a la pérdida de control	0	0
- Pagos por cambios en las participaciones en la propiedad en subsidiarias que no dan lugar a la pérdida de control	30,750,000	38,600,000
+ Importes procedentes de la emisión de acciones	0	0
+ Importes procedentes de la emisión de otros instrumentos de capital	0	0
- Pagos por adquirir o rescatar las acciones de la entidad	1,123,000	34,287,000
- Pagos por otras aportaciones en el capital	0	0
+ Importes procedentes de préstamos	35,143,000	1,014,498,000
- Reembolsos de préstamos	75,359,000	85,457,000
- Pagos de pasivos por arrendamientos financieros	320,000	1,469,000
- Pagos de pasivos por arrendamientos	27,249,000	22,316,000
+ Importes procedentes de subvenciones del gobierno	0	0
- Dividendos pagados	0	94,964,000
- Intereses pagados	80,372,000	91,062,000
+ (-) Impuestos a las ganancias reembolsados (pagados)	0	0
+ (-) Otras entradas (salidas) de efectivo	0	0
Flujos de efectivo netos procedentes de (utilizados en) actividades de financiamiento	(180,030,000)	646,343,000
Incremento (disminución) neto de efectivo y equivalentes al efectivo, antes del efecto de los cambios en la tasa de cambio	(135,300,000)	922,640,000
Efectos de la variación en la tasa de cambio sobre el efectivo y equivalentes al efectivo [sinopsis]		
Efectos de la variación en la tasa de cambio sobre el efectivo y equivalentes al efectivo	(26,564,000)	(57,298,000)
Incremento (disminución) neto de efectivo y equivalentes de efectivo	(161,864,000)	865,342,000
Efectivo y equivalentes de efectivo al principio del periodo	875,185,000	586,409,000
Efectivo y equivalentes de efectivo al final del periodo	713,321,000	1,451,751,000

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Clave de Cotización: ORBIA

[610000] Estado de cambios en el capital contable - Acumulado Actual

Hoja 1 de 3	Capital social [miembro]	Prima en emisión de acciones [miembro]	Acciones en tesorería [miembro]	Utilidades acumuladas [miembro]	Super-reval [mie
Estado de cambios en el capital contable [partidas]					
Capital contable al comienzo del periodo	280,430,000	1,474,827,000	0	1,280,549,000	
Cambios en el capital contable [sinopsis]					
Resultado integral [sinopsis]					
Utilidad (pérdida) neta	0	0	0	141,384,000	
Otro resultado integral	0	0	0	0	
Resultado integral total	0	0	0	141,384,000	
Aumento de capital social	0	0	0	0	
Dividendos decretados	0	0	0	210,000,000	
Incrementos por otras aportaciones de los propietarios	0	0	0	0	
Disminución por otras distribuciones a los propietarios	0	0	0	0	
Incrementos (disminuciones) por otros cambios	0	0	0	0	
Incrementos (disminuciones) por transacciones con acciones propias	0	0	0	(1,121,000)	
Incrementos (disminuciones) por cambios en la participación en subsidiarias que no dan lugar a pérdida de control	0	0	0	0	
Incrementos (disminuciones) por transacciones con pagos basados en acciones	0	0	0	135,000	
Importe eliminado de reserva de cobertura de flujos de efectivo y se incluyen en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	
Importe eliminado de reserva de cambio en el valor temporal de las opciones y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	
Importe eliminado de reserva de cambio en el valor de los contratos a futuro y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	
Importe eliminado de reserva de cambios en el valor de márgenes con base en moneda extranjera y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	
Total incremento (disminución) en el capital contable	0	0	0	(69,602,000)	
Capital contable al final del periodo	280,430,000	1,474,827,000	0	1,210,947,000	

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Clave de Cotización: ORBIA

Hoja 2 de 3	Variación en el valor de contratos a futuro [miembro]	Variación en el valor de márgenes con base en moneda extranjera [miembro]	Ganancias y pérdidas en activos financieros a valor razonable a través del ORI [miembro]	Utilidad (pérdida) por cambios en valor razonable de activos financieros disponibles para la venta [miembro]	Pagos basados en acciones [miembro]	Componen
						Nue medicio plane benef defin [miem
Estado de cambios en el capital contable [partidas]						
Capital contable al comienzo del periodo	0	0	0	0	0	(27,9
Cambios en el capital contable [sinopsis]						
Resultado integral [sinopsis]						
Utilidad (pérdida) neta	0	0	0	0	0	
Otro resultado integral	0	0	0	0	0	
Resultado integral total	0	0	0	0	0	
Aumento de capital social	0	0	0	0	0	
Dividendos decretados	0	0	0	0	0	
Incrementos por otras aportaciones de los propietarios	0	0	0	0	0	
Disminución por otras distribuciones a los propietarios	0	0	0	0	0	
Incrementos (disminuciones) por otros cambios	0	0	0	0	0	
Incrementos (disminuciones) por transacciones con acciones propias	0	0	0	0	0	
Incrementos (disminuciones) por cambios en la participación en subsidiarias que no dan lugar a pérdida de control	0	0	0	0	0	
Incrementos (disminuciones) por transacciones con pagos basados en acciones	0	0	0	0	0	
Importe eliminado de reserva de cobertura de flujos de efectivo y se incluyen en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	0	
Importe eliminado de reserva de cambio en el valor temporal de las opciones y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	0	
Importe eliminado de reserva de cambio en el valor de los contratos a futuro y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	0	
Importe eliminado de reserva de cambios en el valor de márgenes con base en moneda extranjera y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	0	
Total incremento (disminución) en el capital contable	0	0	0	0	0	
Capital contable al final del periodo	0	0	0	0	0	(27,9

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Clave de Cotización: ORBIA

Hoja 3 de 3	Compon			
	Reserva para catástrofes [miembro]	Reserva para estabilización [miembro]	Reserva de componentes de participación discrecional [miembro]	Otros resul integrales [m
Estado de cambios en el capital contable [partidas]				
Capital contable al comienzo del periodo	0	0	0	
Cambios en el capital contable [sinopsis]				
Resultado integral [sinopsis]				
Utilidad (pérdida) neta	0	0	0	
Otro resultado integral	0	0	0	
Resultado integral total	0	0	0	
Aumento de capital social	0	0	0	
Dividendos decretados	0	0	0	
Incrementos por otras aportaciones de los propietarios	0	0	0	
Disminución por otras distribuciones a los propietarios	0	0	0	
Incrementos (disminuciones) por otros cambios	0	0	0	
Incrementos (disminuciones) por transacciones con acciones propias	0	0	0	
Incrementos (disminuciones) por cambios en la participación en subsidiarias que no dan lugar a pérdida de control	0	0	0	
Incrementos (disminuciones) por transacciones con pagos basados en acciones	0	0	0	
Importe eliminado de reserva de cobertura de flujos de efectivo y se incluyen en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	
Importe eliminado de reserva de cambio en el valor temporal de las opciones y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	
Importe eliminado de reserva de cambio en el valor de los contratos a futuro y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	
Importe eliminado de reserva de cambios en el valor de márgenes con base en moneda extranjera y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	
Total incremento (disminución) en el capital contable	0	0	0	
Capital contable al final del periodo	0	0	0	

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Clave de Cotización: ORBIA

[610000] Estado de cambios en el capital contable - Acumulado Anterior

Hoja 1 de 3	Capital social [miembro]	Prima en emisión de acciones [miembro]	Acciones en tesorería [miembro]	Utilidades acumuladas [miembro]	Super-reval [mie
Estado de cambios en el capital contable [partidas]					
Capital contable al comienzo del periodo	280,430,000	1,474,827,000	0	1,127,274,000	
Cambios en el capital contable [sinopsis]					
Resultado integral [sinopsis]					
Utilidad (pérdida) neta	0	0	0	44,762,000	
Otro resultado integral	0	0	0	0	
Resultado integral total	0	0	0	44,762,000	
Aumento de capital social	0	0	0	0	
Dividendos decretados	0	0	0	0	
Incrementos por otras aportaciones de los propietarios	0	0	0	0	
Disminución por otras distribuciones a los propietarios	0	0	0	0	
Incrementos (disminuciones) por otros cambios	0	0	0	0	
Incrementos (disminuciones) por transacciones con acciones propias	0	0	0	(34,287,000)	
Incrementos (disminuciones) por cambios en la participación en subsidiarias que no dan lugar a pérdida de control	0	0	0	0	
Incrementos (disminuciones) por transacciones con pagos basados en acciones	0	0	0	0	
Importe eliminado de reserva de cobertura de flujos de efectivo y se incluyen en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	
Importe eliminado de reserva de cambio en el valor temporal de las opciones y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	
Importe eliminado de reserva de cambio en el valor de los contratos a futuro y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	
Importe eliminado de reserva de cambios en el valor de márgenes con base en moneda extranjera y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	
Total incremento (disminución) en el capital contable	0	0	0	10,475,000	
Capital contable al final del periodo	280,430,000	1,474,827,000	0	1,137,749,000	

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Clave de Cotización: ORBIA

Hoja 2 de 3	Variación en el valor de contratos a futuro [miembro]	Variación en el valor de márgenes con base en moneda extranjera [miembro]	Ganancias y pérdidas en activos financieros a valor razonable a través del ORI [miembro]	Utilidad (pérdida) por cambios en valor razonable de activos financieros disponibles para la venta [miembro]	Pagos basados en acciones [miembro]	Componen
						Nue medicio plane benef defin [miem
Estado de cambios en el capital contable [partidas]						
Capital contable al comienzo del periodo	0	0	0	0	0	
Cambios en el capital contable [sinopsis]						
Resultado integral [sinopsis]						
Utilidad (pérdida) neta	0	0	0	0	0	
Otro resultado integral	0	0	0	0	0	
Resultado integral total	0	0	0	0	0	
Aumento de capital social	0	0	0	0	0	
Dividendos decretados	0	0	0	0	0	
Incrementos por otras aportaciones de los propietarios	0	0	0	0	0	
Disminución por otras distribuciones a los propietarios	0	0	0	0	0	
Incrementos (disminuciones) por otros cambios	0	0	0	0	0	
Incrementos (disminuciones) por transacciones con acciones propias	0	0	0	0	0	
Incrementos (disminuciones) por cambios en la participación en subsidiarias que no dan lugar a pérdida de control	0	0	0	0	0	
Incrementos (disminuciones) por transacciones con pagos basados en acciones	0	0	0	0	0	
Importe eliminado de reserva de cobertura de flujos de efectivo y se incluyen en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	0	
Importe eliminado de reserva de cambio en el valor temporal de las opciones y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	0	
Importe eliminado de reserva de cambio en el valor de los contratos a futuro y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	0	
Importe eliminado de reserva de cambios en el valor de márgenes con base en moneda extranjera y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	0	0	
Total incremento (disminución) en el capital contable	0	0	0	0	0	
Capital contable al final del periodo	0	0	0	0	0	

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Clave de Cotización: ORBIA

Hoja 3 de 3	Compon			
	Reserva para catástrofes [miembro]	Reserva para estabilización [miembro]	Reserva de componentes de participación discrecional [miembro]	Otros resul integrales [m
Estado de cambios en el capital contable [partidas]				
Capital contable al comienzo del periodo	0	0	0	
Cambios en el capital contable [sinopsis]				
Resultado integral [sinopsis]				
Utilidad (pérdida) neta	0	0	0	
Otro resultado integral	0	0	0	
Resultado integral total	0	0	0	
Aumento de capital social	0	0	0	
Dividendos decretados	0	0	0	
Incrementos por otras aportaciones de los propietarios	0	0	0	
Disminución por otras distribuciones a los propietarios	0	0	0	
Incrementos (disminuciones) por otros cambios	0	0	0	
Incrementos (disminuciones) por transacciones con acciones propias	0	0	0	
Incrementos (disminuciones) por cambios en la participación en subsidiarias que no dan lugar a pérdida de control	0	0	0	
Incrementos (disminuciones) por transacciones con pagos basados en acciones	0	0	0	
Importe eliminado de reserva de cobertura de flujos de efectivo y se incluyen en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	
Importe eliminado de reserva de cambio en el valor temporal de las opciones y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	
Importe eliminado de reserva de cambio en el valor de los contratos a futuro y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	
Importe eliminado de reserva de cambios en el valor de márgenes con base en moneda extranjera y se incluye en el costo inicial o en otro valor en libros del activo no financiero (pasivo) o compromiso en firme para el que se aplica la contabilidad de cobertura del valor razonable	0	0	0	
Total incremento (disminución) en el capital contable	0	0	0	
Capital contable al final del periodo	0	0	0	

[700000] Datos informativos del Estado de situación financiera

Concepto	Cierre Trimestre Actual 2021-03-31	Cierre Ejercicio Anterior 2020-12-31
Datos informativos del estado de situación financiera [sinopsis]		
Capital social nominal	256,482,000	256,482,000
Capital social por actualización	23,948,000	23,948,000
Fondos para pensiones y prima de antigüedad	0	0
Numero de funcionarios	558	548
Numero de empleados	9,000	9,044
Numero de obreros	12,021	12,095
Numero de acciones en circulación	2,100,000,000	2,100,000,000
Numero de acciones recompradas	83,324,724	83,204,267
Efectivo restringido	0	0
Deuda de asociadas garantizada	0	0

[700002] Datos informativos del estado de resultados

Concepto	Acumulado Año Actual 2021-01-01 - 2021-03-31	Acumulado Año Anterior 2020-01-01 - 2020-03-31
Datos informativos del estado de resultados [sinopsis]		
Depreciación y amortización operativa	146,034,000	137,622,000

[700003] Datos informativos- Estado de resultados 12 meses

Concepto	Año Actual 2020-04-01 - 2021-03-31	Año Anterior 2019-04-01 - 2020-03-31
Datos informativos - Estado de resultados 12 meses [sinopsis]		
Ingresos	6,707,420,000	6,847,902,000
Utilidad (pérdida) de operación	853,796,000	808,562,000
Utilidad (pérdida) neta	414,919,000	326,828,000
Utilidad (pérdida) atribuible a la participación controladora	291,324,000	203,581,000
Depreciación y amortización operativa	606,199,000	547,986,000

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Clave de Cotización: ORBIA

[800001] Anexo - Desglose de créditos

Institución [eje]	Institución Extranjera (SI/No)	Fecha de firma/contrato	Fecha de vencimiento	Tasa de interés y/o sobretasa	Moneda nacional [miembro]				
					Intervalo de tiempo [eje]				
					Año actual [miembro]	Hasta 1 año [miembro]	Hasta 2 años [miembro]	Hasta 3 años [miembro]	Hasta 4 años [miembro]
Bancarios [sinopsis]									
Comercio exterior (bancarios)									
Wells Fargo	SI	2008-02-05	2023-02-05	LIBOR 1M + 1.5%	0	0	0	0	
HDFC	SI	2017-10-18	2022-12-05	6.71%	0	0	0	0	
Rabo bank	SI	2019-03-25	2024-03-25	LIBOR 3M + 1.85%	0	0	0	0	
IFC 1	SI	2020-05-06	2024-06-15	16.45%	0	0	0	0	
IFC 2	SI	2020-05-22	2024-06-28	LIBOR 3M+ 1.95%	0	0	0	0	
IFC 3	SI	2021-01-22	2024-06-30	LIBOR 3M+ 1.95%	0	0	0	0	
State Bank of India	SI	2021-03-12	2021-04-09	6.50%	0	0	0	0	
HSBC Bank	SI	2020-12-24	2021-04-23	6.65%	0	0	0	0	
HSBC BANK (CHINA) COMPANY LIMITED GUANGZHOU BRANCH	SI	2020-09-22	2021-09-21	LIBOR 1M + 2.5%	0	0	0	0	
Varios (Asia)	SI	2020-11-27	2021-06-15	Variable	0	0	0	0	
Varios (Europa)	SI	2020-06-17	2022-03-01	Variable	0	0	0	0	
Revolving Credit Facility	SI	2019-06-21	2024-06-21	LIBOR 1M + 1.15%	0	0	0	0	
UK CP	SI	2020-09-03	2021-05-18	0.6%	0	0	0	0	
TOTAL					0	0	0	0	
Con garantía (bancarios)									
TOTAL					0	0	0	0	
Banca comercial									
TOTAL					0	0	0	0	
Otros bancarios									
TOTAL					0	0	0	0	
Total bancarios									
TOTAL					0	0	0	0	
Bursátiles y colocaciones privadas [sinopsis]									
Bursátiles listadas en bolsa (quiérogafarios)									
BONO 2	SI	2012-09-19	2022-09-19	FIJA 4.875%	0	0	0	0	
BONO 3	SI	2012-09-19	2042-09-19	FIJA 6.75%	0	0	0	0	
BONO 4	SI	2014-09-17	2044-09-17	FIJA 5.875%	0	0	0	0	
BONO 5	SI	2017-10-04	2027-10-04	FIJA 4.00%	0	0	0	0	
BONO 6	SI	2017-10-04	2048-01-15	FIJA 5.50%	0	0	0	0	
CEBUR	NO	2012-03-21	2022-03-09	FIJA 8.12%	0	145,598,000	0	0	
TOTAL					0	145,598,000	0	0	
Bursátiles listadas en bolsa (con garantía)									
TOTAL					0	0	0	0	
Colocaciones privadas (quiérogafarios)									
TOTAL					0	0	0	0	
Colocaciones privadas (con garantía)									
TOTAL					0	0	0	0	
Total bursátiles listados en bolsa y colocaciones privadas									
TOTAL					0	145,598,000	0	0	
Otros pasivos circulantes y no circulantes con									

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Clave de Cotización: ORBIA

Institución [eje]	Institución Extranjera (Si/No)	Fecha de firma/contrato	Fecha de vencimiento	Tasa de interés y/o sobretasa	Moneda nacional [miembro]				
					Intervalo de tiempo [eje]				
					Año actual [miembro]	Hasta 1 año [miembro]	Hasta 2 años [miembro]	Hasta 3 años [miembro]	Hasta 4 años [miembro]
costo [sinopsis]									
Otros pasivos circulantes y no circulantes con costo									
Cartas de crédito	SI	2020-12-31	2021-10-11		0	0	0	0	
Leasing financiero	SI	2007-07-21	2022-06-21		0	0	0	0	
TOTAL					0	0	0	0	
Total otros pasivos circulantes y no circulantes con costo									
TOTAL					0	0	0	0	
Proveedores [sinopsis]									
Proveedores									
Proveedores nal y extraj					0	37,372,000	0	0	
TOTAL					0	37,372,000	0	0	
Total proveedores									
TOTAL					0	37,372,000	0	0	
Otros pasivos circulantes y no circulantes sin costo [sinopsis]									
Otros pasivos circulantes y no circulantes sin costo									
Otros circulantes y no circulantes					0	0	0	0	
TOTAL					0	0	0	0	
Total otros pasivos circulantes y no circulantes sin costo									
TOTAL					0	0	0	0	
Total de créditos									
TOTAL					0	182,970,000	0	0	

[sinopsis]					
Activo monetario [sinopsis]					
Activo monetario circulante	1,053,741,000	0	1,324,783,000	0	0
Activo monetario no circulante	0	0	38,798,000	0	0
Total activo monetario	1,053,741,000	0	1,363,581,000	0	0
Pasivo monetario [sinopsis]					
Pasivo monetario circulante	1,869,196,000	0	1,119,418,000	0	0
Pasivo monetario no circulante	2,774,315,000	0	1,109,754,000	0	0
Total pasivo monetario	4,643,511,000	0	2,229,172,000	0	0
Monetario activo (pasivo) neto	(3,589,770,000)	0	(865,591,000)	0	0

Netafim (Precision Agriculture)				
Netafim (Precision Agriculture)	13,141,000	0	261,617,000	274,758,000
Dura-Line (Data Communication)				
Dura-Line (Data Communication)	0	0	184,029,000	184,029,000
Wavin (Building & Infrastructure)				
Wavin (Building & Infrastructure)	36,766,000	0	642,328,000	679,094,000
Koura (Fluor)				
Koura (Fluor)	11,939,000	81,401,000	78,493,000	171,833,000
Orbia				
Holdings	72,993,000	0	0	72,993,000
Eliminaciones	0	0	(176,406,000)	(176,406,000)
TOTAL	261,081,000	184,003,000	1,468,933,000	1,914,017,000

[800007] Anexo - Instrumentos financieros derivados

Discusión de la administración sobre las políticas de uso de instrumentos financieros derivados, explicando si dichas políticas permiten que sean utilizados únicamente con fines de cobertura o con otro fines tales como negociación [bloque de texto]

I.- Información Cualitativa.

Toda vez que resulta de particular importancia para proporcionar a los inversionistas información que les permita conocer e identificar plenamente la exposición de las Emisoras a riesgos de mercado, de crédito y liquidez asociados a instrumentos financieros derivados, así como los principales riesgos de pérdida por cambios en las condiciones de mercado asociados a los mencionados instrumentos, a continuación, sírvanse encontrar información al respecto:

i. **Discusión de la administración sobre las políticas de uso de instrumentos financieros derivados, explicando si dichas políticas permiten que sean utilizados únicamente con fines de cobertura o también con otros fines, tales como negociación.**

- Descripción general de los objetivos para celebrar operaciones con derivados

Debido a sus actividades en los ámbitos nacional e internacional, la Entidad está expuesta a riesgos de fluctuación de precios e insumos de las industrias en las que opera, así como de riesgos financieros relacionados con el financiamiento de sus proyectos. La política de la Entidad es la de utilizar ciertas coberturas que le permitan mitigar la volatilidad de los precios de ciertas materias primas, de riesgo de tasa y tipo de cambio en operaciones financieras, todas ellas relacionadas con el negocio y previamente aprobadas por los Comités de Auditoría y Prácticas Societarias, así como por el Consejo de Administración.

El objetivo general de realizar operaciones de cobertura de tasas de interés, crédito, liquidez y riesgo cambiario es reducir la exposición de la posición primaria ante movimientos adversos de mercado en las tasas de interés y tipos de cambio que le afecten; para lo cual la Entidad ofrece a través de la función de Tesorería Corporativa servicios a los negocios, coordinando el acceso a los mercados financieros nacionales e internacionales, supervisando y administrando los riesgos financieros relacionados con las operaciones de la Entidad utilizando los informes internos de riesgo, los cuales analizan las exposiciones por grado y la magnitud de los riesgos. Estos riesgos incluyen el riesgo de mercado (incluyendo el riesgo cambiario, riesgo en las tasas de interés a valor razonable y riesgo en los precios), riesgo de crédito, riesgo de liquidez y riesgo de la tasa de interés del flujo de efectivo.

Asimismo, la Entidad busca minimizar los efectos de estos riesgos utilizando instrumentos financieros derivados para cubrir las exposiciones de riesgo. El uso de los derivados financieros se rige por las políticas de la Entidad aprobadas por el Consejo de Administración, las cuales proveen principios escritos sobre el riesgo cambiario, riesgo de las tasas de interés, riesgo de crédito, el uso de instrumentos financieros derivados y no derivados, así como la inversión de exceso de liquidez. Se revisa periódicamente el cumplimiento con las políticas y los límites de exposición. La Entidad no suscribe o negocia instrumentos financieros, entre los que se incluyen instrumentos financieros derivados para fines especulativos. El Consejo de Administración establece y vigila las políticas y procedimientos para medir y administrar estos riesgos, los cuales se mencionan a continuación:

Administración del riesgo de capital. - La Entidad administra su capital para asegurar que continuará como negocio en marcha, mientras que maximiza el rendimiento a sus accionistas a través de la optimización de los saldos de deuda y capital. La estructura del capital de la Entidad no está expuesta a ningún tipo de requerimiento de capital.

La administración de la Entidad revisa mensualmente la deuda neta y los costos por préstamos y su relación con el UAFIDA (Utilidad antes de Financiamiento, Impuestos, Depreciación y Amortización), al presentar sus proyecciones financieras como parte del plan de negocio al Consejo de Administración y Accionistas de la Entidad.

Administración del riesgo de tasas de interés. - La Entidad se encuentra expuesta a riesgos en la tasa de interés debido a que tiene deuda contratada a tasas variables. El riesgo es manejado con el uso de contratos swap de tasa de interés, las actividades de cobertura se evalúan regularmente para que se alineen con las tasas de interés y su riesgo relacionado, asegurando que se apliquen las estrategias de cobertura más rentables.

Las exposiciones de la Entidad por riesgo de tasas de interés se encuentran principalmente en tasas de interés TIIE y Libor sobre los pasivos financieros. El análisis de sensibilidad que determina la Entidad se prepara con base en la exposición a las tasas de interés de su deuda financiera total no cubierta sostenida en tasas variables, se prepara un análisis asumiendo que el importe del pasivo pendiente al final del período sobre el que se informa ha sido el pasivo pendiente para todo el año. La Entidad informa internamente al Consejo de Administración sobre el riesgo en las tasas de interés.

La Entidad establece como requisito fundamental para que un instrumento financiero derivado sea considerado como un instrumento de cobertura, que la designación de la cobertura quede formalmente documentada y los cambios en el valor razonable o flujos de efectivo del instrumento financiero derivado, mantengan una alta efectividad en la compensación de los cambios, en el valor razonable o flujos de efectivo de la posición primaria, tanto al inicio como a través de la cobertura designada.

- Instrumentos utilizados

La Entidad realiza transacciones denominadas en moneda extranjera; consecuentemente está expuesta a fluctuaciones en el tipo de cambio y tasas de interés. La Entidad suscribe una variedad de instrumentos financieros derivados para manejar su exposición al riesgo cambiario y en tasas de interés, incluyendo:

- a) Cross Currency Swaps Peso-Dólar para mitigar la exposición que se tiene en deudas denominadas en pesos mexicanos.
- b) Principal Only Swaps de moneda extranjera para cubrir el riesgo cambiario que surge en la conversión de la inversión de la Entidad en la operación extranjera en Euros, cuya moneda funcional es el euro.
- c) Forward de tipo de cambio Libras esterlinas (GBP)-Dólar, Euro-dólar, Euro-Shekel israelí (ILS), Dólar-Liras turcas, Dólar-Rand sudafricano (ZAR) y Dólar-Shekel israelí (ILS) para mitigar la exposición que se tiene por deudas con instituciones financieras, de capital de trabajo y partes relacionadas, en las monedas mencionadas.
- d) Forward de tipo de cambio Real Brasileño-Dólar para mitigar la volatilidad de los precios de ciertas materias primas.
- e) Opciones Euro-Dólar para mitigar la exposición que se tiene en resultados denominadas en las monedas mencionadas.

Contratos Swaps de divisas (Cross Currency Swap) - De acuerdo a los contratos Swaps de divisas, la Entidad acuerda intercambiar flujos Peso-Dólar calculados sobre los importes de los montos nominales y tasas de interés establecidos en dichos contratos, para cubrir la exposición de su deuda bancaria y en certificados bursátiles en pesos.

Contratos Principal Only- Swaps - De acuerdo a los contratos Swaps de divisas, la Entidad acuerda intercambiar flujos de efectivo Dólar-Euro del principal y una tasa fija en dólares, establecidos en dichos contratos, los cuales le permiten a la Entidad mitigar el riesgo de variaciones en los tipos de cambio por la exposición que genera su inversión en euros por la adquisición de sus subsidiarias en Europa Wavin y Vestolit. El valor razonable de los Swaps de divisas, al final del periodo sobre el que se informa, se determina descontando los flujos de efectivo futuros utilizando las curvas y tipos de cambio vigentes a la fecha de la determinación.

Contratos Swaps de tasa de interés - De acuerdo a los contratos Swaps de tasa de interés que cubren deuda financiera en euros a largo plazo, la Entidad acuerda intercambiar una tasa de interés variable por una tasa de interés fija.

Contratos Forwards y Opciones de tipo de cambio - La Entidad celebra Forwards y Opciones de tipo de cambio en diferentes monedas distintas a su moneda funcional con el objetivo de cubrir la exposición cambiaria en los rubros del balance y resultados. Las partidas cubiertas diferentes a la moneda funcional de la Entidad se denominan principalmente en: Libras esterlinas (GBP), Euro (EUR), Shekel israelí (ILS), Rupia india (INR), Rand sudafricano (ZAR), Lira turca (TRY) y Real brasileño (BRL). Dichos contratos se realizan por períodos de menos de un año.

- Estrategias de cobertura o negociación implementadas

Actualmente Orbia tiene contratados Swaps:

- 5 Principal Only-Swap Dólar-Euro, designados como relaciones de cobertura de inversión neta de sus subsidiarias en Europa por EUR 531 millones.

-En mayo de 2020, se realizó la cancelación del 50% de uno de los principal-only-swap que se menciona en el párrafo anterior, por un monto notional de EUR 102 millones.

-1 Cross Currency Swap Peso-Dólar, que han sido designados como relaciones de cobertura de flujos de efectivo para cubrir fluctuaciones cambiarias a las que está expuesta por revaluación de la deuda en pesos mexicanos por 1,500 millones de pesos mexicanos.

- Mercados de negociación permitidos y contrapartes elegibles

Las contrapartes elegibles por la Emisora son, entre otras, Morgan Stanley (France), HSBC, BBVA, Citibanamex, Santander, Barclays Bank, Ak Bank, Discount, Leumi, Union, Mizrahi Tefahot Bank Ltd, Poalim Capital Markets, Bank Hapoalim, Igud y First International Bank of Israel (FIBI).

A continuación, se resumen los principales términos y condiciones de los contratos. Esta descripción incluye el tipo de instrumento en cuestión, la contraparte, la vigencia, el monto principal, y el estado del mismo:

Swaps

- (1) En octubre de 2013, se contrató Swap de tipo de cambio y tasa de interés con Morgan Stanley con una vigencia del 09-Oct-2013 hasta el 05-Mar-2021, por un monto notional original de MXN\$ 1'500,000,000; en septiembre de 2015 se negoció una novación con Bancomer transfiriendo la mitad del total de las operaciones quedando este con un monto notional de MXN\$ 750,000,000. En marzo de 2018 se negoció una novación con Bank of America transfiriendo el total de la operación que anteriormente se tenía con Morgan Stanley, cuyo estado actual es "vencido" con un monto notional de MXN\$150,000,000.
- (2) En septiembre de 2015 se negoció una novación con Bancomer de un Swap de tipo de cambio y tasa de interés que originalmente se tenía con Morgan Stanley con una vigencia del 10-Sept-2015 al 05-Mar-2021 por un monto notional de MXN\$ 750,000,000. En marzo de 2018 se negoció una novación con J.P. Morgan transfiriendo el total de la operación que anteriormente se tenía con Bancomer, cuyo estado actual es "vencido" con un monto notional de MXN\$150,000,000.
- (3) En enero de 2014, se contrató Swap de tipo de cambio y tasa de interés con HSBC con una vigencia del 23-Ene-2014 hasta el 05-Mar-2021, por un monto notional de MXN\$ 1'500,000,000 cuyo estado actual es "vencido" con un monto notional de MXN\$300,000,000.
- (4) En mayo de 2015, se contrató un principal-only swap EUR/USD con Bancomer con una vigencia del 05-May-2015 hasta el 18-Mar-2025, por un monto notional de USD\$ 228,316,800. En mayo de 2020 se realizó una cancelación del 50% de este principal-only-swap quedando un monto notional nuevo de USD\$ 113,997,538, cuyo estado actual es "vigente".
- (5) En junio de 2015, se contrató un principal-only swap EUR/USD con Morgan Stanley con una vigencia del 10-Jun-2015 hasta el 17-Mar-2022, por un monto notional de USD\$ 96,993,210, cuyo estado actual es "vigente".
- (6) En junio de 2015, se contrató un principal-only swap EUR/USD con Santander con una vigencia del 11-Jun-2015 hasta el 17-Mar-2022, por un monto notional de USD\$ 97,402,597, cuyo estado actual es "vigente".
- (7) En diciembre de 2015, se contrató un principal-only swap EUR/USD con Banamex con una vigencia del 03-Dic-2015 hasta el 17-Mar-2025, por un monto notional de USD\$ 121,011,000, cuyo estado actual es "vigente".
- (8) En diciembre de 2015, se contrató un principal-only swap EUR/USD con Barclays Bank Mexico. con una vigencia del 03-Dic-2015 hasta el 17-Mar-2025, por un monto notional de USD\$ 121,011,000, cuyo estado actual es "vigente".
- (9) En junio de 2017, se contrató Swap de tipo de cambio y tasa de interés con Banamex con una vigencia del 16-Jun-2017 hasta el 09-Mar-2022, por un monto notional original de MXN\$ 1'500,000,000, cuyo estado actual es "vigente".

- (10) En febrero de 2020, se contrató un interés rate SWAP USD/USD con Wells Fargo con una vigencia del 5 de febrero de 2021 hasta el 5 de febrero de 2023, por un monto notional de USD\$ 4,600,000 cuyo estado actual es "Vigente".

Forwards

- (1) En septiembre de 2020, se contrató un Forward de tipo de cambio GBP/USD con Barclays con una vigencia del 15 de septiembre de 2020 hasta el 17 de mayo de 2021, por un monto notional de GBP\$ 150,000,000 cuyo estado actual es "Vigente".
- (2) En septiembre de 2020, se contrató un Forward de tipo de cambio GBP/USD con BBVA con una vigencia del 15 de septiembre de 2020 hasta el 17 de mayo de 2021, por un monto notional de GBP\$ 50,000,000 cuyo estado actual es "Vigente".
- (3) En septiembre de 2020, se contrató un Forward de tipo de cambio GBP/USD con Morgan Stanley con una vigencia del 15 de septiembre de 2020 hasta el 17 de mayo de 2021, por un monto notional de GBP\$ 100,000,000 cuyo estado actual es "Vigente".
- (4) En Julio de 2020, se contrató un Forward de tipo de cambio USD/EUR con Leumi con una vigencia del 29 de Julio de 2020 hasta el 30 de junio de 2021, por un monto notional de USD\$ 3,683,105 cuyo estado actual es "Vigente".
- (5) En noviembre de 2020, se contrató un Forward de tipo de cambio USD/TRY con Leumi con una vigencia del 16 de noviembre de 2020 hasta el 28 de abril de 2021, por un monto notional de USD\$ 28,685,476 cuyo estado actual es "Vigente".
- (6) En septiembre de 2020, se contrató un Forward de tipo de cambio USD/BRL con Poalim con una vigencia del 4 de septiembre de 2020 hasta el 15 de diciembre de 2021, por un monto notional de USD\$ 12,799,843 cuyo estado actual es "Vigente".
- (7) En septiembre de 2020, se contrató un Forward de tipo de cambio USD/EUR con Poalim con una vigencia del 8 de septiembre de 2021 hasta el 31 de agosto de 2021, por un monto notional de USD\$ 8,625,445 cuyo estado actual es "Vigente".
- (8) En noviembre de 2020, se contrató un Forward de tipo de cambio USD/AUD con Poalim con una vigencia del 16 de noviembre de 2020 hasta el 15 de junio de 2021, por un monto notional de USD\$ 4,577,078 cuyo estado actual es "Vigente".
- (9) En noviembre de 2020, se contrató un Forward de tipo de cambio USD/CNY con HSBC con una vigencia del 12 de noviembre de 2020 hasta el 15 de Julio de 2021, por un monto notional de USD\$ 9,712,906 cuyo estado actual es "Vigente".
- (10) En noviembre de 2020, se contrató un Forward de tipo de cambio USD/BRL con Mizrachi con una vigencia del 18 de noviembre de 2020 hasta el 15 de junio de 2021, por un monto notional de USD\$ 318,830 cuyo estado actual es "Vigente".
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- (11) En marzo de 2020, se contrató un Forward de tipo de cambio USD/EUR con HSBC con una vigencia del 30 de marzo de 2021 hasta el 30 de noviembre de 2021, por un monto notional de USD\$ 6,400,088 cuyo estado actual es "Vigente".
- (12) En marzo de 2020, se contrató un Forward de tipo de cambio USD/BRL con Bradesco con una vigencia del 19 de marzo de 2021 hasta el 13 de abril de 2021, por un monto notional de USD\$ 6,400,088 cuyo estado actual es "Vigente".
- (13) En marzo de 2020, se contrató un Forward de tipo de cambio USD/BRL con Santander con una vigencia del 19 de marzo de 2021 hasta el 11 de agosto de 2021, por un monto notional de USD\$ 3,769,740 cuyo estado actual es "Vigente"

- (14) En marzo de 2020, se contrató un Forward de tipo de cambio USD/EUR con Leumi con una vigencia del 29 de marzo de 2021 hasta el 7 de abril de 2021, por un monto nominal de USD\$ 11,741,795 cuyo estado actual es "Vigente".
- (15) En marzo de 2020, se contrató un Forward de tipo de cambio ILS/USD con Leumi con una vigencia del 30 de marzo de 2021 hasta el 1 de abril de 2021, por un monto nominal de ILS\$ 24,109,829 cuyo estado actual es "Vigente".
- (16) En septiembre de 2020, se contrató un Forward de tipo de cambio USD/ZAR con Leumi con una vigencia del 16 de septiembre de 2020 hasta el 15 de diciembre de 2021, por un monto nominal de USD\$ 4,642,820 cuyo estado actual es "Vigente".
- (17) En septiembre de 2020, se contrató un Forward de tipo de cambio USD/INR con Leumi con una vigencia del 17 de septiembre de 2020 hasta el 24 de abril de 2021, por un monto nominal de USD\$ 7,337,461 cuyo estado actual es "Vigente".
- (18) En octubre de 2020, se contrató un Forward de tipo de cambio USD/TRY con Poalim con una vigencia del 1 de octubre de 2020 hasta el 15 de noviembre de 2021, por un monto nominal de USD\$ 28,528,935 cuyo estado actual es "Vigente".
- (19) En marzo de 2020, se contrató un Forward de tipo de cambio USD/ILS con Poalim con una vigencia del 29 de marzo de 2021 hasta el 1 de abril de 2021, por un monto nominal de USD\$ 690,000 cuyo estado actual es "Vigente".
- (20) En Julio de 2020, se contrató un Opciones Vainilla de tipo de cambio USD/EUR con Poalim con una vigencia del 22 de Julio de 2020 hasta el 30 de noviembre de 2021, por un monto nominal de USD\$ 9,767,660 cuyo estado actual es "Vigente".
- (21) En marzo de 2020, se contrató un Forward de tipo de cambio USD/EUR con Mizrahi con una vigencia del 29 de marzo de 2021 hasta el 28 de abril de 2021, por un monto nominal de USD\$ 8,444,558 cuyo estado actual es "Vigente".
- (22) En marzo de 2020, se contrató un Forward de tipo de cambio EUR/USD con HSBC con una vigencia del 9 de noviembre de 2020 hasta el 30 de noviembre de 2021, por un monto nominal de EUR\$11,741,795 cuyo estado actual es "Vigente".
- (23) En marzo de 2020, se contrató un Forward de tipo de cambio ILS/USD con HSBC con una vigencia del 31 de marzo de 2021 hasta el 7 de abril de 2021, por un monto nominal de ILS\$ 81,398,400 cuyo estado actual es "Vigente".
- (24) En marzo de 2020, se contrató un Forward de tipo de cambio TRY/USD con HSBC con una vigencia del 31 de marzo de 2021 hasta el 1 de abril de 2021, por un monto nominal de TRY\$ 13,000,000 cuyo estado actual es "Vigente".
- (25) En septiembre de 2020, se contrató un Forward de tipo de cambio USD/INR con HSBC con una vigencia del 18 de septiembre de 2020 hasta el 13 de agosto de 2021, por un monto nominal de USD\$ 26,128,663 cuyo estado actual es "Vigente".
- (26) En septiembre de 2020, se contrató un Forward de tipo de cambio USD/ZAR con HSBC con una vigencia del 15 de septiembre de 2020 hasta el 15 de octubre de 2021, por un monto nominal de USD\$ 20,565,324 cuyo estado actual es "Vigente".
- (27) En noviembre de 2020, se contrató un Forward de tipo de cambio USD/TRY con HSBC con una vigencia del 19 de noviembre de 2020 hasta el 12 de mayo de 2021, por un monto nominal de USD\$ 8,588,966 cuyo estado actual es "Vigente".
- (28) En marzo de 2020, se contrató un Forward de tipo de cambio ILS/USD con Mizrahi con una vigencia del 29 de marzo de 2021 hasta el 1 de abril de 2021, por un monto nominal de ILS\$ 7,417,025 cuyo estado actual es "Vigente".
- (29) En diciembre de 2020, se contrató un Forward de tipo de cambio EUR/USD con Mizrahi con una vigencia del 7 de diciembre de 2020 hasta el 30 de Julio de 2021, por un monto nominal de EUR\$ 1,000,000 cuyo estado actual es "Vigente".
- (30) En julio de 2020, se contrató un Forward de tipo de cambio USD/EUR con Mizrahi con una vigencia del 21 de Julio de 2020 hasta el 30 de noviembre de 2021, por un monto nominal de USD\$ 19,527,800 cuyo estado actual es "Vigente".

- (31) En marzo de 2020, se contrató un Forward de tipo de cambio EUR/USD con Discount con una vigencia del 24 de marzo de 2021 hasta el 4 de enero de 2021, por un monto notional de EUR\$ 355,059 cuyo estado actual es "Vigente".
- (32) En marzo de 2020, se contrató un Forward de tipo de cambio USD/INR con Discount con una vigencia del 4 de marzo de 2021 hasta el 13 de diciembre de 2021, por un monto notional de USD\$ 6,891,573 cuyo estado actual es "Vigente".
- (33) En febrero de 2020, se contrató un Forward de tipo de cambio USD/ZAR con Discount con una vigencia del 11 de febrero de 2020 hasta el 15 de junio de 2021, por un monto notional de USD\$ 27,456,540 cuyo estado actual es "Vigente".
- (34) En agosto de 2020, se contrató un Forward de tipo de cambio USD/EUR con Discount con una vigencia del 5 de agosto de 2020 hasta el 30 de julio de 2021, por un monto notional de USD\$ 2,295,550 cuyo estado actual es "Vigente".
- (35) En febrero de 2020, se contrató un Forward de tipo de cambio EUR/ZAR con Investec con una vigencia del 10 de febrero de 2020 hasta el 9 de julio de 2021, por un monto notional de EUR\$ 382,726 cuyo estado actual es "Vigente".
- (36) En diciembre de 2020, se contrató un Forward de tipo de cambio USD/ZAR con Investec con una vigencia del 10 de diciembre de 2020 hasta el 17 de septiembre de 2021, por un monto notional de USD\$ 1,100,000 cuyo estado actual es "Vigente".

- Políticas para la designación de agentes de cálculo o valuación

En cuanto a las políticas de designación de agentes de cálculo o valuación, la Emisora mantiene un Comité Interno de Manejo de Riesgo, el cual en conjunto con el Comité Interno de Tesorería calculan y evalúan las posiciones existentes.

- Políticas de márgenes, colaterales y líneas de crédito

Las políticas de la Entidad establecen como requisito fundamental que los instrumentos financieros derivados tienen que ser considerados como un instrumento de cobertura, donde dicha cobertura quede formalmente documentada y los cambios en el valor razonable o flujos de efectivo mantengan una alta efectividad en la compensación en el valor razonable o flujos de efectivo de la posición primaria.

A la fecha del reporte no se tiene registrado ningún colateral.

Las líneas de crédito están definidas en nuestros ISDA (International Swap Dealers Association).

Actualmente se tienen contratadas líneas de crédito por un total de \$397.5 millones de dólares, con Morgan Stanley (France) SAS, BBVA, S.A., Institución de banca múltiple, Grupo financiero BBVA, Banco Santander (Mexico), S.A., HSBC México, S.A., Institución de banca múltiple grupo financiero HSBC, Citibanamex, S.A., Integrante del grupo Financiero Banamex, Barclays, Bank Mexico S.A., Institución de banca Múltiple Grupo Financiero Barclays Mexico.

- Procesos y niveles de autorización requeridos por tipo de operación

En cuanto a los procesos y niveles de autorización requeridos por tipo de operaciones, es dable destacar que todas las operaciones de derivados son presentadas y aprobadas por los Comités de Auditoría y Prácticas Societarias, así como por el Consejo de Administración, de acuerdo a los niveles de autorización.

En lo que respecta a los contratos Swaps, Forwards y de Opciones, todos fueron aprobados por la Dirección General con el acuerdo de los Comités antes mencionados.

- Procedimientos de control interno para administrar la exposición a los riesgos de mercado y de liquidez en las posiciones de instrumentos financieros

Los procedimientos de control interno se encuentran plasmados en la política interna relacionada a Instrumentos Financieros Derivados. La cual permite únicamente la contratación instrumentos de cobertura, y prohíbe instrumentos de negociación.

- La existencia de un tercero independiente que revise dichos procedimientos

En cuanto a controles internos, los mismos son evaluados tanto por los auditores internos como externos, siendo los auditores externos los encargados de revisar los procedimientos de registro dando seguimiento a la política contable referente a instrumentos financieros derivados y derivados implícitos descrita dentro de las notas a los estados financieros.

- Información sobre la autorización del uso de derivados y la existencia de un comité que lleve a cabo la administración integral de riesgos, reglas que los rigen y existencia de un manual de administración integral de riesgos

Adicionalmente, se ha formado el Comité Interno de Manejo de Riesgos, para la administración de este tipo de riesgos, el cual es integrado por el Director Financiero, el Director General y el Gerente de Administración de Riesgos.

Descripción genérica sobre las técnicas de valuación, distinguiendo los instrumentos que sean valuados a costo o a valor razonable, así como los métodos y técnicas de valuación [bloque de texto]

i. Descripción de las políticas y técnicas de valuación:

Instrumentos financieros derivados – Considerando que la Entidad realiza sus actividades en los ámbitos nacional e internacional, está expuesta a riesgos de fluctuación de precios en insumos de las industrias en las que opera, así como de riesgos financieros relacionados con el financiamiento de sus proyectos. La política de la Entidad es la de utilizar ciertas coberturas que le permitan mitigar la volatilidad de los precios de ciertas materias primas y de riesgos de tasa y de tipo de cambio en operaciones financieras, todas ellas relacionadas con su negocio y previamente aprobadas por los comités de Auditoría y Prácticas Societarias, así como por el Consejo de Administración.

Los derivados se reconocen inicialmente al valor razonable a la fecha en que se suscribe el contrato del derivado y posteriormente se remiden a su valor razonable al final del período que se informa. El reconocimiento contable de la ganancia o pérdida resultante dependerá de la naturaleza de la relación de cobertura en la que el derivado esté designado. La Entidad designa ciertos derivados ya sea como coberturas de valor razonable, de activos o pasivos reconocidos o compromisos en firme (coberturas de valor razonable), coberturas de transacciones pronosticadas altamente probables, coberturas de riesgo de moneda extranjera y tasa de interés variable de compromisos en firme (coberturas de flujos de efectivo) o coberturas de la inversión neta en un negocio en el extranjero.

Un derivado se presenta como un activo o un pasivo a largo plazo si la fecha de vencimiento del instrumento es de más de 12 meses y no se espera su realización o cancelación dentro de ese periodo, de lo contrario se presenta a corto plazo.

Contabilidad de coberturas

La Entidad designa ciertos instrumentos de cobertura, los cuales incluyen, derivados de moneda extranjera, tasa de interés y commodities y no derivados con respecto al riesgo de moneda extranjera, ya sea como coberturas de valor razonable, coberturas de flujo de efectivo, o coberturas de la inversión neta en una operación extranjera. La cobertura del riesgo de moneda extranjera de un compromiso en firme se contabiliza como cobertura de flujos de efectivo.

Al inicio de la cobertura, la Entidad documenta la relación entre el instrumento de cobertura y la partida cubierta, así como los objetivos de la administración de riesgos y su estrategia de administración para emprender diversas transacciones de cobertura. Adicionalmente, al inicio de la cobertura y sobre una base continua, se documenta si el instrumento de cobertura es altamente efectivo para compensar la exposición a los cambios en el valor razonable o los cambios en los flujos de efectivo de la partida cubierta.

Coberturas de flujo de efectivo

La Entidad al inicio de la cobertura documenta la relación de la cobertura y el objetivo y estrategia de gestión de riesgo de la entidad, esa documentación incluirá la forma en que se medirá la eficacia del instrumento de cobertura para compensar el valor de los cambios en el valor razonable en la partida cubierta o en los cambios en el flujo de efectivo atribuibles al riesgo cubierto.

La Entidad reconoce todos los activos o pasivos que surgen de las operaciones con instrumentos financieros derivados en los estados consolidados de posición financiera a valor razonable, independientemente del propósito de su tenencia. El valor razonable se determina con base en precios de mercados reconocidos y cuando no cotizan en un mercado, con base en técnicas de valuación aceptadas en el ámbito financiero. La decisión de tomar una cobertura económica o contable obedece a las condiciones del mercado y expectativas esperadas en el contexto económico nacional e internacional.

La porción efectiva de los cambios en el valor razonable de los derivados que se designan y califican como cobertura de flujo de efectivo se reconoce en otros resultados integrales. Las pérdidas y ganancias relativas a la porción no efectiva del instrumento de cobertura se reconocen en los resultados, y se incluye en el rubro "Otros gastos (ingresos)".

Los montos previamente reconocidos en la otra utilidad integral, y acumulados en el capital contable, se reclasifican a los resultados en los periodos en los que la partida cubierta se reconoce en los resultados, en el mismo rubro de los estados consolidados de resultados y otros resultados integrales de la partida cubierta reconocida. Sin embargo, cuando una transacción pronosticada que está cubierta da lugar al reconocimiento de un activo no financiero o un pasivo no financiero, las pérdidas o ganancias previamente acumuladas en el capital contable, se transfieren y se incluyen en la valuación inicial del costo del activo no financiero o del pasivo no financiero.

La contabilización de coberturas se discontinúa cuando se revoca la relación de cobertura, cuando el instrumento de cobertura vence o se vende, termina, o se ejerce, o cuando deja de cumplir con los criterios para la contabilización de coberturas. Cualquier ganancia o pérdida acumulada del instrumento de cobertura que haya sido reconocida en el capital contable continuará en el capital hasta que la transacción pronosticada sea finalmente reconocida en los resultados. Cuando ya no se espera que la transacción pronosticada ocurra, la ganancia o pérdida acumulada en el capital contable, se reclasifica inmediatamente a los resultados.

Coberturas de valor razonable

Los cambios en el valor razonable de los derivados que se designan y califican como coberturas de valor razonable se reconocen en los resultados, junto con cualquier cambio en el valor razonable del activo o pasivo cubierto que se atribuya al riesgo cubierto. El cambio en el valor razonable del instrumento de cobertura y el cambio en la partida cubierta atribuible al riesgo cubierto se reconocen en el rubro del estado de resultados relacionada con la partida cubierta.

La contabilización de coberturas se discontinúa cuando la Entidad revoca la relación de cobertura, cuando el instrumento de cobertura vence o se vende, termina, o se ejerce, o cuando deja de cumplir con los criterios para la contabilización de coberturas. El ajuste a valor razonable del valor en libros de la partida cubierta que surge del riesgo cubierto se amortiza contra resultados a partir de esa fecha.

Coberturas de una inversión neta en una operación extranjera

Las coberturas de una inversión neta en una operación extranjera se contabilizarán de manera similar a las coberturas de flujo de efectivo. Cualquier ganancia o pérdida del instrumento de cobertura relativa a la porción efectiva de la cobertura se reconoce en otros resultados integrales y se acumula en el efecto de conversión de operaciones extranjeras. La ganancia o pérdida relacionada con la porción ineficaz se reconoce en los resultados y se incluye en el rubro de "Otros gastos (ingresos)".

Las ganancias y pérdidas sobre el instrumento de cobertura, relativas a la porción efectiva de la cobertura acumulada en la reserva de conversión de operaciones extranjeras, se reclasifica a los resultados de la misma forma que las diferencias en tipo de cambio relativas a la operación extranjera.

Derivados implícitos - La Entidad lleva a cabo la revisión de los contratos que se celebran para identificar derivados implícitos que deban separarse del contrato anfitrión para efectos de su valuación y registros contables. Cuando se identifica un derivado implícito en otros instrumentos financieros o en otros contratos (contratos anfitriones) se tratan como derivados separados cuando sus riesgos y características no están estrechamente relacionados con los de los contratos anfitriones y cuando dichos contratos no se registran a su valor razonable con cambios a través de resultados.

En cuanto a la frecuencia de la valuación, ésta se realiza en forma diaria y mensual estableciendo la utilidad o pérdida del instrumento financiero en función a su valuación obtenida reconociendo en resultados o en capital el efecto de la misma. La valuación diaria es efectuada internamente y a fin de mes el estructurador o vendedor nos envía una valuación ("Mark-to-Market") mencionando la posición que guarda el instrumento financiero a esa fecha.

Discusión de la administración sobre las fuentes internas y externas de liquidez que pudieran ser utilizadas para atender requerimientos relacionados con instrumentos financieros derivados [bloque de texto]

Fuentes de Liquidez.

La Entidad espera cumplir sus obligaciones con los flujos de efectivo de las operaciones y recursos que se reciben del vencimiento de activos financieros. Adicionalmente la Entidad tiene acceso a líneas de crédito revolventes con diversas instituciones bancarias.

La administración de la Entidad es la que tiene la responsabilidad final por la gestión de liquidez, quien ha establecido las políticas apropiadas para el control de ésta, a través del seguimiento del capital de trabajo, lo que permite que la gerencia pueda administrar los requerimientos de financiamiento a corto, mediano y largo plazo de la Entidad, manteniendo reservas de efectivo, disposición de líneas de crédito, monitoreando continuamente los flujos de efectivo, proyectados y reales, conciliando los perfiles de vencimiento de los activos y pasivos financieros.

Explicación de los cambios en la exposición a los principales riesgos identificados y en la administración de los mismos, así como contingencias y eventos conocidos o esperados por la administración que puedan afectar en los futuros reportes [bloque de texto]

Exposición.

La Entidad se encuentra expuesta a riesgos en la tasa de interés debido a que tiene deuda contratada a tasas variables. El riesgo es manejado por la Entidad con el uso de contratos swap de tasas de interés. Las actividades de cobertura se evalúan regularmente para que se alineen con las tasas de interés y su riesgo relacionado, asegurando que se apliquen las estrategias de cobertura más rentables.

Las exposiciones de la Entidad por riesgo de tasas de interés se encuentran principalmente en tasas de interés TIIE y Libor sobre los pasivos financieros. El análisis de sensibilidad que determina la Entidad se prepara con base en la exposición a las tasas de interés de su deuda financiera total no cubierta sostenida en tasas variables, se prepara un análisis asumiendo que el importe del pasivo pendiente al final del período sobre el que se informa ha sido el pasivo pendiente para todo el año. La Entidad analiza internamente sobre el riesgo en las tasas de interés.

- Descripción y número de IFD que hayan vencido durante el trimestre y de aquéllos cuya posición haya sido cerrada.

Esta información se detalla en la sección "Mercados de negociación permitidos y contrapartes elegibles".

- Descripción y número de llamadas de margen que se hayan presentado durante el trimestre.

Durante el primer trimestre de 2021 no hubo llamadas de margen. Al 31 de marzo de 2021 y al 31 de diciembre de 2020 no existe colateral acumulado neto de recuperaciones.

- Revelación de cualquier incumplimiento que se haya presentado a los contratos respectivos.

No se presentó incumplimiento en ningún contrato.

Información cuantitativa a revelar [bloque de texto]

Anexo1: Resumen de instrumentos financieros derivados

Cifras en miles de dólares americanos al 31 de diciembre de 2020

Tipo de Derivado, valor o contrato	Fines de cobertura u otros fines, tales como negociación	Monto nacional / Valor nominal (convertido a dólares)	Valor activo subyacente / Variable de referencia		Valor razonable		Monto de vencimientos por año		
			Trimestre actual	Trimestre anterior	Trimestre actual	Trimestre anterior	2021	2022	2023+
Cross Currency Swap de tasa de interés Variable MXN / Fija USD y tipo de cambio MXN/USD	Cobertura	72,799	20.6047 (MXN/USD)	19.9487 (MXN/USD)	-10,097	-7,049	-	72,799	-
Principal-only swap USD/EUR	Cobertura	96,993	1.1717 (USD/EUR)	1.2298 (USD/EUR)	-19,991	-24,555	-	96,993	
Principal-only swap USD/EUR	Cobertura	97,403	1.1717 (USD/EUR)	1.2298 (USD/EUR)	-20,403	-24,787	-	97,403	
Principal-only swap USD/EUR	Cobertura	113,998	1.1717 (USD/EUR)	1.2298 (USD/EUR)	-4,104	-6,964	-		113,998
Principal-only swap USD/EUR	Cobertura	121,011	1.1717 (USD/EUR)	1.2298 (USD/EUR)	-12,222	-15,706	-		121,011
Principal-only swap USD/EUR	Cobertura	121,011	1.1717 (USD/EUR)	1.2298 (USD/EUR)	-12,134	-15,511	-		121,011
Forward de tipo de cambio GBP/USD	Cobertura	206,100	1.3740 (GBP/USD)	1.3625 (GBP/USD)	11,370	9,663	206,098		-
Forward de tipo de cambio GBP/USD	Cobertura	68,700	1.3740 (GBP/USD)	1.3625 (GBP/USD)	3,898	3,261	68,700		-
Forward de tipo de cambio GBP/USD	Cobertura	137,400	1.3740 (GBP/USD)	1.3625 (GBP/USD)	7,630	6,354	137,400		-
Forward de tipo de cambio USD/EUR	Cobertura	3,683	1.1717 (USD/EUR)	1.2298 (USD/EUR)	38	-281	3,683		
Forward de tipo de cambio USD/TRY	Cobertura	28,685	0.12 (USD/TRY)	0.1354 (USD/TRY)	790	-800	28,685		
Forward de tipo de cambio USD/BRL	Cobertura	12,800	0.1735 (USD/BRL)	0.1924 (USD/BRL)	1,019	-164	12,800		
Forward de tipo de cambio USD/EUR	Cobertura	8,625	1.1717 (USD/EUR)	1.2298 (USD/EUR)	43	-175	8,625		
Forward de tipo de cambio USD/AUD	Cobertura	4,577	0.7597 (USD/AUD)	0.7686 (USD/AUD)	-93	-184	4,577		
Forward de tipo de cambio USD/CNY	Cobertura	9,713	0.1522 (USD/CNY)	0.1533 (USD/CNY)	-82	-169	9,713		
Forward de tipo de cambio USD/EUR	Cobertura	11,742	1.1717 (USD/EUR)	1.2298 (USD/EUR)	52	-217	11,742		-
Forward de tipo de cambio USD/BRL	Cobertura	3,770	0.1808 (USD/BRL)		112		3,770		
Forward de tipo de cambio USD/BRL	Cobertura	6,400	0.1825 (USD/BRL)		245		6,400		

Forward de tipo de cambio ILS/USD	Cobertura	7,230	0.2997 (USD/ILS)		2		7,226		
Forward de tipo de cambio TRY/USD	Cobertura	6,566	0.1200 (TRY/USD)		62		42,305		
Forward de tipo de cambio USD/ZAR	Cobertura	4,643	0.067 (USD/ZAR)		-208		4,643		
Forward de tipo de cambio USD/INR	Cobertura	7,337	0.0136 (USD/INR)		52		7,337		
Forward de tipo de cambio USD/TRY	Cobertura	28,529	0.12 (USD/TRY)		-28		28,529		
Forward de tipo de cambio USD/ILS	Cobertura	690	0.2997 (USD/ILS)		1		690		
Opciones Vainilla USD/EUR	Cobertura	9,768	1.1717 (USD/EUR)		64		9,768		
Forward de tipo de cambio USD/EUR	Cobertura	8,445	1.1717 (USD/EUR)		-2		8,445		
Forward de tipo de cambio EUR/USD	Cobertura	11,031	0.8534608 (EUR/USD)		1		11,430		
Forward de tipo de cambio ILS/USD	Cobertura	24,400	3.3365 (ILS/USD)		15		24,395		
Forward de tipo de cambio TRY/USD	Cobertura	1,560	0.12 (TRY/USD)		13		1,560		
Forward de tipo de cambio USD/INR	Cobertura	26,129	0.0136 (USD/INR)		-47		26,129		
Forward de tipo de cambio USD/ZAR	Cobertura	20,565	0.067 (USD/ZAR)		-208		20,565		
Forward de tipo de cambio USD/TRY	Cobertura	8,589	0.12 (USD/TRY)		285		8,589		
Forward de tipo de cambio ILS/USD	Cobertura	2,215	3.3365 (ILS/USD)		10		2,223		
Forward de tipo de cambio EUR/USD	Cobertura	1,223	0.8535 (EUR/USD)		-18		16		
Forward de tipo de cambio USD/EUR	Cobertura	19,528	1.1717 (USD/EUR)		178		19,528		
Forward de tipo de cambio USD/INR	Cobertura	6,892	0.0136 (USD/INR)		56		6,892		
Forward de tipo de cambio USD/ZAR	Cobertura	27,457	0.067 (USD/ZAR)		12		27,457		
Forward de tipo de cambio USD/EUR	Cobertura	2,296	1.1717 (USD/EUR)		21		2,296		
Forward de tipo de cambio EUR/ZAR	Cobertura	448	0.0572 (EUR/ZAR)		-17		448		
Forward de tipo de cambio USD/ZAR	Cobertura	1,100	0.067 (USD/ZAR)		-22		1,100		
Forward de tipo de cambio USD/BRL	Cobertura	319		0.1924 (USD/BRL)		-7	319		
Forward de tipo de cambio USD/ZAR	Cobertura	5,321		0.0684 (USD/ZAR)		-294			
Forward de tipo de cambio USD/INR	Cobertura	4,005		0.0136 (USD/INR)		-62			
Forward de tipo de cambio USD/INR	Cobertura	7,181		0.0136 (USD/INR)		-117			
Forward de tipo de cambio USD/INR	Cobertura	38,223		0.0136 (USD/INR)		-481			
Forward de tipo de cambio USD/ZAR	Cobertura	20,307		0.0684 (USD/ZAR)		-374			
Forward de tipo de cambio USD/ZAR	Cobertura	723		0.0684 (USD/ZAR)		-49			

Opciones Vainilla USD/EUR	Cobertura	2,296		1.2298 (USD/EUR)		-16			
Opciones Vainilla USD/EUR	Cobertura	26,497		1.2298 (USD/EUR)		-299			
Opciones Vainilla USD/INR	Cobertura	14,549		1.2298 (USD/INR)		-168			
Cross Currency Swap de tasa de interés Variable MXN / Fija USD y tipo de cambio MXN/USD	Cobertura	3,760		19.9487 (MXN/USD)		-1,941			-
Cross Currency Swap de tasa de interés Variable MXN / Fija USD y tipo de cambio MXN/USD	Cobertura	3,760		19.9487 (MXN/USD)		-1,953			-
Cross Currency Swap de tasa de interés Variable MXN / Fija USD y tipo de cambio MXN/USD	Cobertura	7,519		19.9487 (MXN/USD)		-3,774			-
Opciones Vainilla USD/EUR	Cobertura	3,389		1.2298 (USD/EUR)		-31			
Forward de tipo de cambio EUR/USD	Cobertura	6,778		1.2298 (EUR/USD)		-10			
Forward de tipo de cambio USD/USD	Cobertura	25,000		0.3106 (USD/USD)		-285			
Forward de tipo de cambio USD/ZAR	Cobertura	676		0.0684 (USD/ZAR)		-69			
Forward de tipo de cambio EUR/USD	Cobertura	1,996		1.2298 (EUR/USD)		-13			
Forward de tipo de cambio USD/EUR	Cobertura	1,418		1.2298 (USD/EUR)		-55			
Forward de tipo de cambio USD/INR	Cobertura	3,078		0.0136 (USD/INR)		-59			
Forward de tipo de cambio USD/EUR	Cobertura	570		1.2298 (USD/EUR)		-44			
Forward de tipo de cambio EUR/ZAR	Cobertura	473		0.0557 (EUR/ZAR)		-18			
Forward de tipo de cambio EUR/USD	Cobertura	2,236		1.2298 (EUR/USD)		-11			
Forward de tipo de cambio USD/GBP	Cobertura	5,811		1.3625 (USD/GBP)		-23			
Forward de tipo de cambio USD/JPY	Cobertura	703		0.0097 (USD/JPY)		-3			
Forward de tipo de cambio USD/TRY	Cobertura	4,205		0.1354 (USD/TRY)		-160			
Forward de tipo de cambio USD/EUR	Cobertura	6,900		1.2298 (USD/EUR)		-99			
Forward de tipo de cambio USD/TRY	Cobertura	5,965		0.1354 (USD/TRY)		-174			
Forward de tipo de cambio USD/BRL	Cobertura	1,422		0.1924 (USD/BRL)		-39			
Forward de tipo de cambio USD/BRL	Cobertura	20,997		0.1924 (USD/BRL)		-589			
Forward de tipo de cambio USD/BRL	Cobertura	8,224		0.1924 (USD/BRL)		-245			

Total monto nocional vigente 31/03/2021		1,387,298			-53,707	-88,746	764,083	267,195	356,020

Análisis

Orbia designó sus instrumentos financieros derivados como de cobertura; ya que están eliminando los efectos originados por la revaluación de su deuda en pesos mexicanos y la fluctuación cambiaria de su inversión en el extranjero en euros a dólares americanos. Orbia ha evaluado y medido la efectividad concluyendo que la estrategia de cobertura es altamente efectiva al 31 de marzo de 2020 y al 31 de diciembre de 2021. La Entidad utiliza el método "ratio analysis" utilizando el modelo de derivado hipotético para simular el comportamiento del elemento cubierto, dicho método consiste en comparar los cambios en el valor razonable de los instrumentos de cobertura con los cambios en el valor razonable del derivado hipotético que resultaría en una cobertura perfecta del elemento cubierto.

La deuda a largo plazo de la Entidad se registra a su costo amortizado y, consiste en deuda que genera intereses a tasas fijas y variables que están relacionadas a indicadores de mercado.

Para obtener y revelar el valor razonable de la deuda a largo plazo se utilizan los precios de cotización del mercado o las cotizaciones de los operadores para instrumentos similares. Para determinar el valor razonable de los otros instrumentos financieros se utilizan otras técnicas como la de flujos de efectivo estimados, considerando las fechas de flujo en las curvas inter-temporales de mercado y descontando dichos flujos con las tasas que reflejan el riesgo de la contraparte, así como el riesgo de la misma Entidad para el plazo de referencia. El valor razonable de los swaps de tasas de interés se calcula como el valor presente de los flujos netos de efectivo estimados a futuro. El valor razonable de los futuros de divisas se determina utilizando los tipos de cambio futuros cotizados a la fecha de los estados consolidados de posición financiera.

Algunos de los activos y pasivos financieros de la Entidad se valúan a su valor razonable al cierre del ejercicio, utilizando básicamente las siguientes técnicas:

Para la valuación de los contratos Swap de tasa fija de interés se utiliza:

Flujo de tasa descontado. Los flujos de efectivo futuros se estiman sobre la base de las tasas de interés forward (a partir de las curvas de rendimiento observadas al final del periodo del que se informa) y tasas de interés contractuales, descontadas a una tasa que refleje el riesgo de crédito de varias contrapartes.

[800100] Notas - Subclasificaciones de activos, pasivos y capital contable

Concepto	Cierre Trimestre Actual 2021-03-31	Cierre Ejercicio Anterior 2020-12-31
Subclasificaciones de activos, pasivos y capital contable [sinopsis]		
Efectivo y equivalentes de efectivo [sinopsis]		
Efectivo [sinopsis]		
Efectivo en caja	3,497,000	4,475,000
Saldo en bancos	582,973,000	692,912,000
Total efectivo	586,470,000	697,387,000
Equivalentes de efectivo [sinopsis]		
Depósitos a corto plazo, clasificados como equivalentes de efectivo	0	0
Inversiones a corto plazo, clasificados como equivalentes de efectivo	126,851,000	177,798,000
Otros acuerdos bancarios, clasificados como equivalentes de efectivo	0	0
Total equivalentes de efectivo	126,851,000	177,798,000
Otro efectivo y equivalentes de efectivo	0	0
Total de efectivo y equivalentes de efectivo	713,321,000	875,185,000
Cientes y otras cuentas por cobrar [sinopsis]		
Cientes	1,321,862,000	1,093,405,000
Cuentas por cobrar circulantes a partes relacionadas	4,761,000	5,445,000
Anticipos circulantes [sinopsis]		
Anticipos circulantes a proveedores	67,835,000	53,573,000
Gastos anticipados circulantes	47,351,000	60,423,000
Total anticipos circulantes	115,186,000	113,996,000
Cuentas por cobrar circulantes procedentes de impuestos distintos a los impuestos a las ganancias	0	0
Impuesto al valor agregado por cobrar circulante	69,936,000	80,478,000
Cuentas por cobrar circulantes por venta de propiedades	0	0
Cuentas por cobrar circulantes por alquiler de propiedades	0	0
Otras cuentas por cobrar circulantes	121,680,000	97,282,000
Total de clientes y otras cuentas por cobrar	1,563,489,000	1,310,128,000
Clases de inventarios circulantes [sinopsis]		
Materias primas circulantes y suministros de producción circulantes [sinopsis]		
Materias primas	229,605,000	183,493,000
Suministros de producción circulantes	0	0
Total de las materias primas y suministros de producción	229,605,000	183,493,000
Mercancía circulante	81,199,000	93,758,000
Trabajo en curso circulante	0	0
Productos terminados circulantes	599,139,000	557,277,000
Piezas de repuesto circulantes	27,081,000	26,594,000
Propiedad para venta en curso ordinario de negocio	0	0
Otros inventarios circulantes	0	0
Total inventarios circulantes	937,024,000	861,122,000
Activos mantenidos para la venta [sinopsis]		
Activos no circulantes o grupos de activos para su disposición clasificados como mantenidos para la venta	5,188,000	9,650,000
Activos no circulantes o grupos de activos para su disposición clasificados como mantenidos para distribuir a los propietarios	0	0
Total de activos mantenidos para la venta	5,188,000	9,650,000
Cientes y otras cuentas por cobrar no circulantes [sinopsis]		
Cientes no circulantes	0	0
Cuentas por cobrar no circulantes debidas por partes relacionadas	0	0
Anticipos de pagos no circulantes	0	0
Anticipos de arrendamientos no circulantes	0	0
Cuentas por cobrar no circulantes procedentes de impuestos distintos a los impuestos a las ganancias	0	0
Impuesto al valor agregado por cobrar no circulante	0	0

Concepto	Cierre Trimestre Actual 2021-03-31	Cierre Ejercicio Anterior 2020-12-31
Cuentas por cobrar no circulantes por venta de propiedades	0	0
Cuentas por cobrar no circulantes por alquiler de propiedades	0	0
Rentas por facturar	0	0
Otras cuentas por cobrar no circulantes	0	0
Total clientes y otras cuentas por cobrar no circulantes	0	0
Inversiones en subsidiarias, negocios conjuntos y asociadas [sinopsis]		
Inversiones en subsidiarias	0	0
Inversiones en negocios conjuntos	0	0
Inversiones en asociadas	41,639,000	38,585,000
Total de inversiones en subsidiarias, negocios conjuntos y asociadas	41,639,000	38,585,000
Propiedades, planta y equipo [sinopsis]		
Terrenos y construcciones [sinopsis]		
Terrenos	209,128,000	213,155,000
Edificios	361,911,000	377,788,000
Total terrenos y edificios	571,039,000	590,943,000
Maquinaria	2,310,524,000	2,372,459,000
Vehículos [sinopsis]		
Buques	0	0
Aeronave	0	0
Equipos de Transporte	15,578,000	16,542,000
Total vehículos	15,578,000	16,542,000
Enseres y accesorios	0	0
Equipo de oficina	30,449,000	32,096,000
Activos tangibles para exploración y evaluación	0	0
Activos de minería	0	0
Activos de petróleo y gas	0	0
Construcciones en proceso	180,843,000	174,457,000
Anticipos para construcciones	0	0
Otras propiedades, planta y equipo	0	0
Total de propiedades, planta y equipo	3,108,433,000	3,186,497,000
Propiedades de inversión [sinopsis]		
Propiedades de inversión	0	0
Propiedades de inversión en construcción o desarrollo	0	0
Anticipos para la adquisición de propiedades de inversión	0	0
Total de Propiedades de inversión	0	0
Activos intangibles y crédito mercantil [sinopsis]		
Activos intangibles distintos de crédito mercantil [sinopsis]		
Marcas comerciales	644,059,000	608,099,000
Activos intangibles para exploración y evaluación	0	0
Cabeceras de periódicos o revistas y títulos de publicaciones	0	0
Programas de computador	0	0
Licencias y franquicias	0	0
Derechos de propiedad intelectual, patentes y otros derechos de propiedad industrial, servicio y derechos de explotación	242,319,000	248,707,000
Recetas, fórmulas, modelos, diseños y prototipos	0	0
Activos intangibles en desarrollo	0	0
Otros activos intangibles	801,477,000	876,725,000
Total de activos intangibles distintos al crédito mercantil	1,687,855,000	1,733,531,000
Crédito mercantil	1,483,366,000	1,491,395,000
Total activos intangibles y crédito mercantil	3,171,221,000	3,224,926,000
Proveedores y otras cuentas por pagar [sinopsis]		
Proveedores circulantes	822,877,000	787,734,000
Cuentas por pagar circulantes a partes relacionadas	90,776,000	671,000
Pasivos acumulados (devengados) e ingresos diferidos clasificados como circulantes [sinopsis]		

Concepto	Cierre Trimestre Actual 2021-03-31	Cierre Ejercicio Anterior 2020-12-31
Ingresos diferidos clasificados como circulantes	0	0
Ingreso diferido por alquileres clasificado como circulante	0	0
Pasivos acumulados (devengados) clasificados como circulantes	34,430,000	64,456,000
Beneficios a los empleados a corto plazo acumulados (o devengados)	174,316,000	159,615,000
Total de pasivos acumulados (devengados) e ingresos diferidos clasificados como circulantes	34,430,000	64,456,000
Cuentas por pagar circulantes de la seguridad social e impuestos distintos de los impuestos a las ganancias	0	0
Impuesto al valor agregado por pagar circulante	0	0
Retenciones por pagar circulantes	0	0
Otras cuentas por pagar circulantes	541,947,000	405,925,000
Total proveedores y otras cuentas por pagar a corto plazo	1,490,030,000	1,258,786,000
Otros pasivos financieros a corto plazo [sinopsis]		
Créditos Bancarios a corto plazo	489,459,000	495,306,000
Créditos Bursátiles a corto plazo	145,598,000	0
Otros créditos con costo a corto plazo	526,670,000	540,803,000
Otros créditos sin costo a corto plazo	0	0
Otros pasivos financieros a corto plazo	51,837,000	13,762,000
Total de otros pasivos financieros a corto plazo	1,213,564,000	1,049,871,000
Proveedores y otras cuentas por pagar a largo plazo [sinopsis]		
Proveedores no circulantes	0	0
Cuentas por pagar no circulantes con partes relacionadas	0	0
Pasivos acumulados (devengados) e ingresos diferidos clasificados como no circulantes [sinopsis]		
Ingresos diferidos clasificados como no circulantes	0	0
Ingreso diferido por alquileres clasificado como no circulante	0	0
Pasivos acumulados (devengados) clasificados como no corrientes	0	0
Total de pasivos acumulados (devengados) e ingresos diferidos clasificados como no circulantes	0	0
Cuentas por pagar no circulantes a la seguridad social e impuestos distintos de los impuestos a las ganancias	0	0
Impuesto al valor agregado por pagar no circulante	0	0
Retenciones por pagar no circulantes	0	0
Otras cuentas por pagar no circulantes	310,490,000	305,207,000
Total de proveedores y otras cuentas por pagar a largo plazo	310,490,000	305,207,000
Otros pasivos financieros a largo plazo [sinopsis]		
Créditos Bancarios a largo plazo	80,393,000	113,826,000
Créditos Bursátiles a largo plazo	2,867,421,000	3,016,880,000
Otros créditos con costo a largo plazo	7,912,000	8,545,000
Otros créditos sin costo a largo plazo	0	0
Otros pasivos financieros a largo plazo	28,460,000	94,573,000
Total de otros pasivos financieros a largo plazo	2,984,186,000	3,233,824,000
Otras provisiones [sinopsis]		
Otras provisiones a largo plazo	20,568,000	20,674,000
Otras provisiones a corto plazo	30,860,000	33,148,000
Total de otras provisiones	51,428,000	53,822,000
Otros resultados integrales acumulados [sinopsis]		
Superávit de revaluación	0	0
Reserva de diferencias de cambio por conversión	(620,875,000)	(548,760,000)
Reserva de coberturas del flujo de efectivo	0	0
Reserva de ganancias y pérdidas por nuevas mediciones de activos financieros disponibles para la venta	0	0
Reserva de la variación del valor temporal de las opciones	0	0
Reserva de la variación en el valor de contratos a futuro	0	0
Reserva de la variación en el valor de márgenes con base en moneda extranjera	0	0
Reserva de ganancias y pérdidas en activos financieros a valor razonable a través del ORI	0	0
Reserva por cambios en valor razonable de activos financieros disponibles para la venta	0	0
Reserva de pagos basados en acciones	0	0
Reserva de nuevas mediciones de planes de beneficios definidos	(27,905,000)	(27,905,000)

Concepto	Cierre Trimestre Actual 2021-03-31	Cierre Ejercicio Anterior 2020-12-31
Importes reconocidos en otro resultado integral y acumulados en el capital relativos a activos no circulantes o grupos de activos para su disposición mantenidos para la venta	0	0
Reserva de ganancias y pérdidas por inversiones en instrumentos de capital	47,821,000	33,769,000
Reserva de cambios en el valor razonable de pasivos financieros atribuibles a cambios en el riesgo de crédito del pasivo	0	0
Reserva para catástrofes	0	0
Reserva para estabilización	0	0
Reserva de componentes de participación discrecional	0	0
Reserva de componentes de capital de instrumentos convertibles	0	0
Reservas para reembolsos de capital	0	0
Reserva de fusiones	0	0
Reserva legal	0	0
Otros resultados integrales	0	0
Total otros resultados integrales acumulados	(600,959,000)	(542,896,000)
Activos (pasivos) netos [sinopsis]		
Activos	10,231,323,000	10,211,111,000
Pasivos	7,180,162,000	7,031,539,000
Activos (pasivos) netos	3,051,161,000	3,179,572,000
Activos (pasivos) circulantes netos [sinopsis]		
Activos circulantes	3,315,548,000	3,156,152,000
Pasivos circulantes	2,988,614,000	2,587,636,000
Activos (pasivos) circulantes netos	326,934,000	568,516,000

[800200] Notas - Análisis de ingresos y gastos

Concepto	Acumulado Año Actual 2021-01-01 - 2021-03-31	Acumulado Año Anterior 2020-01-01 - 2020-03-31
Análisis de ingresos y gastos [sinopsis]		
Ingresos [sinopsis]		
Servicios	0	0
Venta de bienes	1,914,017,000	1,626,367,000
Intereses	0	0
Regalías	0	0
Dividendos	0	0
Arrendamiento	0	0
Construcción	0	0
Otros ingresos	0	0
Total de ingresos	1,914,017,000	1,626,367,000
Ingresos financieros [sinopsis]		
Intereses ganados	1,316,000	2,823,000
Utilidad por fluctuación cambiaria	11,050,000	159,563,000
Utilidad por cambios en el valor razonable de derivados	22,898,000	0
Utilidad por cambios en valor razonable de instrumentos financieros	0	0
Otros ingresos financieros	0	173,000
Total de ingresos financieros	35,264,000	162,559,000
Gastos financieros [sinopsis]		
Intereses devengados a cargo	50,724,000	52,433,000
Pérdida por fluctuación cambiaria	24,300,000	137,867,000
Pérdidas por cambio en el valor razonable de derivados	22,255,000	39,175,000
Pérdida por cambios en valor razonable de instrumentos financieros	0	5,500,000
Otros gastos financieros	6,064,000	12,540,000
Total de gastos financieros	103,343,000	247,515,000
Impuestos a la utilidad [sinopsis]		
Impuesto causado	75,551,000	82,211,000
Impuesto diferido	(11,943,000)	(72,609,000)
Total de Impuestos a la utilidad	63,608,000	9,602,000

[800500] Notas - Lista de notas

Información a revelar sobre notas, declaración de cumplimiento con las NIIF y otra información explicativa de la entidad [bloque de texto]

Declaración de cumplimiento

Los estados financieros consolidados de la Entidad han sido preparados con las IFRS emitidas por el Consejo de Normas Internacionales de Contabilidad. Las normas comprenden diversas disposiciones conocidas como IFRS, IAS, IFRIC y SIC.

Información a revelar sobre hechos ocurridos después del periodo sobre el que se informa [bloque de texto]

Eventos subsecuentes

Dividendos por pagar.- El 14 de abril de 2021, La Entidad realizó el pago de la primera parcialidad del dividendo en efectivo a razón de USD\$0.025 (cero punto cero veinticinco centavos de dólar, moneda de los Estados Unidos de América), aprobado por la Asamblea General Anual Ordinaria de Accionistas celebrada el 30 de marzo de 2021, mismo que provino de la Cuenta de Utilidad Fiscal Neta de la Compañía generada hasta el 31 de diciembre de 2013.

Fondo de recompra.- El Consejo de Administración de Orbia ha decidido someter a la consideración de sus Accionistas la cancelación de substancialmente la totalidad de las acciones de la Compañía que se encuentran en su Fondo de Recompra durante el segundo trimestre de este año.

Información a revelar de las políticas contables significativas [bloque de texto]

Ver descripción de las políticas contables y métodos de calculo seguidos en los Estados Financieros Intermedios.

[800600] Notas - Lista de políticas contables

Información a revelar de las políticas contables significativas [bloque de texto]

Ver descripción de las políticas contables y métodos de calculo seguidos en los Estados Financieros Intermedios.

[813000] Notas - Información financiera intermedia de conformidad con la NIC 34

Información a revelar sobre información financiera intermedia [bloque de texto]

Bases de presentación

Los estados financieros intermedios condensados consolidados han sido preparados de acuerdo con las Normas Internacionales de Información Financiera ("IFRS" por sus siglas en inglés) o Normas Internacionales de Contabilidad ("NIC", por sus siglas en inglés), cumpliendo con los criterios de reconocimiento, medición y presentación establecidos en la IAS 34 Información Financiera Intermedia.

Efectivo y equivalentes de efectivo

	2021	2020
Efectivo	\$ 402,501	\$ 623,097
Equivalentes de efectivo:		
Papel bancario	141,334	78,283
Inversiones a la vista	<u>169,486</u>	<u>173,805</u>
	<u>\$ 713,321</u>	<u>\$ 875,185</u>

Cuentas por cobrar

	2021	2020
Clientes	\$ 1,390,450	\$ 1,160,257
Menos - Estimación para cuentas de cobro dudoso	<u>(68,588)</u>	<u>(66,852)</u>
	1,321,862	1,093,405
Impuestos por recuperar y otras	<u>259,451</u>	<u>231,333</u>
	<u>\$ 1,581,313</u>	<u>\$ 1,324,738</u>

Inventarios

	2021	2020
Productos terminados	\$ 637,617	\$594,909
Materias primas	239,868	194,310
Mercancías en tránsito	81,199	93,758
Refacciones	<u>42,060</u>	<u>42,652</u>
	1,000,744	925,629
Menos – Estimación para inventarios obsoletos y de lento movimiento	<u>(63,720)</u>	<u>(64,507)</u>
	<u>\$ 937,024</u>	<u>\$861,122</u>

1. Instrumentos financieros

La Entidad tiene exposición a riesgos de mercado, operación y financieros derivados del uso de instrumentos financieros tales como tasa de interés, crédito, liquidez y riesgo cambiario, los cuales se administran en forma centralizada. El Consejo de Administración establece y vigila las políticas y procedimientos para medir y administrar estos riesgos, los cuales se describen a continuación.

a. **Administración del riesgo de capital** - La Entidad administra su capital para asegurar que continuará como negocio en marcha, mientras que maximiza el rendimiento a sus accionistas a través de la optimización de los saldos de deuda y capital. La estructura del capital de la Entidad no está expuesta a ningún tipo de requerimiento de capital.

La administración de la Entidad revisa mensualmente la deuda neta y los costos por préstamos y su relación con la Utilidad antes de Financiamiento, Impuestos, Depreciación y Amortización (UAFIDA), al presentar sus proyecciones financieras como parte del plan de negocio al Consejo de Administración y Accionistas de la Entidad.

El índice de endeudamiento neto de los períodos sobre los que se informa es el siguiente:

	2021	2020
Deuda neta con costo	2,869,550	2,750,827
UAFIDA Pro-Forma no auditada (12 meses)	<u>1,459,995</u>	<u>1,318,256</u>
Índice de endeudamiento	<u>1.97</u>	<u>2.09</u>
	2020	2019
UAFIDA Pro-Forma no auditada (12 meses)	1,459,995	1,318,256
Total de gastos por intereses	<u>209,016</u>	<u>210,725</u>
Índice de cobertura de intereses	<u>6.99</u>	<u>6.26</u>

Valor razonable de los instrumentos financieros

a. Forward de tipo de cambio

i. Durante 2021 y 2020, Orbia contrató Forwards de tipo de cambio Dólar americano (USD)/Libra esterlina (GBP) para cubrir la emisión de papel comercial en GBP, la vigencia de estos instrumentos es idéntica a la vigencia del papel comercial comenzando el 15 de septiembre del 2020 y venciendo el 17 de mayo del 2021.

ii. Durante 2020 y 2021, Netafim contrató Forwards de tipo de cambio Euro (EUR)/dólar americano (USD), USD/Liras turcas (TRY) y USD/Rand Sudafricano (ZAR) con Discount, HSBC, Leumi, Mizrahi y Poalim, con una vigencia que va del 5 de agosto de 2020 al 30 de noviembre de 2021; los montos nominales y tipos de cambio pactados se muestran en inciso d. de esta Nota.

iii. Durante 2021 Mexichem Brasil contrató Forwards de tipo de cambio Real Brasileño (BRL)/dólar americano con Santander y Bradesco, con una vigencia del 19 de marzo 2021 al 11 de agosto 2021; los montos nominales y tipos de cambio pactados se muestran en inciso d. de esta Nota.

iv. Opciones

Opción "Put"- De acuerdo con el convenio de accionistas firmado con los accionistas minoritarios que retuvieron el 20% restante del capital social (participación no controladora redimible) de Netafim. Existe una opción de venta ("Put Option") otorgada a ellos, que les permite tener la opción de vender su paquete accionario, y en consecuencia una obligación para la Entidad de comprar, a partir del quinto año del aniversario de la transacción y por 10 años

subsecuentes. El valor de la opción dependerá del valor de mercado de Netafim y de ciertas condiciones referidas al múltiplo del valor de la acción. La Entidad reconoció un valor con base en los escenarios estimados, considerando el valor presente de la obligación asumida. El registro contable inicial fue un débito al capital contable y un crédito al pasivo a largo plazo en el rubro de participación no controladora redimible por \$227 millones. Al 31 de marzo de 2021, el valor de la opción fue de \$274.

- b. Los montos nocionales relacionados con los instrumentos financieros derivados que se presentan en la siguiente tabla reflejan los montos contratados:
- c. Anexo instrumentos financieros

2021

Instrumentos derivados	Institución Financiera	Fecha de inicio	Fecha de terminación	Monto nocional	Monto Swap	Tasa de interés /Tipo de cambio Swap	Tasa de interés / Tipo de cambio al cierre	Valor razonable
Swap de tipo de cambio y tasa de interés	Banamex	16-jun-17	09-mar-22	MXN\$ 1,500,000,000	USD\$ 83,892,617	3.0900% / 17.8800	4.4465%/20.6047	(10,097)
Principal-Only swap EUR/USD	Morgan Stanley	10-jun-15	17-mar-22	USD\$ 96,993,210	EUR\$ 100,279,164	1.6006% / 0.9672	4.4465%/1.1717	(19,991)
Principal-Only swap EUR/USD	Santander	11-jun-15	17-mar-22	USD\$ 97,402,597	EUR\$ 101,050,000	1.7200% / 0.9639	4.4465%/1.1717	(20,403)
Principal-Only swap EUR/USD	Bancomer	05-may-15	18-mar-25	USD\$ 113,997,538	EUR\$ 101,856,271	1.7087% / 1.1192	4.4465%/1.1717	(4,104)
Principal-Only swap EUR/USD	Banamex	03-dic-15	17-mar-25	USD\$ 121,011,000	EUR\$ 114,000,000	1.7500% / 1.0615	8.1200%/1.1717	(12,222)
Principal-Only swap EUR/USD	Barclays	03-dic-15	17-mar-25	USD\$ 121,011,000	EUR\$ 114,000,000	1.5500% / 1.0615	4.4465%/1.1717	(12,134)
Forward de tipo de cambio	Barclays	15-sep-20	17-may-21	GBP\$ 150,000,000	USD\$ 195,318,750	1.3021	1.374	11,370
Forward de tipo de cambio	BBVA	15-sep-20	17-may-21	GBP\$ 50,000,000	USD\$ 65,107,250	1.3021	1.374	3,898
Forward de tipo de cambio	Morgan Stanley	15-sep-20	17-may-21	GBP\$ 100,000,000	USD\$ 137,015,000	1.3024	1.374	7,630
Forward de tipo de cambio	Santander	19-mar-21	11-ago-21	USD\$ 3,769,740	BRL\$ 20,842,892	5.529	5.6973	112
Forward de tipo de cambio	Bradesco	19-mar-21	13-abr-21	USD\$ 6,400,088	BRL\$ 35,066,084	5.479	5.6973	245
Forward de tipo de cambio	HSBC	09-nov-20	30-nov-21	USD\$ 11,741,795	EUR\$ 9,950,000	1.1801	1.1717	52
Forward de tipo de cambio	Leumi	29-mar-21	07-abr-21	ILS\$ 24,109,829	USD\$ 7,230,000	3.3347	3.3365	2

ORBIA
Consolidado

Clave de Cotización: **ORBIA** Trimestre: **1** Año: **2021**

Forward de tipo de cambio	Leumi	30-mar-21	01-abr-21	TRY\$ 54,700,000	USD\$ 6,565,712	8.3312	8.336	62
Forward de tipo de cambio	Leumi	16-nov-20	28-abr-21	USD\$ 28,685,476	TRY\$ 234,400,100	0.1224	0.12	790
Forward de tipo de cambio	Leumi	29-jul-20	30-jun-21	USD\$ 3,683,105	EUR\$ 3,103,000	1.1869	1.1717	38
Forward de tipo de cambio	Leumi	16-sep-20	15-dic-21	USD\$ 4,642,820	ZAR\$ 73,500,000	0.0632	0.067	(208)
Forward de tipo de cambio	Leumi	17-sep-20	24-abr-21	USD\$ 7,337,461	INR\$ 583,000,000	0.0136	0.0136	52
Forward de tipo de cambio	Poalim	04-sep-20	15-dic-21	USD\$ 12,799,843	BRL\$ 68,000,000	0.1882	0.1755	1,019
Forward de tipo de cambio	Poalim	08-sep-21	31-ago-21	USD\$ 8,625,445	EUR\$ 7,308,000	1.1803	1.1717	43
Forward de tipo de cambio	Poalim	16-nov-20	15-jun-21	USD\$ 4,577,078	AUD\$ 6,133,000	0.7463	0.7597	(93)
Forward de tipo de cambio	Poalim	01-oct-20	15-nov-21	USD\$ 28,528,935	TRY\$ 1,040,000,000	0.0274	0.12	(28)
Opciones Vainilla	Poalim	22-jul-20	30-nov-21	USD\$ 9,767,660	EUR\$ 8,160,000	1.197	1.1717	64
Forward de tipo de cambio	HSBC	31-mar-21	07-abr-21	ILS\$ 81,398,400	USD\$ 24,400,000	3.336	3.3365	15
Forward de tipo de cambio	HSBC	31-mar-21	01-abr-21	TRY\$ 13,000,000	USD\$ 1,561,791	8.3238	8.336	13
Forward de tipo de cambio	HSBC	12-nov-20	15-jul-21	USD\$ 9,712,906	CNY\$ 64,422,541	0.1508	0.1522	(82)
Forward de tipo de cambio	HSBC	18-sep-20	13-ago-21	USD\$ 26,128,663	INR\$ 1,938,500,000	0.0135	0.0136	(47)
Forward de tipo de cambio	HSBC	15-sep-20	15-oct-21	USD\$ 20,565,324	ZAR\$ 163,054,536	0.1261	0.067	(208)
Forward de tipo de cambio	HSBC	19-nov-20	12-may-21	USD\$ 8,588,966	TRY\$ 69,400,000	0.1238	0.12	285
Forward de tipo de cambio	Mizrachi	29-mar-21	01-abr-21	ILS\$ 7,417,025	USD\$ 2,215,000	3.3485	3.3365	10
Forward de tipo de cambio	Mizrachi	07-dic-20	30-jul-21	EUR\$ 1,000,000	USD\$ 1,223,500	0.8173	0.8535	(18)
Forward de tipo de cambio	Mizrachi	21-jul-20	30-nov-21	USD\$ 19,527,800	EUR\$ 16,200,000	1.2054	1.1717	178
Forward de tipo de cambio	Discount	04-mar-21	13-dic-21	USD\$ 6,891,573	INR\$ 517,000,000	0.0133	0.0136	56
Forward de tipo de cambio	Discount	11-feb-20	15-jun-21	USD\$ 27,456,540	ZAR\$ 31,529,127	0.8708	0.067	12
Forward de tipo de cambio	Discount	05-ago-20	30-jul-21	USD\$ 2,295,550	EUR\$ 1,900,000	1.2082	1.1717	21
Forward de tipo de cambio	Investec	10-feb-20	09-jul-21	EUR\$ 382,726	ZAR\$ 6,927,283	0.0552	0.8535	(17)
Forward de tipo de cambio	Investec	10-dic-20	17-sep-21	USD\$ 1,100,000	ZAR\$ 16,734,940	0.0657	0.067	(22)
								<u>\$ (53,707)</u>

2020

Instrumentos derivados	Institución Financiera	Fecha de inicio	Fecha de terminación	Monto nocional	Monto Swap	Tasa de interés /Tipo de cambio Swap	Tasa de interés / Tipo de cambio al cierre	Valor razonable
Swap de tipo de cambio y tasa de interés	J.P. Morgan	08-sep-15	05-mar-21	MXN\$ 750,000,000	USD\$ 56,775,170	4.11% / 13.2100	5.3360% / 19.9487	\$ (1,941)
Swap de tipo de cambio y tasa de interés	Bank of America	08-sep-15	05-mar-21	MXN\$ 750,000,000	USD\$ 56,775,170	4.49% / 13.2100	5.3360% / 19.9487	(1,953)
Swap de tipo de cambio y tasa de interés	HSBC	23-ene-14	05-mar-21	MXN\$ 1,500,000,000	USD\$ 112,612,613	3.57% / 13.3200	5.3360% / 19.9487	(3,774)
Swap de tipo de cambio y tasa de interés	Banamex	16-jun-17	09-mar-22	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-jun-15	17-mar-22	USD\$ 96,993,210	EUR\$ 100,279,164	1.6006% / 0.9672	1.2298	(24,555)
Principal-Only swap EUR/USD	Santander	11-jun-15	17-mar-22	USD\$ 97,402,597	EUR\$ 101,050,000	1.7200% / 0.9639	1.2298	(24,787)
Principal-Only swap EUR/USD	Bancomer	05-may-15	18-mar-25	USD\$ 113,997,538	EUR\$ 101,856,271	1.7087% / 1.1192	1.2298	(6,964)
Principal-Only swap EUR/USD	Banamex	03-dic-15	17-mar-25	USD\$ 121,011,000	EUR\$ 114,000,000	1.7500% / 1.0615	1.2298	(15,706)
Principal-Only swap EUR/USD	Barclays	03-dic-15	17-mar-25	USD\$ 121,011,000	EUR\$ 114,000,000	1.5500% / 1.0615	1.2298	(15,511)
Forward de tipo de cambio	Barclays	15-sep-20	17-may-21	GDP\$ 150,000,000	USD\$ 195,318,750	1.3021	1.3625	9,663
Forward de tipo de cambio	BBVA	15-sep-20	17-may-21	GBP\$ 50,000,000	USD\$ 65,107,250	1.3021	1.3625	3,261
Forward de tipo de cambio	Morgan Stanley	15-sep-20	17-may-21	GBP\$ 100,000,000	USD\$ 130,240,000	1.3024	1.3625	6,354
Forward de tipo de cambio	Santander	03-sep-20	11-mar-21	USD\$ 20,996,935	BRL\$ 111,897,703	0.1876	0.1924	(589)

Forward de tipo de cambio	Santander	19-nov-20	10-feb-21	USD\$ 8,224,431	BRL\$ 43,885,562	0.1876	0.1924	(245)
Forward de tipo de cambio	HSBC	06-jul-20	30-nov-21	USD\$ 5,687,763	EUR\$ 4,850,000	1.1727	1.2298	(281)
Forward de tipo de cambio	Leumi	12-nov-20	15-jun-21	USD\$ 24,434,016	TRY\$ 193,805,910	0.1261	0.1354	(800)
Forward de tipo de cambio	Leumi	14-jul-20	30-jun-21	USD\$ 8,901,073	EUR\$ 7,420,000	1.996	1.2298	(217)
Forward de tipo de cambio	Leumi	16-sep-20	15-dic-21	USD\$ 5,321,159	ZAR\$ 5,321,159	1	0.0684	(294)
Forward de tipo de cambio	Leumi	09-sep-20	15-abr-21	USD\$ 4,004,557	INR\$ 298,300,000	0.0134	0.0136	(62)
Forward de tipo de cambio	Leumi	03-sep-20	15-mar-21	USD\$ 1,422,055	BRL\$ 7,600,000	0.1871	0.1924	(39)
Forward de tipo de cambio	Poalim	03-sep-20	15-dic-21	USD\$ 13,934,927	BRL\$ 74,000,000	0.1883	0.1924	(164)
Forward de tipo de cambio	Poalim	13-jul-20	31-ago-21	USD\$ 8,154,295	EUR\$ 6,780,000	1.2027	1.2298	(175)
Forward de tipo de cambio	Poalim	16-nov-20	15-jun-21	USD\$ 5,647,346	AUD\$ 7,554,000	0.75	0.7686	(184)
Forward de tipo de cambio	Poalim	23-dic-20	21-ene-21	USD\$ 5,964,730	TRY\$ 46,000,000	0.1297	0.1354	(174)
Forward de tipo de cambio	Mizrachi	09-sep-20	15-jul-21	USD\$ 7,181,043	INR\$ 542,300,000	0.0132	0.0136	(117)
Forward de tipo de cambio	HSBC	09-oct-20	15-jul-21	USD\$ 34,786,750	CNY\$ 101,402,313	0.3431	0.1533	(169)
Forward de tipo de cambio	HSBC	09-sep-20	13/agosto//2021	USD\$ 38,222,539	INR\$ 2,849,000,000	0.0134	0.0136	(481)
Forward de tipo de cambio	HSBC	03-sep-20	15/octubre//2021	USD\$ 20,306,572	ZAR\$ 160,454,536	0.1266	0.0684	(374)
Forward de tipo de cambio	HSBC	09-dic-20	05-ene-21	EUR\$ 1,817,799	USD\$ 1,696,250	1.0717	1.2298	(11)
Forward de tipo de cambio	HSBC	29-dic-20	07-ene-21	USD\$ 5,811,417	GBP\$ 5,285,549	1.0995	1.3625	(23)
Forward de tipo de cambio	HSBC	11-dic-20	05-ene-21	USD\$ 702,893	JPY\$ 72,737,871	0.0097	0.0097	(3)
Forward de tipo de cambio	HSBC	16-nov-20	15-ene-21	USD\$ 4,204,702	TRY\$ 33,500,000	0.1255	0.1354	(160)
Forward de tipo de cambio	Mizrachi	13-jul-20	31-mar-21	USD\$ 6,900,015	EUR\$ 5,700,000	1.2105	1.2298	(99)
Forward de tipo de cambio	Mizrachi	18-nov-20	15-jun-21	USD\$ 318,830	BRL\$ 1,700,000	0.1875	0.1924	(7)
Forward de tipo de cambio	Mizrachi	17-dic-20	04-ene-21	EUR\$ 5,511,200	USD\$ 4,500,000	1.2247	1.2298	(10)
Forward de tipo de cambio	Mizrachi	14-dic-20	28-ene-21	USD\$ 25,000,000	USD\$ 81,250,000	0.3077	0.3106	(285)
Forward de tipo de cambio	Discount	24-oct-20	15-mar-21	USD\$ 676,152	ZAR\$ 11,000,000	0.0614	0.0684	(69)
Forward de tipo de cambio	Discount	21-dic-20	04-ene-21	EUR\$ 1,622,661	USD\$ 1,333,000	1.2173	1.2298	(13)
Forward de tipo de cambio	Discount	08-jul-20	29-ene-21	USD\$ 1,418,412	EUR\$ 1,200,000	1.182	1.2298	(55)
Forward de tipo de cambio	Discount	18-nov-20	15-mar-21	USD\$ 3,077,538	INR\$ 231,000,000	0.0133	0.0136	(59)
Forward de tipo de cambio	FIBI	06-jul-20	25-feb-21	USD\$ 570,150	EUR\$ 500,000	1.1403	1.2298	(44)
Forward de tipo de cambio	Investec	05-nov-20	15-ene-21	EUR\$ 384,580	ZAR\$ 7,194,100	0.0534	0.0557	(18)
Forward de tipo de cambio	Investec	18-sep-20	15-abr-21	USD\$ 722,556	ZAR\$ 11,338,538	0.0637	0.0684	(49)
Opciones Vainilla	Discount	05-ago-20	30-jul-21	USD\$ 2,295,550	EUR\$ 1,900,000	1.2081	1.2298	(16)
Opciones Vainilla	Leumi	29-jul-20	31-mar-21	USD\$ 3,389,010	EUR\$ 2,840,000	1.1933	1.2298	(31)
Opciones Vainilla	Mizrachi	10-jun-20	30-nov-21	USD\$ 26,496,500	EUR\$ 22,120,000	1.1978	1.2298	(299)
Opciones Vainilla	Poalim	22-jul-20	30-nov-21	USD\$ 14,548,960	INR\$ 12,160,000	1.1964	1.2298	(168)
								\$ (88,746)

- En mayo de 2019, el Principal-Only swap EUR/USD contratado con Morgan Stanley fue cancelado.
- En octubre de 2013, se contrató Swap de tipo de cambio y tasa de interés con Morgan Stanley con una vigencia del 09-Oct-2013 hasta el 05-Mar-2021, por un monto notional original de MXN\$ 1'500,000,000; en septiembre de 2015 se negoció una novación con Bancomer transfiriendo la mitad del total de las operaciones quedando este con un monto notional de MXN\$ 750,000,000. En marzo de 2018 se negoció una novación con Bank of America transfiriendo el total de la operación que anteriormente se tenía con Morgan Stanley, cuyo estado actual es "vigente" con un monto notional de MXN\$150,000,000.
- En septiembre de 2015 se negoció una novación con Bancomer de un Swap de tipo de cambio y tasa de interés que originalmente se tenía con Morgan Stanley con una vigencia del 10-Sept-2015 al 05-Mar-2021 por un monto notional de MXN\$ 750,000,000. En marzo de 2018 se negoció una novación con J.P. Morgan transfiriendo el total de la operación que anteriormente se tenía con Bancomer, cuyo estado actual es "vigente" con un monto notional de MXN\$150,000,000.

2. Notas - Subclasificaciones de activos , pasivos y capital contable

Cuentas por pagar circulantes a partes relacionadas.- El incremento en este rubro se debe al reconocimiento del pasivo por \$90,119 millones de dólares correspondientes a las cuatro parcialidades del dividendo por pagar.

Otras cuentas por pagar circulantes .- Dentro de este concepto se están reconociendo \$119,908 millones de dólares correspondientes al pasivo para pagar las cuatro parcialidades del dividendo por pagar a los accionistas minoritarios.

3. Capital contable

a. *Reserva para adquisición de acciones propias*

En Asamblea General Anual Ordinaria de Accionistas celebrada el 30 de marzo de 2021, se aprobó que el fondo de recompra quede fijado en la cantidad equivalente al total de las utilidades netas acumuladas al cierre de 2020 (incluyendo las de ejercicios anteriores), según los estados financieros dictaminados aprobados en la citada Asamblea de Accionistas, en el entendido de que la adquisición y colocación de las acciones propias de que se trate, se realizarán por la Sociedad a través de la Bolsa Mexicana de Valores, S.A.B. de C.V. al precio de mercado y con observancia de las demás disposiciones que al efecto se señalen en los artículos séptimo de los Estatutos Sociales, 56 de la Ley del Mercado de Valores y 56 a 63 de las “Disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores” (Circular Única) y en la política interna aprobada por el Consejo de Administración. Al 31 de marzo de 2021, se tienen 83,324,724 acciones propias.

b. *Capital ganado*

En Asamblea General Anual Ordinaria de Accionistas celebrada el 30 de marzo de 2021, se aprobó que con cargo al saldo de la Cuenta de Utilidad Fiscal Neta (CUFIN), se proceda al pago de un dividendo en efectivo a los accionistas de la Sociedad por un equivalente a USD\$0.10 (Diez Centavos de Dólar de los Estados Unidos de América) por acción, a distribuirse entre las acciones en circulación en cada fecha de pago, descontando en cada parcialidad de pago el monto que corresponda a las acciones que se encuentren en el fondo de recompra de la Sociedad. Dicho dividendo se pagará en cuatro parcialidades iguales durante 2021.

Información por segmentos

La información por segmentos se presenta de acuerdo con los cinco grupos de negocio, los cuales están agrupados conforme a la integración vertical de sus materias primas; con dicha segmentación se toman las decisiones operativas de la Entidad con el propósito de asignar los recursos y evaluar el rendimiento de cada segmento.

Los segmentos de operación de la Entidad se incluyen en los cinco grupos de negocio: i) Wavin (Building & Infrastructure), ii) Dura-Line (Data Communications) y iii) Netafim (Precision Agriculture), (los cuales se presentaban anteriormente como el segmento reportable de Fluent), iv) Koura (Fluor) y v) Vestolit (Polymer Solutions). Los principales productos de dichos segmentos son: tuberías y conexiones de PVC (*Building and infrastructure*), polietileno (PE) y polipropileno (PP), de polietileno de alta densidad (HDPE) (*Data communication*), goteros de riego y geosintéticos (*Precision agriculture*); así como fluorita, fluorocompuestos, ácido fluorhídrico, gases refrigerantes y propelentes médicos (*Fluor*), y finalmente resinas y compuestos de cloruro de polivinilo (PVC) (*Polymer solutions*), entre otros. Estos cinco segmentos operativos constituyen los segmentos reportables de Orbia. El segmento “Controladora” constituye las operaciones de las tenedoras y servicios corporativos asociados a las mismas.

A continuación, se muestra un resumen de los rubros más importantes de los estados financieros consolidados por grupo de negocios:

Tres meses terminados al 31 de marzo de 2021(no auditadas)

	Polymer Solutions	Fluor	Building & Infrastructure	Data Communications	Precision Agriculture	Controladora	Eliminaciones	Consolidado
Ventas netas	\$ 707,716	\$ 171,833	\$ 679,094	\$ 184,029	\$ 274,758	\$ 72,993	\$ (176,406)	\$ 1,914,017
Costo de ventas	<u>498,706</u>	<u>109,762</u>	<u>504,870</u>	<u>136,355</u>	<u>183,958</u>	<u>51,243</u>	<u>(153,154)</u>	<u>1,331,740</u>
Utilidad bruta	209,010	62,071	174,224	47,674	90,800	21,750	-23,252	582,277
Gastos generales	48,210	23,866	111,848	26,787	61,599	28,032	(23,262)	277,080
Otros gastos (ingresos) partes relacionadas	-	-	(10)	-	-	-	10	-
Regalías	9,507	1,944	806	1,893	-	(14,150)	-	-
Fluctuación cambiaria, Neta	4,933	1,266	6,724	230	1,755	(2,301)	-	12,607
Gastos por intereses	10,227	406	3,251	3,515	4,048	45,716	(11,064)	56,099
Ingresos por intereses	(313)	(1,261)	(3,699)	(295)	(162)	(6,650)	11,064	(1,316)
Cambio en el valor razonable de la participación no controladora redimible	-	-	-	-	-	-	-	-
Utilidad por posición monetaria	-	-	689	-	-	-	-	689
Participación en las utilidades de subsidiarias y asociadas	<u>381</u>	<u>(972)</u>	<u>(414)</u>	<u>27</u>	<u>863</u>	<u>(155,964)</u>	<u>156,211</u>	<u>132</u>
Utilidad antes de impuestos a la utilidad	136,065	36,822	55,029	15,517	22,697	127,067	(156,211)	236,986
Impuestos a la utilidad	<u>35,117</u>	<u>12,914</u>	<u>16,773</u>	<u>4,693</u>	<u>5,160</u>	<u>(11,049)</u>	<u>-</u>	<u>63,608</u>
Utilidad antes de operaciones discontinuas	100,948	23,908	38,256	10,824	17,537	138,116	(156,211)	173,375
Operaciones discontinuas	<u>-</u>	<u>(118)</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120)</u>
Utilidad neta consolidada	<u>\$ 100,948</u>	<u>\$ 23,790</u>	<u>\$ 38,256</u>	<u>\$ 10,822</u>	<u>\$ 17,537</u>	<u>\$ 138,116</u>	<u>\$ (156,211)</u>	<u>\$ 173,258</u>

Tres meses terminados el 31 de marzo 2020 (no auditadas)

	Polymer Solutions	Fluor	Building & Infrastructure	Data Communications	Precision Agriculture	Controladora	Eliminaciones	Consolidado
Ventas netas	\$ 583,203	\$ 181,802	\$ 512,385	\$ 170,032	\$ 231,885	\$ 16,786	\$ (69,726)	\$ 1,626,367
Costo de ventas	<u>474,663</u>	<u>104,979</u>	<u>394,610</u>	<u>123,391</u>	<u>154,291</u>	<u>(468)</u>	<u>(52,722)</u>	<u>1,198,744</u>
Utilidad bruta	108,540	76,823	117,775	46,641	77,594	17,254	-17,004	427,623
Gastos generales	39,624	22,903	91,416	26,886	63,072	11,445	406	255,752
Otros gastos (ingresos) partes relacionadas	6,953	2,186	6,428	(1,011)	-	2,854	(17,410)	-
Regalías	7,347	1,999	652	1,845	-	(11,712)	(131)	-
Fluctuación cambiaria, Neta	(3,665)	(5,011)	31,181	733	2,385	(8,275)	131	17,479
Gastos por intereses	8,585	879	3,701	4,847	3,827	71,053	(27,919)	64,973
Ingresos por intereses	(872)	(2,497)	(5,383)	(104)	(345)	(21,541)	27,919	(2,823)

ORBIA
Consolidado

Clave de Cotización: **ORBIA** Trimestre: **1** Año: **2021**

Cambio en el valor razonable de la participación no controladora redimible	-	-	-	-	-	5,500	-	5,500
Utilidad por posición monetaria	-	-	(173)	-	-	-	-	(173)
Participación en las utilidades de subsidiarias y asociadas	(1,365)	(1,750)	(1,046)	-	1,161	(20,906)	24,021	115
Utilidad antes de impuestos a la utilidad	51,933	58,114	(9,001)	13,445	7,494	(11,164)	(24,021)	86,800
Impuestos a la utilidad	7,742	39,064	14,704	4,311	2,398	(58,617)	-	9,602
Utilidad antes de operaciones discontinuas	44,191	19,050	(23,705)	9,134	5,096	47,453	(24,021)	77,198
Operaciones discontinuas	-	85	(7)	1	-	-	-	79
Utilidad neta consolidada	\$ 44,191	\$ 18,965	\$ (23,698)	\$ 9,133	\$ 5,096	\$ 47,453	\$ (24,021)	\$ 77,119

	Al 31 de marzo de 2021(no auditadas)							-
	Polymer Solutions	Fluor	Building & Infrastructure	Data Communications	Precision Agriculture	Controladora	Eliminaciones	Consolidado
Activos circulantes:								
Efectivo y equivalentes de efectivo	\$ 210,954	\$ 91,967	\$ 172,919	\$ 23,017	\$ 121,644	\$ 92,820	\$ -	\$ 713,321
Cuentas por cobrar, Neto	472,598	210,395	455,793	125,866	306,765	73,047	(63,151)	1,581,313
Otros activos circulantes	297,222	499,335	512,442	168,990	184,784	237,475	(884,522)	1,015,726
Activos mantenidos para venta	1,254	-	2,805	1,129	-	-	-	5,188
Total de activos circulantes	982,028	801,697	1,143,959	319,002	613,193	403,342	-947,673	3,315,548
Inmuebles, maquinaria y equipo	1,949,874	302,609	589,420	113,138	148,445	4,947	-	3,108,433
Otros activos	751,867	222,148	1,282,743	368,201	1,527,989	6,834,456	(7,180,062)	3,807,342
	-	-	-	-	-	-	-	-
Total de activos	\$ 3,683,769	\$ 1,326,454	\$ 3,016,122	\$ 800,341	\$ 1,289,627	\$ 7,242,745	\$ (8,127,735)	\$ 10,231,323

ORBIA
Consolidado

Clave de Cotización: **ORBIA**

Trimestre: **1** Año: **2021**
Pasivos circulantes:

Préstamos bancarios y porción circulante de la deuda a largo plazo	\$ -	\$ -	\$ 10,197	\$ -	\$ 67,063	\$ 557,797	\$ -	\$ 635,057
Proveedores y cartas de crédito	707,342	50,894	342,467	82,486	128,310	36,774	-	1,348,273
Otros pasivos circulantes	237,173	76,227	488,235	61,030	189,075	900,496	(947,673)	1,004,563
Pasivos asociados a activos mantenidos para venta	-	283	-	438	-	-	-	721
Total de pasivos circulantes	944,515	127,404	840,899	143,954	384,448	1,495,067	(947,673)	2,988,614
Préstamos bancarios y deuda a largo plazo	-	-	-	-	84,907	2,862,907	-	2,947,814
Otros pasivos a largo plazo	790,381	183,409	294,229	320,864	228,969	320,838	(894,956)	1,243,734
Total de pasivos	1,734,896	310,813	1,135,128	464,818	698,324	4,678,812	(1,842,629)	7,180,162
Total del capital contable	\$ 1,948,873	\$ 1,015,641	\$ 1,880,994	\$ 335,523	\$ 1,591,303	\$ 2,563,933	\$ (6,285,106)	\$ 3,051,161

Al 31 de diciembre de 2020

	Polymer Solutions	Fluor	Building & Infrastructure	Data Communications	Precision Agriculture	Controladora	Eliminaciones	Consolidado
Activos circulantes:								
Efectivo y equivalentes de efectivo	\$ 231,474	\$ 122,345	\$ 288,591	\$ 63,143	\$ 135,364	\$ 34,268	\$ -	\$ 875,185
Cuentas por cobrar, Neto	405,620	211,657	315,940	116,622	281,578	45,979	(52,658)	1,324,738
Otros activos circulantes	263,302	450,304	409,006	133,211	190,033	228,428	(727,705)	946,579
Activos mantenidos para venta	1,254	3,869	2,968	1,559	-	-	-	9,650
Total de activos circulantes	901,650	788,175	1,016,505	314,535	606,975	308,675	-780,363	3,156,152
Inmuebles, maquinaria y equipo	1,991,223	302,221	622,451	114,736	150,693	5,173	-	3,186,497
Otros activos	760,211	225,514	1,336,838	415,641	1,534,865	6,616,964	(7,021,571)	3,868,462
Total de activos	\$ 3,653,084	\$13,151,910	\$ 2,975,794	\$ 844,912	\$ 2,292,533	\$ 6,930,812	\$ (7,801,934)	\$ 10,211,111
Pasivos circulantes:								
Préstamos bancarios y porción circulante de la deuda a largo plazo	\$ 7,687	\$ 7,681	\$ 7,042	\$ -	\$ 64,143	\$ 408,753	\$ -	\$ 495,306
Proveedores y cartas de crédito	702,872	46,905	334,507	97,936	112,003	31,883	-	1,326,106
Otros pasivos circulantes	250,477	63,075	425,598	56,249	190,816	554,151	(780,363)	760,003
Pasivos asociados a activos mantenidos para venta	-	5,783	-	438	-	-	-	6,221
Total de pasivos circulantes	961,036	123,444	767,147	154,623	366,962	994,787	(780,363)	2,587,636
Préstamos bancarios y deuda a largo plazo	-	-	-	-	118,686	3,012,020	-	3,130,706
Otros pasivos a largo plazo	807,552	178,748	301,130	320,059	231,401	387,577	(913,270)	1,313,197
Total de pasivos	1,768,588	302,192	1,068,277	474,682	717,049	4,394,384	(1,693,633)	7,031,539
Total del capital contable	\$ 1,884,496	\$ 1,013,718	\$ 1,907,517	\$ 370,230	\$ 1,575,484	\$ 2,536,428	\$ (6,108,301)	\$ 3,179,572

A continuación, se muestra otra información por segmentos de los estados financieros consolidados por grupo de negocio:

Depreciación

Tres meses terminados el

	31 de marzo 2021 (no auditados)	31 de marzo 2020 (no auditados)
Polymer Solutions	\$ 62,748	\$ 59,468
Fluor	17,529	15,885
Building & Infrastructure	32,998	30,618
Data Communications	8,097	8,154
Precision Agriculture	23,185	22,321
Controladora	<u>1,477</u>	<u>1,176</u>
	<u>\$ 146,034</u>	<u>\$ 137,622</u>

A continuación, se muestra otra información financiera clasificada por destino:

Ventas netas provenientes de clientes externos

Tres meses terminados el

País o región	31 de marzo de 2021	31 de marzo de 2020
Estados Unidos de América	\$ 370,858	\$ 354,719
Noroeste de Europa	315,698	260,065
Suroeste de Europa	285,532	237,172
México	193,311	165,644
África, Medio Oriente y Asia	161,017	166,857
Brasil	145,414	95,370
Colombia	98,105	69,434
Centro y este de Europa	78,104	70,422
Centro América	65,585	52,758
Perú	50,522	29,448
Sureste de Europa	37,847	34,622
Ecuador	30,850	22,563
Argentina	18,903	8,770
Chile	16,244	11,749
Canadá	16,205	15,579
Israel	10,207	7,472
Otros Latam	7,328	5,011
Venezuela	378	357
Otros	<u>11,909</u>	<u>18,355</u>
Total	<u>\$ 1,914,017</u>	<u>\$ 1,626,367</u>

A continuación, se muestra los activos de larga duración por país:

País o región	Activos de larga duración	
	Tres meses terminados el	
	A marzo de 2021	A diciembre de 2020
Estados Unidos de América	\$ 1,905,567	\$ 1,949,849
Israel	1,650,534	1,662,782
México	1,242,918	1,253,758
Noroeste de Europa	805,626	862,114
Colombia	261,869	269,101
Sureste de Europa	150	158,083
Suroeste de Europa	307,486	151,256
Centro y este de Europa	115,550	114,634
Brasil	62,964	70,571
Africa, Middle East and Asia	65,651	65,983
Centro América	61,551	61,961
Perú	57,012	58,912
Ecuador	33,454	34,748
Otros	20,017	20,667
Venezuela	359	359
Total	\$ 6,590,708	\$ 6,734,778

(1) Los activos de larga duración incluyen activos por derecho de uso, propiedad, planta y equipo, activos intangibles y crédito mercantil.

Descripción de sucesos y transacciones significativas

- “Orbia continuó satisfaciendo las necesidades de nuestros clientes y generó un desempeño financiero trimestral muy sólido a pesar de los impactos persistentes de la pandemia global y los desafíos resultantes de las condiciones climáticas extremas en la región de la costa del Golfo de los Estados Unidos y la escasez de materias primas”, dijo Sameer Bharadwaj, CEO de Orbia.
- El 15 de marzo de 2021, Orbia comunicó que Netafim, su negocio de Precision Agriculture, firmó un acuerdo definitivo para la adquisición de Gakon Horticultural Projects, el líder holandés de proyectos de invernadero “llave-en-mano”. La adquisición es sinérgica, combinando la presencia global y la experiencia de Netafim y la tecnología de invernadero de Gakon. Gakon aporta una experiencia única en todos los aspectos de la ejecución de proyectos de invernadero, capacidades de fabricación de invernaderos y un historial comprobado en verticales clave.
- El 25 de febrero de 2021, Orbia comunicó al público inversionista que esperaba que durante el 2021 la UAFIDA creciera entre 4 y 7%, respecto a 2020, impulsada por la recuperación observada en la demanda en varios de sus negocios siempre que no hubiera interrupciones materiales no anticipadas como consecuencia del COVID-19. Asimismo, se informó de que el CAPEX se situaría entre \$350 a 400 millones para el año.
- El 19 de enero de 2021, Orbia anunció el nombramiento de Sameer S. Bharadwaj como nuevo Director General con fecha efectiva a partir del 1 de febrero de 2021, después de que Daniel Martínez-Valle renunciara a dicho cargo de mutuo acuerdo con el Consejo de Administración.

- El 7 de enero de 2021, Orbia comunicó que, tal y como lo ha reportado en distintas ocasiones, en el curso ordinario del negocio, la Compañía continuamente explora oportunidades para crear valor para sus accionistas, incluyendo posibles alianzas, fusiones, adquisiciones, ventas y otro tipo de transacciones estratégicas. En ese sentido, Orbia continúa evaluando oportunidades de creación de valor, incluyendo la posible venta y/o alianzas estratégicas en relación con Polymer Solutions (Negocio de Vinilo). A la fecha de este comunicado, Orbia no ha suscrito contrato vinculante alguno para llevar a cabo alguna transacción específica.

Descripción de las políticas contables y métodos de cálculo seguidos en los estados financieros intermedios [bloque de texto]

Principales políticas contables

- Bases de medición y presentación

Los estados financieros condensados consolidados han sido preparados sobre la base de costo histórico, excepto por ciertos instrumentos financieros que se valúan a cantidades revaluadas o a sus valores razonables al cierre de cada período.

Las políticas contables aplicadas por la Entidad a los presentes estados financieros intermedios condensados consolidados son las mismas que las aplicadas por la Entidad en sus estados financieros consolidados al 31 de diciembre de 2020, considerando la adopción de las nuevas IFRS que se describen a en la sección de bases de presentación

Explicación de la estacionalidad o carácter cíclico de operaciones intermedias

Ciclicidad

La industria del cloro-álcali (también conocida como cloro-álcali) experimenta un comportamiento cíclico a la luz de las tendencias económicas mundiales, como períodos de baja rentabilidad o crecimiento seguidos por períodos de márgenes considerables. La demanda de cloro depende de la industria de la construcción y la demanda de sosa cáustica depende del centro de fabricación.

Somos el mayor productor de PVC en América Latina, el quinto mayor productor de PVC a nivel mundial y el mayor productor de resinas especiales a nivel mundial. El mercado del PVC está sujeto a fluctuaciones importantes tanto en la demanda como en el precio, que responden al crecimiento o contracción de la economía global. En general, a escala mundial, la oferta supera la demanda, con la creación de nueva capacidad de producción en Asia y un gran equilibrio entre oferta y demanda en América del Norte.

Las ventas de los productos de Wavin, Dura-Line y Netafim están influenciadas por el ciclo económico de los países en los que operan y, en particular, la actividad en los sectores de construcción, vivienda, telecomunicaciones, agricultura y energía.

Nuestras operaciones en el hemisferio norte en nuestras líneas de negocios Wavin y Dura-Line experimentan una estacionalidad de mercado similar. Por lo general, como resultado de los meses de invierno más fríos, experimentamos una disminución en la demanda y las ventas durante el primer y cuarto trimestre de cada año. Sin embargo, las condiciones climáticas recientes han dado lugar a inviernos más suaves y la demanda ha disminuido menos durante el primer y cuarto trimestre que en años anteriores. No podemos asegurar que los inviernos futuros continuarán siendo suaves, o que la demanda de invierno no disminuirá como lo ha hecho en años anteriores.

La demanda de fluorita de la línea de negocio de Koura no tiende a ser cíclica.

a. Normas IFRS nuevas y modificadas que aún no son efectivas

En la fecha de autorización de estos estados financieros consolidados, la Entidad no ha aplicado las siguientes Normas IFRS nuevas y modificadas que se han emitido pero que aún no están vigentes:

IFRS 10 e IAS 28 (modificaciones)	<i>Venta o contribución de activos entre un inversionista y su asociada o negocio conjunto</i>
Modificaciones a IAS 1	<i>Clasificación de los pasivos como corrientes o no corrientes.</i>
Modificaciones a IFRS 3	<i>Referencias al marco conceptual</i>
Modificaciones a IAS 16	<i>Propiedad, Planta y Equipo - antes de ser utilizados</i>
Modificaciones a IAS 37	<i>Contratos onerosos - costos de cumplir con un contrato</i>
Mejoras anuales a IFRS ciclo del 2018 - 2020	<i>Modificaciones a IFRS 1 Primera adopción de las Normas Internacionales de Información financiera, IFRS 9 Instrumentos Financieros, IFRS 16 Arrendamientos</i>

La administración no espera que la adopción de los estándares antes mencionados tenga un impacto importante en los estados financieros consolidados de la Entidad en períodos futuros, excepto como se indica a continuación:

Modificaciones a IFRS 10 e IAS 28 Venta o contribución de activos entre un inversionista y su asociada o negocio conjunto

Las modificaciones a la IFRS 10 y la IAS 28 tratan con situaciones donde hay una venta o contribución de activos entre un inversionista y su asociada o negocio conjunto. Específicamente, las modificaciones establecen que las ganancias o pérdidas resultantes de la pérdida de control de una subsidiaria que no contiene un negocio en una transacción con una asociada o un negocio conjunto que se contabiliza utilizando el método de participación, se reconocen en el beneficio o pérdida de la controladora solo en la medida en que la participación de los inversionistas no relacionados en esa asociada o empresa conjunta. Del mismo modo, las ganancias y pérdidas resultantes de la remediación de las inversiones retenidas en cualquier antigua subsidiaria (que se ha convertido en una asociada o un negocio conjunto que se contabiliza utilizando el método de capital) al valor razonable, se reconocen en el beneficio o pérdida de la controladora anterior, solo en la medida de la participación de los inversionistas no relacionados en la nueva asociada o negocio conjunto.

La fecha de entrada en vigor de las modificaciones aún no ha sido fijada por el IASB; sin embargo, se permite la aplicación anticipada. La administración de la Entidad prevé que la aplicación de estas modificaciones puede tener un impacto en los estados financieros consolidados de la Entidad en períodos futuros en caso de que tales transacciones surjan.

Modificaciones a IAS Clasificación de Pasivos como Circulante y No-circulante

Las modificaciones a IAS 1 afectan solo a la presentación de los pasivos como circulantes y no circulantes en el estado de posición financiera y no por el monto o tiempo en el cual se reconoce cualquier activo, pasivo, ingreso o gasto, o la información revelada acerca de esas partidas.

Las modificaciones aclaran que la clasificación de los pasivos como circulantes y no circulantes se basa en los derechos de la existencia al final del periodo de reporte, especifica que la clasificación no se ve afectada por las expectativas acerca de si la entidad va a ejercer el derecho de aplazar la cancelación del pasivo, explicar que existen derechos si hay convenios que se deban cumplir al final del periodo de reporte, e introducir una definición del 'acuerdo' para dejar en claro que el acuerdo se refiere a la transferencia de efectivo de la contraparte, instrumentos de capital, otros activos o servicios.

Las modificaciones son aplicadas retrospectivamente para periodos anuales que inician en o después del 1 de enero de 2023, con la aplicación anticipada permitida. Orbia no estima tener impactos significativos derivados de la aplicación de las modificaciones mencionadas.

Modificaciones a IFRS 3 - Referencia al Marco Conceptual

Las modificaciones actualizan IFRS 3 para que se pueda referir al Marco Conceptual 2018 en lugar del Marco de 1989. También añadieron un requerimiento que, para obligaciones dentro del alcance de IAS 37, un comprador aplica la IAS 37 para determinar si la fecha de adquisición es una obligación presente o existe como resultado a partir de un evento pasado. Por gravámenes que estén dentro del alcance de IFRIC 21 Gravámenes, el comprador aplica IFRIC 21 para determinar si la obligación da lugar a un pasivo

para pagar el gravamen que ocurrió en la fecha de adquisición.

Finalmente, las modificaciones agregan una declaración explícita que el comprador no reconocerá un activo contingente adquirido de una combinación de negocios.

Las modificaciones son efectivas para las combinaciones de negocios cuya fecha de adquisición sea en o después del periodo inicial del primer periodo anual iniciando en o después del 1 de enero de 2022. Con opción a aplicación anticipada si la entidad también aplica todas las otras referencias actualizadas (publicadas junto con el Marco Conceptual) al mismo tiempo o anticipadamente.

La Compañía no espera tener impactos significativos derivados de la emisión y aplicación de las modificaciones mencionadas

Modificaciones a IAS 16 - Propiedad, Planta y Equipo - Antes de ser usados.

Las modificaciones prohíben la deducción del costo de un activo de propiedad, planta o equipo cualquier ingreso de vender el activo después de que esté listo para usarse, por ejemplo, ingresos mientras el activo se lleva a la ubicación y se realiza el acondicionamiento necesario para que sea operable en la manera que está destinado de acuerdo a la administración. Por consiguiente, una entidad debe reconocer esos ingresos por ventas y costos en resultados. La entidad mide los costos de esas partidas conforme a la IAS 2 Inventarios.

Las modificaciones aclaran el significado de ‘probar si un activo funciona adecuadamente’. Ahora IAS 16 especifica esto como una evaluación en la cual el desempeño físico y técnico del activo es capaz de ser usado en la producción o en el suministro de bienes o servicios, para renta u otros, o propósitos administrativos.

Si no se presenta por separado en el estado de resultados integrales, los estados financieros deberán revelar las cantidades de ingresos y costos en resultados relacionados a partidas que no son una salida por las actividades ordinarias de la entidad, en la línea de partida(s) en el estado de resultados integrales donde se incluyan los ingresos y costos.

Las modificaciones son aplicadas retrospectivamente, pero solo a las partidas de propiedad, planta y equipo que son traídas a la ubicación y condiciones necesarias para que sean capaces de operarse como la administración lo tiene planeado en o después del inicio del periodo en el cual se presentan los estados financieros de la entidad en los cuales aplique por primera vez las modificaciones.

La entidad deberá reconocer el efecto acumulado de la aplicación inicial de las modificaciones como un ajuste al balance en las utilidades retenidas (o algún componente de capital, que sea apropiado) al inicio del primer periodo que se presente.

Las modificaciones son efectivas para periodos anuales que inicien el 1 de enero de 2022 con opción de aplicación anticipada.

Modificaciones a IAS 37 - Contratos Onerosos - Costos por Cumplir un Contrato

Las modificaciones especifican que los ‘costos por cumplir’ un contrato comprende los ‘costos relacionados directamente al contrato’. Los costos que se relacionan directamente a un contrato consisten de los costos incrementales y los costos por cumplir un contrato (ejemplo: mano de obra o materiales) y la asignación de otros costos que se relacionen directamente para cumplir un contrato (como la asignación de la depreciación a las partidas de propiedad, planta y equipo para cumplir el contrato).

Las modificaciones aplican para contratos en los cuales la entidad no ha cumplido aún con todas sus obligaciones al inicio del periodo anual de reporte en los cuales la entidad aplique por primera vez las modificaciones. Los comparativos no deben reformularse. En cambio, la entidad debe reconocer el efecto acumulado de la aplicación inicial de las modificaciones como un ajuste al balance en las utilidades retenidas o algún otro componente de capital, como sea apropiado, para la fecha de aplicación inicial.

Las modificaciones son efectivas para periodos anuales que inicien en o después del 1 de enero de 2022, con opción de aplicación anticipada.

Modificaciones Anuales a las normas IFRS 2018-2020

Las *Modificaciones Anuales* incluyen la modificación a cuatro normas y se explican mas adelante los que potencialmente impactarían a la Entidad.

IFRS 1 *Adopción por Primera Vez de las Normas Internacionales de Información Financiera*

IFRS 9 *Instrumentos Financieros*

IFRS 16 *Arrendamientos*

Las modificaciones eliminan la figura del reembolso por mejoras a los arrendamientos.

Como las modificaciones a la IFRS 16 solo son con respecto a un ejemplo ilustrativo, no hay fecha de inicio establecida.

Las modificaciones se aplican prospectivamente, por ejemplo, la medición del valor razonable en o después de la fecha inicial de aplicación de las modificaciones aplicadas a la entidad.

Las modificaciones son efectivas para los periodos anuales que inician en o después del 1 de enero de 2022, con opción de adopción inicial.

IAS 41 *Agricultura*

Dividendos pagados, acciones ordinarias:	0

Dividendos pagados, otras acciones:	0

Dividendos pagados, acciones ordinarias por acción:	0

Dividendos pagados, otras acciones por acción:	0
