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

Read this discussion in conjunction with the Consolidated Financial Statements of Sigma Alimentos, S.A. de C.V. (the "Company" or "Sigma"), as well as related notes and other financial information included in the audited financial statements. The financial statements are prepared in accordance with IFRS. The IFRS include all the effective International Accounting Standards ("IAS"), and the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), including those issued previously by the Standing Interpretations Committee ("SIC").

This section contains forward-looking statements that involve risks and uncertainties. The actual results may vary materially from those discussed in the forward-looking statements due to various factors.

Overview

Sigma is a leading multinational food company that produces, markets, and distributes quality branded foods, including packaged meats such as cold cuts and dry meats, cheese, yogurt, and other refrigerated and frozen foods. Sigma has a diversified portfolio of leading brands, including FUD®, Campofrío®, Aoste®, Bar-S®, Chimex®, San Rafael®, Braedt®, La Villita®, and Yoplait®. Its large brand portfolio has managed to cover different socioeconomic levels, allowing the Company to diversify its sales through a variety of markets.

Through brand development, quality products, and continuous innovation, Sigma has established a leading market position, operating 64 plants and 201 distribution centers across 17 countries in four key regions: Mexico, Europe, the United States, and Latin America. In 2024, the Company generated consolidated revenues of Ps. $160,938 million and Adjusted EBITDA of Ps. $19,017 million, a 20.3% increase compared to the previous year, mainly driven by solid performance across all regions.

The Company operates in Mexico, the United States, Costa Rica, El Salvador, the Dominican Republic, Peru, Ecuador, Honduras, Nicaragua, Guatemala, Spain, France, the Netherlands, Germany, Romania, Belgium, and Portugal; and sells its products at over 640,000 points of sale in these countries. Its distribution channels include the modern channel, consisting of supermarkets, hypermarkets, and convenience stores; the traditional channel, consisting of small grocery stores, traditional butcher shops, delicatessens, and wholesalers; and the foodservice channel, which includes hotels, restaurants, hospitals, among others. Sigma has built and maintained close relationships with its customers, which has enabled the Company to grow its business and create value. Sigma produces approximately 1.8 million tons of food annually.

Economic Environment and other Macroeconomic Factors

Sigma's business is closely tied to population growth, the overall economic environment, and the specific conditions of the regions where the Company operates. In addition, a significant portion of its costs and revenues are denominated in or linked to the value of the U.S. Dollar and the Euro. Therefore, sudden exchange rate movements could affect margins. Furthermore, raw material costs may fluctuate due to changes in the prices of commodities such as corn, wheat, and other grains, as well as fuel and transportation, all of which can be influenced by market dynamics and consumer trends. These potential impacts are commonly mitigated through revenue management initiatives.

Net Sales

Revenue consists of sales of packaged meats, cheese, yogurt, other refrigerated and frozen foods, and plant-based products. Revenue is driven by sales volume, pricing (net of invoice rebates and discounts), and product mix.

The main factors affecting sales volume include:

- Production capacity and the absence of operational disruptions. This includes any changes arising from the Company's mergers and acquisitions, as well as the construction of new production facilities or the expansion of existing plants.

- Product demand, growth in consumer disposable income, or general economic expansion or contraction in the countries where the Company operates, and resilience in adverse economic environments.
- Competition from substitute products, including those outside the categories in which Sigma participates.
- Ability to innovate and develop new products and product features that meet consumers' evolving needs and preferences.

The main factors affecting product pricing include:

- Market conditions, as well as regional supply and demand for packaged meats, dairy products, and other refrigerated foods.
- Pricing strategies of competitors.
- Product mix, ranging from premium to value brands.
- Changes in raw material and other input costs, as well as fluctuations in the exchange rates of the countries in which the Company operates.

Cost of Sales

Cost of sales primarily consists of (i) raw materials—particularly pork, chicken, turkey, liquid and powdered milk, packaging, and dry ingredients, (ii) personnel costs, (iii) energy, including natural gas, fuel, and electricity, (iv) transportation costs, and (v) depreciation and amortization of plants and equipment.

The main factors affecting cost of sales include:

- Volatility in raw material costs, particularly pork and poultry, which are linked to market dynamics and feed costs such as grains and corn, as well as liquid and powdered milk, or the impact of exchange rate fluctuations on raw material costs.
- Sales volume and product mix.
- Ability to streamline or create efficiencies in production processes.
- Production costs and capacity utilization rates.

Gross Profit

Gross profit is defined as revenue minus cost of sales. Gross profit expressed as a percentage of revenue is not a meaningful measure of the Issuer's financial performance.

Selling and Administrative Expenses

Selling and administrative expenses mainly consist of selling expenses, including salaries and commissions paid to sales personnel, as well as distribution, advertising, and administrative service expenses.

Comprehensive Financing Expense, Net

Net financial result is comprised of the following components:

Financial expenses, including both fixed and variable interest costs, which are primarily a function of the Company's outstanding debt principal and prevailing interest rates.

Financial income, which includes interest income on cash and cash equivalents.

Net foreign exchange loss (gain), which includes net gains or losses arising from exchange rate fluctuations, in accordance with the section titled “Effects of exchange rate fluctuations on operating margins.”

Valuation of derivative financial instruments, which reflects changes in the fair value of derivative instruments designated for trading purposes, as they do not meet the criteria for hedge accounting. These include derivatives related to exchange rates, interest rates, and commodities, and, when applicable, the ineffective portion of instruments designated as hedges. The hedge designation is made at the inception of the transaction and specifies the corresponding objective, the initial position, the risk being hedged, the type of relationship, characteristics, accounting treatment, and the method for evaluating effectiveness.

In the past, the Company has used derivative financial instruments to manage risk profiles associated with interest rates and foreign exchange exposure, reduce financing costs, and hedge against certain financial market and commodity-related risks.

As of December 31, 2024, the Company held two Currency Swaps with Floors and forty-five foreign exchange forwards. As of December 31, 2023, it held seven Currency Swaps (CCS), two Currency Swaps with Floors, two Commodity Swaps, and seventy-three foreign exchange forwards. As of December 31, 2022, it held two accounting hedge-designated Currency Swaps (CCS) and sixty-nine USD/MXN foreign exchange forwards.

The Company’s internal policy prohibits the use of derivative financial instruments for speculative purposes; however, they may be used as economic hedges against certain business risks, even if they do not qualify for hedge accounting under IFRS. Furthermore, the Company may be required to record future fair value losses that could be material. Mark-to-market accounting of derivative financial instruments is reflected in the income statement and has resulted in earnings volatility. Additionally, the Company may incur future losses related to derivative financial instrument transactions, which could have a materially adverse effect on its financial condition and operating results.

Effect of Acquisitions, Capacity Expansion and Production Efficiencies

Financial results for the periods presented below were not affected by mergers or acquisitions.

Effects of Foreign Currency Exchange Rate Fluctuations

There is exposure to foreign exchange rate risks, since Sigma operates in several countries, most notably the U.S. Dollar and the Euro conversion to Pesos. To report consolidated financial statements, Sigma must effectively convert multiple currencies into a single reporting currency. Fluctuations in currency rates could affect the income statement, even if local currency results remain the same. Changes relative to the value of the Peso vis-à-vis the U.S. Dollar influence operating results.

Functional Currency

Since the Company operates in multiple countries, it is exposed to exchange rate risk when converting its foreign currency sales and expenses—particularly in U.S. Dollars and Euros—into Mexican Pesos. To report consolidated financial statements, Sigma must effectively translate various currencies into a single reporting currency. Therefore, exchange rate fluctuations could impact the income statement, even if results in local currency remain unchanged.

Given the import of raw materials for production in Mexico, changes in the value of the Peso relative to the Dollar influence operating results. However, historically, the Company has been able to pass on cost increases arising from exchange rate fluctuations to customers through product price adjustments, and it plans to continue doing so.

Functional Currency

The financial statements of each subsidiary must be measured using the currency of the primary economic environment in which each entity operates (the “Functional Currency”).

Sigma concluded that the most appropriate Functional Currency for the Issuer is the U.S. Dollar. This determination was based on the economic environment in which the entity generates and uses cash. Dividend income and brand royalty income are collected in U.S. Dollars. The previous Functional Currency was the Mexican Peso, and in accordance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates," such changes are made prospectively. On the date of the change in functional currency, all assets, liabilities, equity, and income statement items were converted to U.S. Dollars using the exchange rate on that date.

Limited Seasonality

Consolidated operating results are not materially affected by seasonality, although its European operation experience higher sales of packaged meats during the year-end holiday season and the US operation have higher sales of sausages, cooked ham, and hot dogs during the summer months.

Key Drivers of Profitability

The main factors influencing the Company's profitability include:

- The Company's ability to respond to economic conditions in its markets and offer a broad portfolio of brands to its diverse consumer base.
- The Company's ability to understand and meet consumer needs through innovation, by focusing its research and development activities on adapting products to consumer preferences and requirements.
- The Company's ability to successfully integrate acquisitions and benefit from significant synergies and efficiencies.
- The Company's ability to achieve economies of scale through the efficient use of its production and distribution facilities, as well as to control costs and variable expenses.

Critical Accounting Policies

There are certain key accounting indicators and estimates that affect the Company's financial condition and operating results. These indicators are based on subjective judgments or decisions that require management to estimate and make assumptions that affect the amounts reported in the Annual Audited Financial Statements and Interim Unaudited Financial Statements. Estimates are based on historical information and other assumptions that the Company believes are reasonable under the circumstances.

Actual results may differ from estimates under different assumptions or conditions. Estimates routinely require adjustments based on changing circumstances and new or more accurate information. In the opinion of management, the most critical accounting estimates under IFRS are those that require management to make estimates and assumptions that affect the reported amounts related to accounting for estimated impairment of goodwill, income taxes and pension benefits, long-lived assets, revenue recognition of deferred tax assets.

There are certain critical estimates that require significant judgment in the preparation of consolidated financial statements. Accounting estimates are considered as critical if:

- It requires the Company to make assumptions due to lack of information or if it included matter that were highly uncertain at the time the estimate was made.
- Changes in the estimate or different estimates that would have had a material impact on the financial condition or operating results.

Estimated Impairment of Goodwill

Goodwill is tested annually to determine if it suffers any impairment, in accordance with the established accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Income Taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required to determine the worldwide provision for income taxes. There are many transactions and calculations, therefore the final tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of when additional taxes will be due. In the event the final tax outcome of these matters is different from the amounts that were initially recorded, the difference will impact the current and deferred income tax assets and liabilities for the period in which such determination is made.

Pension Benefits

The present value of the pension obligations depends on several factors that are determined on an actuarial basis using several assumptions. The assumptions used in determining the net cost (income) for pensions include a discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The discount rate is calculated at the end of each year. The discount rate is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest according to IAS 19 “Employees’ benefits” that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions.

Long-lived Assets

The Company estimates the useful lives of long-lived assets to determine the depreciation and amortization expenses to be recorded during the reporting period. The useful life of an asset is determined when the asset is acquired based on experience with similar assets and considering anticipated technological changes or any other type of changes. When technological changes occur faster or differently than estimated, the useful lives assigned to the assets could be reduced. This would lead to the recognition of a higher depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of a charge for impairment to reflect the reduction in the value of the assets. The Company reviews assets on an annual basis for signs of impairment, or when certain events or circumstances indicate that the value in books may not be recovered during the remaining useful life of the assets.

To evaluate the impairment, the Company uses cash flows that consider the administrative estimates for future transactions, including estimates for revenues, costs, operating expenses, capital expenses and debt service. In accordance with IFRS, if an assessment is required, future discounted cash flows associated with an asset would be compared to the value in books of the asset to determine if an asset is impaired. In this case, the asset is reduced to its fair value.

Revenue Recognition

Revenues comprise the fair value of the consideration received or to receive for the sale of goods in the ordinary course of the transactions, and are presented in the consolidated statement of income, net of the number of variable considerations, which comprise the estimated number of returns from customers, rebates and similar discounts and payments made to customers. The Company recognized revenues of Ps 160,938 million from the sale of goods to third parties during 2024. Customers have the right to return the products if they are not satisfied or, in some cases, when these expire. Sigma includes a provision based on the historical behavior of customers, estimating the corresponding liability through the application of the expected value method. As of December 31, 2024, and 2023, the balance of this provision was approximately Ps. 94 million and Ps. 129 million, respectively.

Recognition of Deferred Tax Assets

The Company has tax losses to be applied, derived mainly from significant foreign exchange losses, which may be used in the years following their maturity. Based on the projections of taxable income that Sigma will generate in the subsequent years through a structured and robust business plan, management has determined that the current tax losses will be used before they expire and, therefore, it was considered probable that the deferred tax assets for such losses will be recovered.

Results of Operations

	For the Years Ended December 31 (in millions of Pesos, except percentages)				Percentage Change
	2023	Percent of Net Sales	2024	Percent of Net Sales	2024 vs. 2023
Net sales	150,838	100.0%	160,938	100.0%	6.7%
Cost of sales	(106,162)	(70.4)	(110,416)	(68.6)	4.0
Gross profit	44,675	29.6	50,522	31.4	13.1
Selling and administrative	(32,943)	(21.8)	(36,486)	(22.7)	10.7
Other expenses, net	(1,906)	(1.3)	208	0.1	110.9
Operating profit	9,827	6.5	14,244	8.9	45.0
Financial income	443	0.3	622	0.4	40.5
Financial expenses	(3,123)	(2.1)	(4,477)	(2.8)	43.4
Gain (loss) due to exchange fluctuation, net	(4,107)	(2.7)	(933)	(0.6)	77.3
Comprehensive financing expense	(6,787)	(4.5)	(4,788)	(3.0)	29.5
Share of losses of investments accounted for using the equity method	3	0.0	4	0.0	28.0
Profit before income tax	3,043	2.0	9,460	5.9	210.9
Income tax	(4,199)	(2.8)	(2,965)	(1.8)	29.4
Net profit	(1,156)	(0.8)	6,495	4.0	661.9
Adjusted EBITDA	15,805	10.5%	19,017	11.8%	20.3%

* Percentages are rounded, and henge may not necessarily add up to 100.

The following table provides a breakdown of net sales by product line for 2023 and 2024:

	For the Year Ended December 31, (in millions of Pesos, except percentages)				Percentage Change
	2023	Percent of Net Sales	2024	Percent of Net Sales	2024 vs. 2023
Product lines:					
Packaged meats	102,975	68.3%	106,769	66.3	3.7%
Dairy products	34,911	23.1	39,292	24.4	12.5
Other products	12,951	8.6	14,878	9.2	14.9
Total	150,838	100.0%	160,938	100.0%	6.7%

* Percentages are rounded, and henge may not necessarily add up to 100.

The following table provides a breakdown of net sales by geographic region for 2023 and 2024:

	For the Year Ended December 31, (in millions of Pesos, except percentages)				Percentage Change
	2023	Percent of Net Sales	2024	Percent of Net Sales	2024 vs. 2023
Geographic region:					
Mexico	71,727	47,6%	77,801	48.3%	8.5%
Europe	41,755	27.7	41,811	26.0	0.1

	For the Year Ended December 31, (in millions of Pesos, except percentages)				Percentage Change
	2023	Percent of Net Sales	2024	Percent of Net Sales	2024 vs. 2023
Geographic region:					
United States	26,921	17.8	29,990	18.6	11.4
Latin America	10,436	6.9	11,336	7.0	8.6
Total	150,839	100%	160,938	100.0%	6.7%

* Percentages are rounded, and henge may not necessarily add up to 100.

Net Sales by Product Line

Net sales of packaged meats for the year ended December 31, 2024, were Ps. 106,769 million, a 4% increase from the Ps. 102,975 million reported in 2023 mainly due to a favorable raw material environment during the first part of the year, an appreciation of the Mexican Peso against the Dollar, and higher volume in the Americas, which more than offset the decline in Europe.

Net sales of dairy products for the year ended December 31, 2024, were Ps. 39,292 million, a 13% increase from the Ps. 34,911 million reported in 2023 mainly due to solid demand for both cheese and yogurt in Mexico and for cheese in the United States.

Net sales of other products for the year ended December 31, 2024, were Ps. 14,878 million, a 15% increase from the Ps. 12,951 million reported in 2023. This increase was primarily due to volume growth and pricing actions in beverage, prepared food, snacking, and plant-based lines.

Net Sales by Geographic Region

Net sales in Mexico for the year ended December 31, 2024, were Ps. 77,801 million, an 8.5% increase from the Ps. 71,727 million in 2023, driven by revenue management and all-time high volume reflecting strong demand across all channels and product categories.

Net sales in Europe for the year ended December 31, 2024, were Ps. 41,811 million, which remained flat when compared to the Ps. 41,755 million reported in 2023, as the depreciation of the Mexican Peso against the Euro offset a revenue decrease resulting from a 2% volume and a 1% average price decrease in Euros amid deflationary raw materials. Results also reflect the impact from the damage to Sigma's Torrente production facility in the 4Q24 resulting from severe flash floods caused by heavy rainfall in the Valencia region of Spain. The plant represented approximately 9% of installed capacity in Europe. Production is being redirected to other sites or trusted partners while various long-term alternatives are being assessed. Insurance coverage includes both business interruption as well as property damage.

Net sales in the United States for the year ended December 31, 2024, were Ps. 29,990 million, an 11.4% increase from the Ps. 26,921 million reported in 2023. The increase was primarily driven by strong volume growth in Hispanic and Mainstream Brands, fueled by high demand. Additionally, pricing initiatives contributed to the growth, while rising raw material costs towards the end of the year also played a role. Results were further supported by the appreciation of the Mexican Peso against the Dollar during the first half of the year

Net sales in Latin America for the year ended December 31, 2024, were Ps. 11,336 million, an 8.6% decrease from the Ps. 10,436 million reported in 2023. This decrease was primarily due to the appreciation of the Mexican Peso against most of the currencies of the countries where the company operates in Latin America as record annual Revenues in local currencies were up 5% year-overyear, mainly reflecting solid consumer demand.

General

Net sales for the year ended December 31, 2024, were Ps. 160,938 million, a 6.7% increase compared to Ps. 150,838 million for the same period in 2023. This increase was mainly driven by volume, as well as a strengthened Mexican Peso against the Dollar during the first half of 2024.

As a percentage of total sales, Mexico sales in accounted for 48%, sales in the Europe accounted for 26%, sales in United States accounted for 19% and sales in Latin America accounted for 7%.

Cost of sales for the year ended December 31, 2024, increased 4% to Ps.110,416 million from Ps. 106,162 million in 2023. This increase was mainly due to higher volume as well as the net effect from raw material dynamics and the appreciation of the Mexican Peso.

Gross profit, defined as the difference between revenues and cost of sales, for the year ended December 31, 2024, was Ps. 50,522 million, a 13.1% increase compared to Ps. 44,675 million one-year prior. This increase was primarily due to the factors discussed for the two previous items.

Selling and administrative expenses were Ps. 36,486 million in 2024, a 10.7% increase when compared to Ps. 32,943 million in 2023 mainly due to the increase in sales in Mexico and the U.S.

Other income (expenses), net for the year ended December 31, 2024, was an income of Ps. 208 million, when compared to a Ps. 1,906 million expense *during 2023 related to footprint optimization efforts.*

Operating profit for the period was Ps. 14,244 million a 45% increase when compared to the Ps. 9,827 million during 2023. This increase was mainly driven by the factors discussed above.

Comprehensive financing expense net, for the year ended December 31, 2024, resulted in an expense of Ps. 4,788 million. This represents a 29.5% decrease compared to the expense of Ps. 6,787 million reported in 2023. This increase was mainly due to higher interest expense offset by lower exchange rate losses related to the Mexican Peso US Dollar exchange rate.

Income tax for the year ended December 31, 2024, was a tax expense of Ps. 2,965 million, a 29.4% decrease year on year from Ps. 4,199. This increase was mainly due to exchange rate fluctuations related to the depreciation of the Peso.

Net profit during 2024 reached Ps. 6,495 million when compared to a net loss of Ps. 1,156 million in 2023. This change was primarily due to and the increase in Gross profit, the favorable effect from other net income as opposed to an expense a year prior, and the decrease in the comprehensive financing expense.

Liquidity and Capital Resources

Overview

Historically, Sigma has generated and expects to continue to generate positive cash flow from operations. Cash flow from operations represents inflows from net earnings (adjusted for depreciation and other non-cash items) and outflows from increases in working capital needed to grow the Company’s business. Cash flow used in investing activities represents an investment in property and capital equipment required for growth, as well as acquisition activity. Cash flow from financing activities is primarily related to changes in indebtedness borrowed to grow the business or indebtedness repaid with cash from operations or refinancing transactions as well as dividends paid.

The main capital needs are for working capital, capital expenditures related to maintenance, expansion and acquisitions and debt service. The ability to fund capital needs depends on ongoing ability to generate cash from operations, overall capacity and terms of financing arrangements and access to the capital markets. The Company believes that future cash from operations together with access to funds available under such financing arrangements and the capital markets will provide adequate resources to fund both short-term and long-term operating requirements, capital expenditures, acquisitions, and new business development activities.

Treasury Policies

Sigma withholds treasury policies (financing, risks, investments) aligned with its obligations and needs of its operations and necessary capital investments. All investments, financing and financing operations with derivative financial instruments are subject to the guidelines established by Alfa´s Board of Directors in coordination with Financial Planning and Audit Committees.

Liquidity

Sigma is a holding company and has no operations of its own. The ability to meet debt and other obligations is primarily dependent on the earnings and cash flows of subsidiaries and the ability of those subsidiaries to pay interest or principal payments on intercompany loans, dividends, or other amounts.

The following table summarizes the cash flows from operating, investing, and financing activities for the years ended December 31, 2023, and 2024:

	(in millions of Pesos) For the Year Ended December 31,	
	2023	**2024**
Net resources generated from operating activities	9,433	14,565
Net resources (used in) provided by investing activities..........	(5,485)	(4,100)
Net resources provided by (used in) financing activities	(5,907)	(10,802)
Cash and cash equivalents at period end	10,563	11,241

Operating Activities

In 2024, net resources generated from the operating activities amounted to Ps. 14,565 million. The higher cash flow from operating activities is explained by a solid performance across all regions.

In 2023, cash flow from operating activities amounted to Ps. $9,433 million, partly attributable to strong performance in the Americas, which more than offset a decline in the profitability of operations in Europe.

Investing Activities

In 2024, net resources used in investing activities were Ps. 4,100 million, primarily due to maintenance and strategic capital expenditures. Financial results for the periods presented below were not affected by mergers or acquisitions.

In 2023, net resources used in investing activities were Ps. 5,485 million, primarily due to maintenance expenses and strategic capital, including the acquisition and majority shareholding of Los Altos Foods in the United States.

Financing Activities

In 2024, net resources used in financing activities were Ps. 10,802 million, mainly due to dividends paid, interest, Leases, and derivative financial instruments.

In 2023, net resources used in financing activities were Ps. 5,907 million, mainly due to dividends paid, interest, and derivative financial instruments.

As a holding company, the Company financed the operations of subsidiaries through normal internal cash management and treasury functions. To the extent subsidiaries are not able to satisfy their financing needs through internal cash generations, the Company provides centralized financing through intercompany loans.

Capital Resources

Existing Indebtedness

The primary use of debt has been to finance acquisitions and capital expenditures.

As of December 31, 2024, gross debt (debt excluding accrued interest and issuance costs) totaled Ps. $43,873 million (US$2,165 million), of which Ps. $24,234 million (US$1,196 million) was denominated in Pesos, Ps. $16,965 million (US$837 million) in U.S. Dollars, and Ps. $2,675 million (US$132 million) in Euros. As of December 31, 2024, gross debt had an average maturity of 5.7 years and an average interest rate of 8.1% (8.0% including cross-currency swaps).

As of December 31, 2024, the Company's total debt amounted to Ps. $44,318 million, of which Ps. $17,094 million was denominated in U.S. Dollars, Ps. $2,690 million in Euros, and Ps. $24,535 million in Pesos. Of this total amount, Ps. $625 million was short-term debt, primarily due to interest payments, and Ps. $43,693 million was long-term debt.

As of December 31, 2023, the Company's total debt amounted to Ps. $41,799 million, of which Ps. $26,753 million was denominated in U.S. Dollars, Ps. $11,525 million in Euros, and Ps. $3,522 million in Pesos. Of this total, Ps. $11,760 million was short-term debt, primarily due to interest payments and the maturity of Sigma's 2024 International Bonds, and Ps. $30,039 million was long-term debt.

Capital Expenditures

In 2024 and 2023, the capital expenditures were Ps. 4,649 million and Ps. 3,868 million, respectively. These capital expenditures were used for maintenance and replacement of productive assets, such as maintenance of production facilities, replacement of delivery vehicles and strategic capital expenditures for organic growth.

Tabular Disclosure of Contractual Obligations

The following is a summary of contractual obligations (other than operating leases) as of December 31, 2024:

	Total	**Less than 1 Year**	**1-5 Years**	**More than 5 Years**
Contractual Obligations				
Suppliers and other accounts payable	29,143	29,143	-	-
Bank Loans	16,588	25	10,118	6,446
Senior notes	10,134	-	10,134	-
CEBURES..	17,141	-	3,861	13,280
Capital lease obligations..........................	4,578	705	1,640	2,233
Unaccrued future interest.......................	23,047	3,555	11,372	8,119
Total	**100,631**	**33,428**	**37,125**	**30,078**

Quantitative and Qualitative Disclosures about Market Risk

Derivative Financial Instruments

At Sigma, there are internal policies, practices, and control criteria applicable to transactions involving derivative financial instruments. All such transactions are carried out for hedging purposes, and their valuation and recognition are conducted in accordance with IFRS 9 "Financial Instruments," issued by the International Accounting Standards Board (IASB).

a) General description of the objectives pursued with derivative financial instruments

Given that Sigma operates in multiple countries and enters into credit agreements in U.S. Dollars, Euros, and Mexican Pesos, it has historically entered foreign exchange and interest rate derivative contracts when deemed necessary to reduce the cost of such financing and the volatility related to interest rates. Additionally, due to the nature of the industries in which it operates and its consumption of energy and raw materials, the Issuer has entered commodity price hedging transactions.

b) Instruments used

The instruments used include foreign exchange derivatives, interest rate derivatives, and commodity price derivatives.

The derivative financial instruments used by the Company are contracted over-the-counter (OTC) with internationally recognized financial institutions. The main characteristics of these transactions involve the obligation to buy or sell a certain underlying asset based on specific criteria such as cap rate, trigger level, and strike price, among others.

c) Hedging or trading strategies

In accordance with the Company's policy, all derivative financial instrument transactions are executed for hedging purposes as part of the ordinary course of business, and not for speculative purposes. From an economic standpoint, these derivative financial instruments are entered into as hedges. However, for accounting purposes, some derivative financial instruments are not designated as hedges if they do not meet all the necessary criteria for hedge accounting under IFRS. As a result, they may be classified as held for trading.

d) Trading markets and eligible counterparties

Derivative financial instrument transactions have been privately executed with the following counterparties: BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México; BNP PARIBAS; Bank of America México, S.A., Institución de Banca Múltiple; Bank of America, N.A.; Banco Nacional de México, S.A., Member of Grupo Financiero Banamex; CA-CIB London; Goldman Sachs México, Casa de Bolsa, S.A. de C.V.; HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC; ING Capital Markets, LLC; Banco J.P. Morgan S.A., Institución de Banca Múltiple, JP Morgan Grupo Financiero; Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero; Cooperatieve Rabobank U.A., trading as Rabobank; Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México; Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat; SMBC Capital Markets, Inc.; and MUFG Bank, Ltd. These counterparties are backed by strong credit ratings issued by recognized credit and risk rating agencies.

The documentation used to formalize these transactions is standard and generally conforms to the "ISDA Master Agreement" format issued by the International Swaps & Derivatives Association ("ISDA"), along with customary supporting documents such as the "Schedule," the "Credit Support Annex" ("CSA"), and various trade confirmations with each counterparty ("Confirmations").

e) Policies for the designation of calculation or valuation agents

In general, the transactions entered have followed the practice of designating the respective counterparty as the calculation or valuation agent. However, when the underlying asset or referenced value has a market quotation, the counterparty is required to use such quotations for performing calculations or valuations, thereby reducing the level of discretion in their determinations. Additionally, the Company validates, at least monthly, the calculations or valuations performed by the counterparty using internal valuation methods (including mark-to-market calculations based on market prices obtained through third-party information providers such as Bloomberg).

f) Key terms and conditions of the contracts

The contracts entered by the Company are subject to the terms established in the trade confirmations ("Confirmations"), the "Schedule," and the "ISDA Master Agreement." With certain counterparties, the

Company has also signed a “Credit Support Annex” (CSA), which sets forth the credit terms related to collateral requirements for the transactions.

The conditions in these contracts include, among others:

1- Delivery of Financial Statements.

2- Events of Early Termination (such as non-payment, illegality, bankruptcy declaration, liquidation or insolvency proceedings, and cross-default).

g) Margin, collateral, and credit line policies

A significant number of the transactions entered establish obligations for the Issuer to provide collateral from time to time, covering the differential between the fair value and the credit line, in order to ensure the timely and full fulfillment of the obligations assumed. Additionally, it is stipulated that if this obligation is not met, the counterparty shall have the right, though not the obligation, to declare the obligation as early due and to demand the corresponding settlement in accordance with the agreed terms.

h) Authorization processes and levels required by type of transaction

All financial transactions involving derivative instruments are subject to the guidelines issued by Alfa’s Board of Directors in coordination with its planning, finance, and audit committees, and must be authorized by Alfa’s Risk Management Committee. None of the transactions entered by Sigma exceed the guidelines or parameters previously established by these governing bodies.

i) Internal control procedures to manage exposure to market and liquidity risks

Sigma has an internal control system for its transactions involving derivative financial instruments. The registration and valuation of these transactions are subject to IFRS 9 “Financial Instruments,” as well as to internal control procedures overseen by the Company’s treasury, legal, accounting, and audit departments. These internal control procedures include evaluating exposure to each counterparty to reduce concentration risk, validating valuations provided by counterparties, and conducting sensitivity analyses under stress scenarios, among others.

j) Existence of an independent third party reviewing such procedures

As of December 31, 2024, no specific independent third party had been engaged to review these procedures.

k) Risk committee composition and governing rules

Alfa maintains a Risk Management Committee governed by the Company’s risk policy. This committee is fully authorized to oversee all derivative financial instrument transactions with a notional value and/or maximum risk exposure greater than US$1 million and reports directly to Alfa’s Chief Executive Officer. The Risk Management Committee is authorized to carry out derivative financial instrument transactions for hedging or trading purposes, depending on the Company’s needs. All new proposed derivative transactions, as well as renewals or cancellations of existing contracts, must be approved by the Risk Management Committee.

Proposed derivative transactions must comply with the risk policy criteria, including amount and risk exposure, and must be executed for hedging purposes in the ordinary course of business, based on fundamental analysis and after conducting sensitivity and risk assessments. Additional guidelines have also been implemented, setting authorization thresholds for each governing body (senior management, committees, and the board of directors).

Generic description of valuation techniques

The fair value of derivative financial instruments reported in the Issuer’s financial statements represents a mathematical approximation of their market value. It is calculated using proprietary models from the counterparties, with assumptions based on past, present, and future market conditions as of the relevant accounting closing date.

In general, the transactions entered into follow the practice of designating the respective counterparty as the calculation or valuation agent. Additionally, the Company validates, at least monthly, the calculations or valuations performed by the counterparty using internal valuation methods (including mark-to-market calculations based on market prices obtained from third-party information providers such as Bloomberg).

To determine the effectiveness of derivative financial instruments designated for hedge accounting treatment, the prospective effectiveness assessment method is used. This method measures the change in the fair value of the derivative instrument compared to the change in the fair value of the underlying position. As a result, the derivative financial instruments designated for hedge accounting achieve full coverage of the hedged position and are considered effective hedges.

For instruments used to hedge net investments in foreign operations, since the exchange rate hedge relationship is clear, the Company evaluates effectiveness using a qualitative test comparing the critical terms of the hedging instruments with those of the hedged items.

Changes in exposure and known or expected events that may affect future reports

a) Recent changes in exposure to derivative financial instruments

During 2024, Sigma continued implementing various hedging strategies that altered its derivative position.

The main changes in exposure to key identified risks were the depreciation of the Peso/U.S. Dollar exchange rate and the volatility in commodity prices. As part of its risk management and contingency planning, the Company conducts derivative transactions with counterparties that offer sufficient credit lines, reducing the likelihood of a margin call.

During 2024, no event or circumstance occurred that caused the use of any derivative financial instrument to differ from its originally intended purpose, that significantly altered its structure, or that led to the partial or total loss of the hedge, requiring the Issuer to assume new obligations, commitments, or changes to cash flows that would affect its liquidity.

b) Margin calls

As of December 31, 2024, the Company had no collateral posted to cover margin calls related to derivative financial instruments. From time to time, the Company receives notifications from its counterparties with their valuations of the variables governing the behavior of the derivative financial instruments. In some cases, such determinations may trigger margin calls, resulting in increases or decreases in collateral balances. No margin calls related to derivative financial instruments were made during 2024.

c) Contract defaults

As of December 31, 2024, Sigma had no defaults on derivative financial instrument contracts.

Financial derivative instruments

As of December 31, 2024, the Company maintained Euro-denominated debt and two cross-currency swaps (CCS) with 0% floors; whereas in 2023 and 2022, the Company held a Euro-denominated bond and two Forward Starting CCS (effective as of 2024), also with 0% floors, as hedging instruments under its hedge accounting designation classified as a net investment in a foreign operation.

	Information in Thousands	
Characteristics	**CCS Bank of America**	**CCS Rabobank**
Currency	USD	USD
Notional	US$125,000	US$22,790
Coupon receives	SOFR+Spread	SOFR+Spread
Currency	EUR	EUR
Notional	$126,942	$23,060
Cupon pays	Euribor+Spread	Euribor+Spread
Maturity	September 30, 2027	September 30, 2027
Cap/Floor	Long Floor 0%	Largo Floor 0%
Currency	USD	USD
Cap/Floor	Floor Short 0%	Floor Short 0%
Currency	EUR	EUR
Book value strategy	$(130,303)	$(17,452)
Change in fair value to measure ineffectiveness	$(130,303)	$(17,452)
Balance recognized in OCI net of reclassifications	$(130,303)	$(17,452)
Change in fair value of the hedged item to measure ineffectiveness	$130,303	$17,452

(1) The book value of the CCS of USD/EUR as of December 31, 2024, is made up of an asset position for $53,456 and a liability position for $(201,210).

Risk Management Committee

Alfa has a Risk Management Committee, which supervises hedging and derivative transactions proposed to be entered by its subsidiaries with a risk exposure more than US$ 1 million. This committee reports directly to both Alfa's Chairman of the Board of Directors and its President. All new hedging and derivative transactions which the Company proposes to enter, as well as the renewal or cancellation of existing hedging and derivative arrangements, are required to be approved by senior management of both Sigma and Alfa, including both Alfa's Chairman of the Board of Directors and its President. Proposed transactions must satisfy certain criteria, including entered for non-speculative purposes in the ordinary course of business, based on fundamental analysis and that a sensitivity analysis and other risk analyses have been performed before the transaction is entered.