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INTEGRATED
ANNUAL
REPORT
2024

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KUO, S.A.B de C.V. and Subsidiaries

Consolidated Financial Statements

For the years Endend

December 31, 2024, 2023 and 2022,
and Independent Auditors' Report

Dated March 15, 2025

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Independent Auditors' Report to the Board of Directors

and Stockholders of KUO, S.A.B. de C.V. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of KUO, S.A.B. de C.V. and Subsidiaries (the Entity, KUO or Group), which comprise the consolidated statements of financial position as of December 31, 2024, 2023 and 2022 and the related consolidated statements of income and other comprehensive income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows, for the years ending on those dates, as well as the explanatory notes to the consolidated financial statements containing information on material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of KUO, S.A.B. de C.V. and Subsidiaries as of December 31, 2024, 2023 and 2022, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) Accounting Standards, issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Translation of financial statements

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were selected from those communicated to KUO's Management and Audit Committee but are not intended to represent all the matters discussed with them. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit matters, which should be communicated in our report.

Assessment of tests of impairment of long-lived assets in the automotive division

As described in Note 4o. to the consolidated financial statements, the Entity tests its tangible and intangible assets for impairment when impairment indicators exist. The Entity uses the "Discounted Cash Flows" ("DCF") valuation methodology, under the income approach, which requires the Entity's management to make significant estimates and assumptions related to the selection of discount rates, future revenue forecasts, financial projections, cash flows, operating margins and profits, used to estimate the recoverable amount of the cash generating unit ("CGU") of the automotive division, because it generates identifiable cash flows and independently. Changes in these assumptions could have a significant impact on either the fair value or the amount of any impairment charges or both.

As of December 31, 2024, the balance of assets subject to impairment testing amounts to Ps.2,579 million pesos.

We identified impairment testing of the Automotive division's assets as a key audit matter, primarily because impairment testing involves the application of significant judgments and estimates by the Entity's management to estimate the recoverable amount of the CGU, this required a high degree of auditor judgment and a higher degree of audit effort, including the need to incorporate our expert fair value specialists.

We performed the following audit procedures on the significant assumptions that the Entity considered in estimating future projections to assess the recoverable value of long-lived assets, as follows:

- We tested the design and implementation of internal controls for the determination of the value in use of the automotive division CGU.
- We corroborated that the models applied for the determination of the recoverable value of the assets consisted of methods used and recognized for valuing assets of similar characteristics.
- We evaluated the factors and variables used for the identification of the CGUs, among which were considered: the analysis of operating flows and indebtedness policies, analysis of the legal structure, allocation of production and understanding of the operation of the commercial and sales areas.

- We reviewed the financial projections, comparing them with the performance and historical trends of the business and whether the projections are consistent with the budgets approved by the Board of Directors.
- We analyzed the methodology and projection assumptions used in the impairment model, specifically including cash flow projections, operating margins, earnings before interest, taxes, depreciation and amortization ("EBITDA"), and long-term growth. We tested the mathematical accuracy, completeness and accuracy of the impairment model. The fair value specialists performed a sensitivity analysis, independent recoverable amount calculation to conclude whether the assumptions used would need to be modified and the probability that such modifications are submitted.
- Independent evaluation of the discount rates used against the discount rates used by management.
- We compared that the carrying value of the CGU on which the impairment test was performed included all long-lived assets.

Other information included in the document containing the audited financial statements

KUO's Management is responsible for the other information. The other information will comprise the information that will be incorporated into the Annual Report which KUO is required to prepare in accordance with Article 33, section I, subsection b) of Title Fourth, Chapter First, of the General Provisions Applicable to Issuers and Other Stock Market Participants in Mexico, and the Instructions which accompany these provisions (the Provisions). The Annual Report is expected to be available for our reading after the date of this audit report.

Our opinion on the consolidated financial statements will not cover the other information and we will not express any form of assurance thereon.

In relation to our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when it is available, and when we do so, to consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with our understanding obtained during the audit or appears to contain a material misstatement. When we read the Annual Report we will issue the legend on the reading of the annual report, as required by Article 33, section I, and subsection b) numeral 1.2 of the Provisions.

Responsibilities of KUO's Management and Audit Committee KUO for the accompanying consolidated financial statements

Management of KUO is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, Management is responsible for assessing the ability of KUO to continue as a going concern, disclosing, as applicable, matters related to going concern 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 Audit Committee is responsible for overseeing KUO's financial reporting process, review the content of the consolidated financial statements and request their approval by the Board of Directors.

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

Our objectives are to obtain reasonable assurance about whether the accompanying 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 is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with 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, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of KUO.

- 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 KUO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the accompanying consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We planned and performed the group audit to obtain sufficient audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for directing, supervising, and reviewing the work performed for the purposes of the Group audit. We are solely responsible for our audit opinion.
- Obtain sufficient and appropriate audit evidence related to the financial information of the entities and business activities within KUO to express an opinion on the accompanying consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with KUO's Management and Audit Committee 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 the audit.

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

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

Galaz, Yamazaki, Ruiz Urquiza, S.C.

Affiliated to a Member Firm of
Deloitte Touche Tohmatsu Limited



C.P.C. Erik Padilla Curiel

March 19, 2025

Consolidated Statements of Financial Position

As of December 31, 2024, 2023 and 2022

(Thousands of Mexican pesos)

Assets	Notes	2024	2023	2022
Current assets:				
Cash and cash equivalents	8	Ps. 2,220,069	Ps. 1,831,985	Ps. 2,332,851
Accounts and notes receivable, net	9	3,375,379	4,023,670	4,430,470
Accounts receivable from related parties	26	174,038	110,081	216,065
Inventories, net	10	5,738,548	7,375,740	8,483,008
Biological assets	11	1,809,448	1,674,128	1,969,340
Prepaid expenses		385,750	286,849	516,486
Derivative financial instruments	17	266,978	-	-
Long-lived assets available for sale	25	3,927,288	-	-
Total current assets		17,897,498	15,302,453	17,948,220
Non - current assets:				
Property, plant and equipment, net	12	10,489,845	11,037,774	11,963,144
Right-of-use asset	13	973,366	1,209,070	1,470,607
Biological assets	11	708,885	698,497	714,890
Intangible and other assets, net	15	2,849,145	3,401,767	4,215,370
Investments in joint ventures and other investments	14	10,863,319	10,127,413	11,255,458
Other accounts receivable		55,233	63,172	71,112
Accounts receivable from related parties	26	109,449	91,379	-
Deferred income tax	27	2,059,492	2,056,801	1,724,749
Total non - current assets		28,108,734	28,685,873	31,415,330
Total assets		Ps. 46,006,232	Ps. 43,988,326	Ps. 49,363,550

Liabilities and stockholders' equity	Notes	2024	2023	2022
Current liabilities:				
Bank loans and current portion of long-term debt	20	Ps. 106,932	Ps. 95,601	Ps. 546,227
Notes and accounts payable to suppliers		3,031,348	7,637,077	10,082,939
Supplier finance arrangements	23	4,960,440	-	-
Short-term lease liability	13	288,299	292,990	310,881
Other accounts payable and accrued liabilities	21	4,828,387	4,855,038	4,985,735
Derivative financial instruments	17	-	117,346	-
Accounts payable to related parties	26	8,851	15,930	6,659
Liabilities from disposal of assets	25	1,211,310	-	-
Total current liabilities		14,435,567	13,013,982	15,932,441
Non - current liabilities:				
Bank loans	20	12,789,122	11,572,998	13,164,718
Lease liability	13	793,316	1,044,155	1,271,644
Employee benefits	22	603,083	612,051	607,791
Other long-term liabilities		52,292	51,036	-
Deferred income taxes	27	1,145,14	1,200,078	1,245,863
Total non - current liabilities		15,382,960	14,480,318	16,290,016
Total liabilities		Ps. 29,818,527	Ps. 27,494,300	Ps. 32,222,457
Stockholders' equity:				
Contributed capital-				
Capital stock	24	2,727,534	2,727,534	2,727,534
Shares repurchase reserve		326,933	335,214	348,638
Earned capital-				
Retained earnings		11,576,263	12,947,143	12,626,919
Foreign operations translation effect		495,663	495,176	499,570
Derivative financial instruments	18	30,906	2,230	-
Actuarial loss from employee benefits		(73,872)	(97,761)	(80,732)
Equity in other comprehensive income of joint ventures		1,104,076	84,257	1,018,904
Controlling interest		16,187,503	16,493,793	17,140,833
Non - controlling interest		202	233	260
Total stockholders' equity		16,187,705	16,494,026	17,141,093
Total liabilities and stockholders' equity		Ps. 46,006,232	Ps. 43,988,326	Ps. 49,363,550

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income and Other Comprehensive Income

For the years ended December 31, 2024, 2023 and 2022

(Thousands of Mexican pesos, except shares and earnings per common share)

	Notes	2024	2023	2022
Continuing operations:				
Net sales	Ps.	35,691,713	Ps. 33,981,332	Ps. 40,307,642
Cost of sales	28	30,771,886	30,107,573	35,779,028
Gross profit		4,919,827	3,873,759	4,528,614
Administrative expenses	28	1,625,012	1,341,724	1,462,400
Selling and distribution expenses	28	2,830,616	2,636,063	2,740,193
General expenses		4,455,628	3,977,787	4,202,593
Equity in results of joint ventures	14	436,210	648,965	1,350,730
Other income, net	29	153,107	24,956	606,586
Income from operations		1,053,516	569,893	2,283,337
Interest income		147,666	113,231	111,100
Interest expense		(880,643)	(971,153)	(949,503)
Other financial expenses		(514,137)	(534,291)	(372,344)
Exchange (loss) gain, net		(1,676,724)	844,720	564,474
(Loss) profit before tax		(1,870,322)	22,400	1,637,064
Income tax	27	41,676	(99,090)	133,521
(Loss) income for the year from continuing operations		(1,911,998)	121,490	1,503,543
Discontinued operations:				
Income for the year from discontinued operations	25	561,828	614,033	368,214
Consolidated net (loss) income	Ps.	(1,350,170)	Ps. 735,523	Ps. 1,871,757

	Notes	2024	2023	2022
Other comprehensive (loss) income:				
Items that will not be reclassified subsequently to profit or loss, net of income taxes:	22	(14,197)	(17,029)	36,790
Cumulative translation adjustment		528	(4,427)	(68,972)
Derivative financial instruments	18	28,676	2,230	566
Equity in other comprehensive income of joint ventures	14	1,019,839	(934,647)	(466,792)
Total other comprehensive income (loss)		1,034,846	(953,873)	(498,408)
Consolidated comprehensive (loss) income	Ps.	(315,324)	Ps. (218,350)	Ps. 1,373,349
Distribution of consolidated income:				
Controlling interest	Ps.	(1,350,099)	Ps. 735,517	Ps. 1,871,755
Non - controlling interest		(71)	6	2
	Ps.	(1,350,170)	Ps. 735,523	Ps. 1,871,757
Distribution of consolidated comprehensive (loss) income:				
Controlling interest	Ps.	(315,293)	Ps. (218,323)	Ps. 1,373,361
Non - controlling interest		(31)	(27)	(12)
	Ps.	(315,324)	Ps. (218,350)	Ps. 1,373,349
Basic earnings per common share:				
From continuing operations	Ps.	(4.19)	Ps. 0.27	Ps. 3.29
From discontinued operations		1.23	1.34	0.81
Basic earnings per share	Ps.	(2.96)	Ps. 1.61	Ps. 4.10
Net income from controlling interest without repurchased shares	Ps.	(3.09)	Ps. 1.68	Ps. 4.27
Weighted average common shares outstanding		456,366,148	456,366,148	456,366,148
Weighted average common shares outstanding without repurchased shares		437,341,199	437,534,811	437,978,186

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2024, 2023 and 2022

(In thousands of Mexican pesos, except shares information)

	Contributed capital				Earned Capital						
	Number of Shares	Capital stock	Shares repurchase reserve	Retained earnings	Foreign operations translation effect	Derivative financial instruments	Actuarial loss from employee benefits	Equity in other comprehensive income of joint ventures	Controlling interest	Non - controlling interest	Total stockholders' equity
Balances as of January 1, 2022	456,366,148	Ps. 2,727,534	Ps. 373,938	Ps. 11,195,802	Ps. 568,528	Ps. (566)	Ps. (120,237)	Ps. 1,485,696	Ps. 16,230,695	Ps. 272	Ps. 16,230,967
Recycling of actuarial losses due to employee benefit from recovery of plan assets	-	-	-	(2,715)	-	-	2,715	-	-	-	-
Dividends declared	-	-	-	(456,366)	-	-	-	-	(456,366)	-	(456,366)
Sale of repurchased common shares, net	-	-	(25,300)	18,443	-	-	-	-	(6,857)	-	(6,857)
Consolidated comprehensive income	-	-	-	1,871,755	(68,958)	566	36,790	(466,792)	1,373,361	(12)	1,373,349
Balances as of December 31, 2022	456,366,148	2,727,534	348,638	12,626,919	499,570	-	(80,732)	1,018,904	17,140,833	260	17,141,093
Dividends declared	-	-	-	(415,293)	-	-	-	-	(415,293)	-	(415,293)
Sale of repurchased common shares, net	-	-	(13,424)	-	-	-	-	-	(13,424)	-	(13,424)
Consolidated comprehensive loss	-	-	-	735,517	(4,394)	2,230	(17,029)	(934,647)	(218,323)	(27)	(218,350)
Balances as of December 31, 2023	456,366,148	2,727,534	335,214	12,947,143	495,176	2,230	(97,761)	84,257	16,493,793	233	16,494,026
Recycling of actuarial losses due to employee benefit from recovery of plan assets	-	-	-	(38,065)	-	-	38,085	(20)	-	-	-
Sale of repurchased common shares, net	-	-	(8,281)	17,284	-	-	-	-	9,003	-	9,003
Consolidated comprehensive loss	-	-	-	(1,350,099)	487	28,676	(14,196)	1,019,839	(315,293)	(31)	(315,324)
Balances as of December 31, 2024	456,366,148	Ps. 2,727,534	Ps. 326,933	Ps. 11,576,263	Ps. 495,663	Ps. 30,906	Ps. (73,872)	Ps. 1,104,076	Ps. 16,187,503	Ps. 202	Ps. 16,187,705

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2024, 2023 and 2022

(Thousands of Mexican pesos)

	2024	2023	2022
Cash flows from operating activities:			
Consolidated net (loss) income	Ps. (1,350,170)	Ps. 735,523	Ps. 1,871,757
Adjustments for:			
Income tax expense from continuing operations	41,676	(99,090)	133,521
Depreciation and amortization of continuing operations	1,648,803	1,558,618	1,674,680
Gain (loss) on disposal of property, plant and equipment of continuing operations	(68,584)	32,405	14,121
Income in sinister of property, plant and equipment	-	-	(639,729)
Net period cost for employee benefit plans of continuing operations	54,462	55,756	50,098
Impairment of intangible assets of continued operations	461,526	-	-
Impairment of property, plant and equipment of continued operations	30,943	93,998	20,205
Depreciation of right-of-use asset	239,176	230,042	270,943
Disposals of right-of-use asset	(2,182)	(8,145)	(12,202)
Other financial expenses	514,137	534,290	372,344
Equity in results of joint ventures	(436,210)	(648,965)	(1,350,730)
Interest expense from continuing operations	880,643	971,153	949,503
Derivative financial instruments	(357,556)	120,531	-
Interest income from continuing operations	(147,666)	(113,231)	(111,100)
Discontinued operations	393,780	372,315	312,192
	<u>1,902,778</u>	<u>3,835,200</u>	<u>3,555,603</u>
Changes in working capital:			
(Increase) decrease in:			
Accounts receivable	(103,567)	408,784	305,652
Inventories	(477,320)	1,128,085	(873,663)
Biological assets	(145,708)	311,605	(413,004)
Other accounts receivable, prepayment and other assets	(87,511)	416,799	(445,036)
Increase (decrease) in:			
Notes and accounts payable to suppliers	683,504	(2,451,920)	10,566
Other payables and accrued liabilities	770,268	(550,571)	(84,868)
Accounts payable to related parties	(89,106)	23,876	13,508
Income taxes paid	(409,903)	(868,982)	(867,833)
Net cash flows generated by operating activities	<u>2,043,435</u>	<u>2,252,876</u>	<u>1,200,925</u>

	2024	2023	2022
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(565,121)	(779,935)	(1,310,657)
Proceeds from sale of property, plant and equipment	159,937	115,070	11,893
Sale of intangible assets	13,577	70,802	-
Dividends from joint ventures	720,334	842,730	1,083,517
Investment on intangible assets	(174,532)	(91,876)	(115,732)
Interest received	147,666	113,231	111,100
Acquisition of business	(58,206)	(218,804)	-
Net cash flows (used in) generated by investing activities	<u>243,655</u>	<u>51,218</u>	<u>(219,879)</u>
Cash flows from financing activities:			
Proceeds from debt	-	587,508	1,164,263
Payments of debt	(849,081)	(1,094,782)	(1,798,361)
Other financial expenses	(546,883)	(599,286)	(447,022)
Lease payments	(330,922)	(311,110)	(354,241)
Interest paid	(805,342)	(896,167)	(847,520)
Dividends paid	(397,745)	-	(437,923)
Payments under supplier finance arrangements	218,111	-	-
Repurchase of common shares, net of dividends	(8,281)	(13,424)	(25,300)
Net cash flows used in in financing activities	<u>(2,720,143)</u>	<u>(2,327,261)</u>	<u>(2,746,104)</u>
Effects of exchange rate changes on cash and cash equivalents	864,953	(477,699)	(281,395)
Decrease in cash and cash equivalents	431,900	(500,866)	(2,046,453)
Cash and cash equivalents at beginning of year	<u>1,831,985</u>	<u>2,332,851</u>	<u>4,379,304</u>
Cash and cash equivalents at end of year	Ps. <u>2,263,885</u>	Ps. <u>1,831,985</u>	Ps. <u>2,332,851</u>
Cash and cash equivalents at end of year of assets classified as held for sale	Ps. <u>43,816</u>	Ps. <u>-</u>	Ps. <u>-</u>
Cash and cash equivalents at end of year	Ps. <u>2,220,069</u>	Ps. <u>1,831,985</u>	Ps. <u>2,332,851</u>

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024, 2023 and 2022

(Thousands of Mexican pesos (Ps.) and thousands of dollars (US))

1. Principal activities

KUO, S.A.B. de C.V. (“KUO” or together with its subsidiaries, the “Entity”) holds the shares of entities located in Mexico, United States of America, Spain, Belgium and China, which are engaged mainly in the manufacture and sale of consumer business products (including processed food, beverages and pork meat), plastics, chemical products and auto parts. The Entity is incorporated in Mexico City and its address is Paseo de los Tamarindos No. 400-B, Piso 31, Colonia Bosques de las Lomas, C.P. 05120.

The financial statements are presented in thousands of Mexican pesos. Overseas operations are included in compliance with the policies set out in Note 4.

2. Eventos importantes

- **Investments in projects** - During 2024, 2023 and 2022, the Entity made significant investments in strategic projects for the Consumer and Automotive division for Ps. 459 million, Ps.332 million and Ps. 942 million in property, plant and equipment, respectively, and for Ps. 117 million, Ps.92 million and Ps. 116 million in intangible assets, respectively, mainly in the construction of new production facilities to expand the installed capacity and the development of new products.
- **Sale of the Parts business** - During January 2025 the sale of the automotive parts business to Frasle Mobility concluded after obtaining the approvals of the corresponding authorities and complying with the conditions agreed in the respective contract. The entity decided to recognize the effect retrospectively on the financial statements, with the aim of making the figures for the years 2024, 2023 and 2022 comparable. Thus, accounting information for the parts business, in accordance with IFRS the 5 “Non-Current Assets Maintained for Sale and Discontinued Operations” standard, was presented in the Financial Position Statement as “Assets Available for Sale and Liabilities Associated with Available Assets”, While the Statement of Income was presented as “Discontinuous Operation”, the following are the effects on the financial statements:

	2023		
	Reported Amounts	Effects	Consolidated Amounts
Current assets	Ps. 15,302,453	Ps. -	Ps. 15,302,453
Non current assets	28,685,873	-	28,685,873
Current liabilities	13,013,982	-	13,013,982
Non-current liabilities	14,480,318	-	14,480,318
Equity	16,494,026	-	16,494,026
Net sales	38,782,21	(4,800,879)	33,981,332
Costo of sales and general expenses	38,022,066	(3,936,706)	34,085,360
Equity in results of joint ventures	648,965	-	648,965
Other income, net	(28,220)	3,264	(24,956)
Income from operations	1,437,330	(867,437)	569,893

	2023		
	Reported Amounts	Effects	Consolidated Amounts
Comprehensive financing cost	(598,060)	50,567	(547,493)
Profit before tax	839,270	(816,870)	22,400
Income tax	103,747	(202,837)	(99,090)
Profit for the year from discontinued operations	-	614,033	614,033
Consolidated net profit	735,523	-	735,523
Comprehensive loss	(953,873)	-	(953,873)
Consolidated comprehensive loss	Ps. (218,350)	Ps. -	Ps. (218,350)

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

The group has adopted the amendments to IAS 1, published in January 2020, for the first time in the current year.

The amendments 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.

*Amendments to IAS 1
Presentation of Financial
Statements— Non-current
Liabilities with Covenants
Transaction*

The group has adopted the amendments to IAS 1, published in November 2022, for the first time in the current year.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

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

The group has adopted the amendments to IFRS 16 for the first time in the current year.

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorization of these financial statements, the group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

<i>Amendments to IAS 21</i>	<i>Lack of Exchangeability</i>
IFRS 18	<i>Presentation and Disclosures in Financial Statements</i>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i>

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the group in future periods, except if indicated below.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include:

- A spot exchange rate for a purpose other than that for which an entity assesses exchangeability.
- The first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments add a new appendix as an integral part of IAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying IAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.

In addition, the IASB made consequential amendments to IFRS 1 to align with and refer to the revised IAS 21 for assessing exchangeability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

The directors of the company anticipate that the application of these amendments may have an impact on the group's consolidated financial statements in future periods.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

IFRS 18 introduces new requirements to:

- Present specified categories and defined subtotals in the statement of profit or loss
- Provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements.
- Improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The directors of the company anticipate that the application of these amendments may have an impact on the group's consolidated financial statements in future periods.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply IFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

A subsidiary has public accountability if:

- Its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in
- A public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted. If an entity elects to apply IFRS 19 for a reporting period earlier than the reporting period in which it first applies IFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to IFRS 19. If an entity elects to apply IFRS 19 for an annual reporting period before it applied the amendments to IAS 21, it is not required to apply the disclosure requirements in IFRS 19 with regard to Lack of Exchangeability.

The directors of the company do not anticipate that IFRS 19 will be applied for purposes of the consolidated financial statements of the group.

4. Significant accounting policies

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS released by IASB.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the derivatives financial instruments that are measured at fair values at the end of each period, as explained in the accounting policies included below.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

i. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would consider those characteristics 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, leasing 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.

iii. Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus, the group has applied the going concern basis of accounting in preparing the financial statements.

c. Basis of consolidation of financial statements

The consolidated financial statements include the financial statements of KUO and the subsidiaries over which it exercises control. The joint ventures jointly controlled with one or more partners are presented as Investments in joint ventures.

The principal subsidiaries located in Mexico as of December 31, 2024, 2023 and 2022 of the Entity are:

Consumer Segment:	Main activity	Percentage
Grupo Porcícola Mexicano, S.A. de C.V.	Pork meat breeding and fattening	100%
Comercializadora Porcícola Mexicana, S.A. de C.V.	Pork meat marketer	100%

Industrial Segment:	Main activity	Percentage
Resirene, S.A. de C.V. and Subsidiary	Manufacture of polystyrene	100%
Transmisiones y Equipos Mecánicos, S.A. de C.V.	Production of manual and high-performance transmissions	99.99%
Dacomsa, S.A. de C.V.	Distributor of automotive parts	100%

Joint ventures of December 31, 2024, 2023 and 2022 are:

Consumer Segment:	Equity percentage
Herdez del Fuerte, S.A. de C.V. and Subsidiaries	50%

Industrial Segment:	Equity percentage
Dynasol Gestión México, S.A.P.I. de C.V. and Subsidiaries	50%
Dynasol Gestión, S.L. and Subsidiaries	50%

Control is achieved when the Entity:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee.
- Has the ability to use its power to affect its returns

The Company 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Company, other vote holders or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate that the Company 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 subsidiaries begins when the Entity obtains control over the subsidiaries and ceases when the Entity loses control of the subsidiaries. Income and expenses of subsidiaries acquired or disposed 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 when the Entity ceases to control the subsidiaries.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group'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.

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

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. The carrying amounts of the Entity's interests and the non - controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non - controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non - controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition according to IAS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

d. Segment information

Operative segments are reported consistent with the internal reports provided for the information of the Executive Committee, who are responsible for assisting KUO's Executive Chairman, which is considered the chief operating decision maker for purposes of allocation of resources and the evaluation of the performance of operating segments based on the corporate governance platform established.

e. Financial instruments

Financial assets and liabilities are recognized when the Entity becomes a party to the contractual provisions of the 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 results.

f. Financial assets

All regular 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).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- The Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

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. 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 interest income in the consolidated statements of income and comprehensive income .

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the group 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 (see (iii) above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (i) and (ii) above) 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 group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL 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). 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 gains and losses'. Fair value is determined in the manner described in note 17.

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 at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss.
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss.
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in the statement of income and other comprehensive income.
- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investment's revaluation reserve.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

Impairment of financial assets

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guaranteed contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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;
- 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.

Irrespective of the outcome of the above assessment, the Entity presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Entity has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Entity assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- 1) The financial instrument has a low risk of default,
- 2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- 3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Entity considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing.' Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guaranteed contracts, the date that the Entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Entity considers the changes in the risk that the specified debtor will default on the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(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:

- (a) Significant financial difficulty of the issuer or the borrower;
- (b) A breach of contract, such as a default or past due event (see (ii) above);
- (c) 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;
- (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) 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 as 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.

For financial assets, the expected credit losses is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16, "Leases".

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Entity has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

g. Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Entity own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the parent company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to other equity. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognized in equity will be transferred to other equity. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible loan notes using the effective interest method.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently 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 (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) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above).
- The amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

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.

When the Entity exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

h. Derivative financial instruments

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Entity has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Entity generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months.

i. Hedge accounting

The Entity designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate 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 attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Entity actually hedges and the quantity of the hedging instrument that the Entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Entity adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Entity designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Entity designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis - the Entity applies straight-line amortization. Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Entity expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognized in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Entity discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. 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.

Cash flow hedges

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 and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the 'other gains and losses' 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. This transfer does not affect other comprehensive income. Furthermore, if the Entity expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Entity discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated, or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

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 foreign currency forward contracts relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the 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 gains and losses' line item.

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

j. Cash and cash equivalents

Mainly consist of bank deposits in checking accounts and investments in short-term highly liquid securities, easily convertible into cash, with maturity of up to three months as of the acquisition date, and which are subject to immaterial risks of changes in value. Cash is presented at face value and cash equivalents are recognized at fair value.

k. Inventories

Inventories are stated at the lower of their cost or net realizable value. Net realizable value represents estimated selling price less all estimated costs of completion necessary to make the sale. The costs, including a portion of fixed and variable overhead costs are allocated to inventory via the most appropriate method for the particular class of inventory, with the majority being valued using the average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

l. Biological assets

These assets are valued in accordance with IAS 41 "Agriculture "; the Entity has current biological assets that are integrated by hogs directly convertible into inventories, while the non-current balance refers to hogs in breeding stock and stallions.

The fattening and breeding hogs are valued at their production cost since the Entity considers that there is no observable market and there is no reliable method to measure the fair value of these assets.

Biological assets were classified as current and non-current, based on their nature and their destination, whether for commercialization or for reproduction and production.

The Entity has two blocks of biological assets:

Assets directly convertible into inventories (short-term biological assets)

Within this first block, piglets are included, which after a process of biological growth are slaughtered and converted directly into inventories. In the case of hogs that are used for sale, the life cycle is 5 months, 3 weeks and 3 days, since it is the optimal time where their growth is maximized, when fulfilling such time , hogs reach an average of 110 - 130 kilograms. To achieve standard growth, the process was designed in such a way that they always have the same number of hogs in each of the stages.

Classification of the farms according to the life process of commercial pigs is:

- Site I. - Piglets from 1 to 19 days old , with an average weight of 5 kilograms.
- Site II . - Weaning piglets with 20 to 60 days old , with an average weight of 6 to 20 kilograms.
- Site III . - Hogs from 61 to 160 days old, which are classified as finished hogs for slaughter , with an average weight of 110 - 130 kilograms.

Assets convertible in "breeding stock and stallions" (long-term biological assets)

In this second block, the growth of the hogs is maximized so that they are considered "breeding stock" and their useful life within th e Entity's model is approximately 156 weeks.

Stallions are recorded at their acquisition cost depending on the genetic line acquired and its shelf life is approximately 72 weeks.

m. Property, plant and equipment

Property, plant and equipment are initially recorded at cost of acquisition.

The properties that are under construction for production, supply, management or for purposes not yet determined, are recorded at cost less recognized impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the accounting policy of the Entity. Depreciation of these assets, as well as other properties, starts when the assets are ready for their intended use.

Buildings, furniture and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Land is not depreciated.

As of December 31, 2024, 2023 and 2022, the Entity has no idle assets. The following useful lives used in the calculation of average depreciation are:

Building and installations	35 years
Leasehold improvements	20 - 22 years
Industrial machinery	15 years
Tooling	3 - 5 years
Plant and equipment	10 years
Vehicles	4 years
Laboratory equipment	10 years
Airplane	25 years

Depreciation is recognized to write off the cost or valuation of assets (other than land and properties under construction) less their residual values, over their useful lives using the straight-line method. The estimated useful lives, residual values and the depreciation method are reviewed at the end of each year, and the effect of any changes in the recorded estimate is recognized on a prospective basis.

An item of property, plant and equipment is derecognized when it is sold or when no future economic benefits are expected that arise from the continued use of the asset. The gain or loss arising from the sale or retirement of an item of property, plant and equipment is calculated as the difference between the proceeds received from the sale and the carrying amount of the asset and is recognized in profit.

n. Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are recognized at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over

their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are recognized at cost less accumulated impairment losses.

Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. When no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses; on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

o. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible 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 in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, 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 indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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. An impairment loss is recognized immediately in profit or loss.

Subsequently, when an impairment loss subsequently reverses, the carrying amount of the asset (or a 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.

p. Goodwill

Goodwill is initially recognized and measured as set out above. Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group'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. 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 group's policy for goodwill arising on the acquisition of an associate is described below.

q. Investments in joint ventures

Contracts that KUO has with its partners (Grupo Herdez, S.A.B. de C.V., and Repsol Química, S.A.) are joint ventures that are controlled collectively between KUO and their respective partners to direct the relevant activities. In these cases, since none of the partners can direct the activities without the cooperation of the other or others, none individually controls the joint venture.

A joint venture is a contractual arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control in a business, which exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures or associates are incorporated in the financial statements using the equity method, except if 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".

Under the equity method, investments in joint ventures or associates are initially recognized in the consolidated statement of financial position at cost and adjusted for subsequent changes to the acquisition by the Entity's participation in the profit or loss and comprehensive income of the associate or joint venture. When the Entity's participation in the losses of an associate or a joint business entity exceeds the Entity's participation

in the joint venture or associate, or (which includes the long-term interests that, in substance, form part of the net investment in the joint venture entity or associate) the Entity stops recognizing its share of losses. Additional losses are recognized only when the Entity has incurred in a legal or constructive obligation or made payments on behalf of the joint venture or associate.

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

The requirements of IAS 36 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, "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) 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 joint venture, the retained interest is measured at fair value at that date and is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that an associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Entity reduces its ownership interest in an associate or a joint venture but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

r. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Entity, less liabilities incurred by the Entity to the former owners of the acquiree and the equity interests issued by the Entity in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the consolidated statement of income and comprehensive income as incurred.

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

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, "Income Taxes" and IAS 19, "Employee Benefits", respectively.
- 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, "Share-Based Payment" at the acquisition date; and
- Assets (or a group of assets for disposal) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with such 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a business combination.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred. Changes in the 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 treatment 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 that is classified as an asset or a liability is remeasured at fair value at subsequent reporting dates with changes in their fair value being recognized in profit or loss.

When a business combination is achieved in stages, the Entity's previously held equity interest in the acquiree is 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 at the acquisition date that, if known, would have affected the amounts recognized at that date.

s. Leases

The Entity as lessee

The Entity evaluates whether a contract contains a lease at its source. The Entity recognizes a right-of-use asset for use rights and a corresponding lease liability with respect to all the lease agreements in which it is a lessee, except for short-term leases (12 months or less) and those for low-value assets. For these leases, the Entity recognizes rental payments as an operating expense under the straight-line method throughout the period of the lease, unless another method is more representative of the pattern of time in which the economic benefits from consumption of leased assets.

The lease liability is initially measured at the present value of the rent payments that are not paid on the start date, discounted by the rate implicit in the contract. If this rate cannot be easily determined, the Entity uses incremental rates.

Incremental rates are determined monthly and depend on contract term, currency of country and the start date of the lease. The incremental rate is determined based on a series of input data, including rate risk based on the government bond rate, the adjustment of country risk, a credit risk adjustment based on yield bonds, and the adjustment specific to an entity based on the risk profile of that Entity.

The rent payments included in the measurement of the lease liability consist of:

- Fixed rent payments (including fixed payments in substance), less any lease incentives received;
- Variable income payments that depend on an index or rate, initially measured using the index or rate on the start date;
- The expected amount to be paid 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 for penalties resulting from the termination of the lease if the lease period reflects the exercise of a lease termination option.

The lease liability is presented as a separate concept in current and long-term liabilities in the consolidated statement of financial position. The contractual maturities of the obligations for this concept are shown in Note 16d.

The lease liability is subsequently measured by increasing the book value to reflect the interest accrued by the lease liability (using the effective interest method) and reducing the book value to reflect the rent payments made.

The Entity reevaluates the lease liability (and adjusts the corresponding asset for relative use rights) provided that:

- The lease term is modified or there is a significant event or change in the circumstances of the lease resulting in a change in the evaluation of the purchase option exercise, in which case the lease liability is measured by discounting the updated rental payments using an updated discount rate.
- The rent payments are modified as a consequence of changes in indexes, rate or in the expected payment under a guaranteed residual value, in which cases the lease liability is re-evaluated by discounting the updated rent payments using the same discount rate (unless that the change is due to a change in the variable interest rate, in which case an updated discount rate is used).
- A lease is amended, and the modification of the lease is not accounted for as a separate lease, in which case the lease liability is re-evaluated based on the lease term of the modified lease, discounting updated rental payments using a discount rate updated to the effective date of the modification.

Assets for rights of use consist of the initial measurement of the corresponding lease liability, the rent payments made on or before the commencement date, less any lease incentives received and any direct initial cost. Subsequent valuation is cost less a accumulated depreciation and impairment losses.

If the Entity incurs an obligation arising from the costs of dismantling and removing a leased asset, restoring the bond in which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, a provision measured in accordance with IAS 37. To the extent that costs are related to an asset for rights of use, costs are included in the asset for rights of related use, unless such costs are incurred to generate inventories.

In some cases, rights-of-use assets are depreciated over the shorter period between the lease period and the useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the asset for use rights reflects that the Entity plans to exercise a purchase option, the asset for use rights will be depreciated over the useful life. Depreciation begins on the start date of the lease.

Assets for rights of use are presented as a separate concept in the consolidated statement of financial position.

The Entity applies IAS 36 to determine if an asset for use rights is impaired and accounts for any impairment loss identified as described in the Property, plant and equipment policy.

Variable income leases that do not depend on an index or rate are not included in the measurement of the lease liability and the asset for use rights. Related payments are recognized as an expense in the period in which the event or condition that triggers the payments occurs and are included in operating expenses in the consolidated statement of comprehensive income (see Note 2 6).

t. Translation of financial statements of foreign subsidiaries

To consolidate financial statements of foreign subsidiaries the financial statements are subsequently translated to Mexican pesos (presentation currency) considering the following methodologies:

Foreign operations whose local and functional currency are the same, translate financial statements to Mexican pesos using the exchange rates as follows: 1) the closing exchange rate for assets and liabilities; 2) historical exchange rate for stockholders' equity and 3) the exchange rate on the date of accrual for revenues, costs and expenses. The effects of translation are recorded in stockholders' equity.

Local and foreign operations with a functional currency different from the local currency translate their financial statements from the currency in which transactions are recorded to the functional currency, using the following exchange rates: 1) the closing exchange rate for monetary assets and liabilities; 2) historical exchange rates for non-monetary assets and liabilities and stockholders' equity; and 3) the rate on the date of accrual of revenues, costs and expenses, except those arising from non-monetary items that are translated using the historical exchange rate for the related non-monetary item; translation effects are recorded in exchange (loss) gain. Subsequently, to translate the financial statements from the functional currency to Mexican pesos, the following exchange rates are used: 1) the closing exchange rate for assets and liabilities; 2) historical exchange rates for stockholders' equity, and 3) the rate on the date of accrual of revenues, costs and expenses. The effects of translation are recorded in stockholders' equity.

The local and functional currencies of foreign operations from subsidiaries that are consolidated are as follows:

Subsidiary	Local currency	Functional currency
Resirene, S.A. de C.V.	Mexican peso	US dollar
Transmisiones y Equipos Mecánicos, S.A. de C.V.	Mexican peso	US dollar
Tremec Corporation	US dollar	US dollar

The local and functional currency of the joint ventures recognized with the equity method, are as follows:

	Local currency	Functional currency
Dynasol Elastómeros, S.A. de C.V.	Mexican peso	US dollar
Industrias Negromex, S.A. de C.V.	Mexican peso	US dollar
Dynasol Elastómeros, S.A.	Euro	Euro
Dynasol Gestión, S.L.	Euro	Euro
General Química, S.A.	Euro	Euro
Dynasol, L.L.C.	US dollar	US dollar
Insa GPRO (Nanjing) Synthetic Rubber Co., Ltd.	Yuan	Yuan
Liaoning North Dynasol Synthetic Rubber Co., Ltd.	Yuan	Yuan
North Dynasol (Shanghai) Business Consulting Co. Ltd.,	Yuan	Yuan
MegaMex Foods, L.L.C. and Avomex, Inc. (joint venture of Herdez del Fuerte, S.A. de C.V.)	US dollar	US dollar

The remaining subsidiaries and joint ventures have as local and functional currency, the Mexican peso.

u. Employee benefits

Employee benefits from termination and retirement and others

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Entity's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, 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. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Entity presents the first two components of defined benefit costs as a general expense in the consolidated statements of income and comprehensive income. Gains and losses for reduction of service are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual 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.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, compensated absences such as annual leave, vacation premium and incentives in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized for short-term employee benefits are valued at the amount not discounted for the benefits expected to be paid for that service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Entity in respect of services provided by employees up to the reporting date.

Employee profit sharing (PTU)

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses and cost of sales line item in the consolidated statement of income and comprehensive income.

As result of the 2014 Income Tax Law, as of December 31, 2024, 2023 and 2022, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

Contributions from employees or third parties 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 paragraph 70 for the gross benefits.

v. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

Current income tax (ISR) is recognized in the results of the year in which is incurred.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Entity supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

2. Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of

taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or the initial recognition (other than in a business combination) of 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 associated with 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 the end of each reporting period 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

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

3. *Current and deferred tax*

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

4. *Uncertainty in the treatment of income taxes*

The Entity reviews if there is any uncertain fiscal position, and if it exists, quantifies it using the most probable amount or the expected value method, depending on which one best predicts the resolution of the uncertainty.

w. 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 end of the reporting period, 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.

The subsidiary Transmisiones y Equipos Mecánicos, S.A. de C.V. (Tremec) guarantees its products for periods of two to four years against manufacturing defects. A warranty provision is recognized at the time of the sale and it is determined based on the guarantee costs incurred in the prior four years.

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.

x. Consolidated statements of cash flows

The Entity reports cash flows from operating activities using the indirect method, by means of which the consolidated net income is adjusted for the effects of transactions other than cash; any deferral or past or future accumulation of cash inflows or outflows and income or expense items associated with cash flows from investment or financing activities are also considered.

Interest expense and interest and dividend income are generally classified as financing and investment activities, respectively. The borrowing costs capitalized in qualified assets are classified as financing activity in the interest paid caption.

The effects of exchange rate changes on cash and cash equivalents includes the unrealized exchange gain or loss and the effects of foreign currency translation.

y. Earnings per share

Basic earnings per common share are calculated by dividing consolidated net income from the controlling interest by the weighted average number of common shares outstanding during the year.

The Entity does not have any potentially dilutive instruments, therefore diluted earnings per share is the same as basic earnings per share.

z. Revenue recognition

Revenues include the fair value of the consideration received or receivable for the sale of goods or services in the regular course of operations, which is when control has been transferred to the customers in exchange for the consideration to which the Entity believes it is entitled in exchange for such goods or services. Revenues are presented net of returns, rebates and discounts.

The Entity recognizes income in its different sectors:

Consumer segment:

Export earnings comprise the fair value of the consideration received or to be received for the sale of goods, which occurs when control has been transferred at a point in time by delivering the products to customers in exchange for the consideration.

Revenues from sales to the general public are earned directly with the customer at the different points of sale, these revenues are recognized when the good is delivered to the customer, and usually the payment of the transaction price is collected immediately.

Income from the sale of balanced food for hogs is recognized when the control of the goods has been transferred, which happens at the moment in which the goods are delivered to the customer.

Industrial segment:

Revenue from sale of polystyrene glass (GPPS) and high impact polystyrene (HIPS), mainly, as well as transparent styrene copolymers (SMMA) and plastic compounds, which are used in the industries of packaging and disposable products, lighting, school supplies, office equipment and home accessories, including audio and video equipment and refrigerators, they are recognized when control of the goods has been transferred at a point in time to customers in exchange for the consideration to which the Entity considers to be entitled in exchange for said goods or services.

- Transmissions, tooling and prototypes - Revenue from ordinary activities is recognized over the time measuring the progress to fulfill each performance obligation, applying an exit method to measure

the progress of each performance obligation satisfied over the time, based on direct measurements of the value transferred to the customer, mainly by units delivered and contractual milestones. Since manufacturing cycle of a transmission is estimated in one day, Management concluded income recognition over time does not differ significantly from its recognition at one point in time.

- Costs associated with contracts with clients . In accordance with IFRS 15 the Entity recognizes certain engineering, design and development activities as compliance costs and are capitalized as intangible assets and subsequently amortized, generally throughout the life of the contract .
- Sale of spare parts. Revenues comprise the fair value of the consideration collected or receivable for the sale of pistons, bearings, seals, brakes, and other product lines in the normal course of operations, which occurs when it has transferred the control to the clients that derive from the property of the goods, in exchange for the consideration that the Entity considered to have the right.

The types of revenues mentioned above comply with the conditions described in IFRS 15 for the recognition of income and include the following:

- The contract or contracts are identified with the customer.
- The obligations to be performed in the contract are identified.
- The transaction price is determined.
- The transaction price is allocated among the different obligations to be performed in the contract.
- The revenues are recognized when the Entity fulfills each of the obligations involved.

5. Critical accounting judgments and key sources of estimation uncertainty

To apply the accounting policies, the Entity's Management uses its judgment, estimates, and assumptions regarding certain asset and liability amounts in the consolidated financial statements. The associated estimates and assumptions reflect a quantitative and qualitative analysis based on an understanding of the various businesses that compose the Entity. Actual results may differ from such estimates.

The estimates and assumptions are reviewed regularly. Amendments 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 .

a. Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that Entity's Management has made in the process of applying the Entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

- *Judgements in determining the timing of satisfaction of performance obligation*
In making their judgement, Entity's Management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the Entity had transferred control of the goods to the customer. Following the detailed quantification of the Entity's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, Management is satisfied that control has been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate warranty provision for the rectification costs.
- *Business model assessment*
Classification and measurement of financial assets depends on the results of the SPPI and the business model test (see financial assets sections of Note 4f). The Entity determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Entity monitors financial assets measured at amortized cost or fair value through other comprehensive income

that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Entity's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

- *Significant increase in credit risk*
As explained in Note 9, ECL are measured as an allowance equal to 12 -month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Entity takes into account qualitative and quantitative reasonable and supportable forward-looking information.
- *Contingent events*
The Entity is subject to contingent events or transactions for which it uses professional judgment in estimating the likelihood of occurrence. The factors considered for these estimates are the current legal situation at the estimate date and the opinion of legal advisors.
- *Discount rate and lease renewals*
Management defines the lease term as the period for which there is a contractual payment commitment, considering the non-cancelable period of the contract, as well as the renewal and early termination options that are probable to be exercised. Management participates in lease contracts that do not have a defined non-cancellable term, a defined renewal period (in case it contains a renewal clause), or automatic annual renewals, so, to measure the lease liability, it estimates the contracts' terms considering their contractual rights and limitations, their business plan, as well as Management's intentions for the use of the underlying asset.

Management estimates the discount rate to use in the determination of the lease liability, based on the incremental borrowing rate. Management uses a three -tier model, with which it determines the three elements that comprises the discount rate: (i) reference rate, (ii) credit risk component and (iii) adjustment for characteristics of the underlying asset. In this model, Management also considers its policies and practices to obtain financing, distinguishing between the one obtained at the corporate level (that is, the holding company), or at the level of each subsidiary.

- *Discount rate and impairment calculation*
The calculation of the value in use for impairment testing requires administration; based on your judgment, establish the appropriate cash-generating units in your environment to determine future cash flows discounted at an appropriate discount rate to calculate present value. Goodwill is allocated to each of the Administration's cash -generating units that expects to obtain profit from certain synergies. If applicable, the impact would be recorded in the corresponding asset item and the result for the period.

b. Key sources of estimation uncertainty

The key assumptions regarding the future and other key sources of estimation uncertainty at the end of the period, which have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities during the next year, are explained below.

- *Calculation of expected credit loss*
When measuring ECL the Entity uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- *Impairment of long-lived assets*

The Entity reviews the useful lives of property, plant and equipment at least once a year. Based on detailed analysis, Entity's Management modifies the useful lives of certain property, plant and equipment components. The degree of uncertainty about the estimated useful lives is related to changes in the market and the usage of assets for production volumes and technological developments.

- *Estimation of inventory obsolescence*

If the inventories are impaired in the Entity's operating process, there are procedures performed such as reviews, verifications and relocations to timely identify materials with such issues, resulting in modifications to their recorded value, as appropriate, through estimates or write-offs based on studies prepared by technical specialists together with Entity's Management. The inventory allowance is assessed with this analysis.

- *Discount rate of employee benefits*

The Entity's defined benefit obligation is discounted at a rate set by reference to yields at the end of the reporting period on governmental bonds. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the maturity of the bond in comparison with term of the obligation.

- *Provisions*

The Entity periodically assesses its provisions recognized for the segments. Such provisions are based on the assessment of market prices and production costs for each segment. The Entity reviews these allowances monthly. In the automotive segment, the Entity provides a warranty against manufacturing defects for two to four years, depending on the product. A warranty provision is recognized at the time of the sale based on the statistics of costs incurred during the last three years.

- *Valuation techniques*

Some of the Entity's liabilities are measured at fair value in the consolidated financial statements (loans and derivatives). Financial Department establishes, through policies and procedures, the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Entity uses market-observable data to the extent it is available. The valuation committee works closely with the qualified external appraiser to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 17.

6. Segment information

Management evaluates its businesses and makes decisions on three Operating Segments. Additionally, general information is presented by products, services, and geographic area.

Total assets represent those assets that are used in the operations of each reportable segment. Corporate assets included within KUO and others are cash, cash equivalents (available investments), recoverable taxes, long-term accounts receivable and certain fixed assets. Intersegment transactions have been eliminated.

Management has identified two Operating Segments integrated by Consumer and Industrial. For grouping these two segments, Entity's Management considered the following assumptions:

- The business activity or particular economic environment, from which it obtains revenues, maintains assets or incurs liabilities.
- Given their importance, the attention of senior Management of the economic entity is required to evaluate the segment's performance and make decisions regarding the allocation of resources for its operation.
- Additional information to the financial information is available and is based on a managerial approach.
- The inherent risks of the business and returns are different from those of other operating segments.

Information regarding joint ventures (Herdez del Fuerte and Synthetic Rubber) which are in the Consumer and Industrial, represent 50% KUO's participation in these businesses. Eliminations to present joint ventures under the participation method are included in the information below. The consolidated financial information presented below comes from the financial statements of these entities prepared in accordance with IFRS.

Consolidated financial information

PFor the year ended December 31, 2024	Industrial	Consumer	KUO and others	Eliminations	Total	Joint ventures	Consolidated information
Net sales	Ps.21,955,913	Ps.29,583,979	Ps. 1,307,546	Ps. (975,382)	Ps. 51,872,056	Ps.(16,180,343)	Ps. 35,691,713
General expenses	1,455,392	5,746,154	1,375,418	(831,017)	7,745,947	(3,290,319)	4,455,628
Other gains, net	(155,799)	37,721	(52,826)	-	(170,904)	17,797	(153,107)
Impairment of assets from continuing operations	30,943	-	-	-	30,943	-	30,943
Impairment of intangible assets, depreciation and amortization	1,749,372	768,588	37,489	-	2,555,449	(445,120)	2,110,329
Depreciation of right-of-use assets	165,090	152,304	16,812	-	334,206	(95,030)	239,176
Net employee benefit cost	21,224	34,775	17,492	-	73,491	(19,029)	54,462
Equity in results of joint ventures	-	-	-	-	-	(436,210)	(436,210)
Income from operations	(654,683)	2,305,677	(15,046)	67	1,636,015	(582,499)	1,053,516
Interest income	103,075	158,466	521,048	(490,418)	292,171	(144,505)	147,666
Interest expense	(251,760)	(276,182)	(956,465)	490,418	(993,989)	113,346	(880,643)
Other financial expenses	(172,860)	(270,021)	(54,629)	-	(497,510)	(16,627)	(514,137)
Exchange loss, net	(382,413)	(784,245)	(501,032)	-	(1,667,690)	(9,034)	(1,676,724)
Equity in results of subsidiaries and associates	12,399	-	(948,548)	948,548	12,399	(12,399)	-
Income tax	761,473	416,583	(644,662)	-	533,394	(491,718)	41,676
Loss for the year from continuing operations	(2,107,715)	717,112	(1,310,010)	948,615	(1,751,998)	(160,000)	(1,911,998)
Income for the year from discontinued operations	440,191	-	(39,299)	(69)	400,823	161,005	561,828
Consolidated net loss	(1,667,524)	717,112	(1,349,309)	948,546	(1,351,175)	1,005	(1,350,170)
Cash and cash equivalents	592,532	1,027,676	1,969,210	-	3,589,418	(1,369,349)	2,220,069
Total assets	27,849,434	27,313,764	35,538,843	(36,179,547)	54,522,494	(8,516,262)	46,006,232
Total liabilities	12,842,016	15,277,400	19,557,556	(9,347,336)	38,329,636	(8,511,109)	29,818,527
Total financial debt	725,411	-	12,896,054	-	13,621,465	(725,411)	12,896,054
Lease liability	843,641	644,138	31,161	1,518,940	(437,325)	1,081,615	
Additions to property, plant and equipment	882,716	538,925	1,970	-	1,423,611	(858,490)	565,121
Investment in intangibles	131,446	136,620	-	-	268,066	(93,534)	174,532
Business acquisition	-	-	58,206	-	58,206	-	58,206

For the year ended December 31, 2023	Industrial	Consumer	KUO and others	Eliminations	Total	Joint ventures	Consolidated information
Net sales	Ps.21,406,404	Ps.27,881,570	Ps. 1,132,278	Ps. (845,697)	Ps. 49,574,555	Ps.(15,593,223)	Ps. 33,981,332
General expenses	1,383,123	5,355,609	1,124,101	(722,189)	7,140,644	(3,162,857)	3,977,787
Other losses (gains), net	(70,806)	(5,948)	4,645	(237)	(72,346)	47,390	(24,956)
Impairment of assets from continuing operations	-	(997)	94,995	-	93,998	-	93,998
Depreciation and amortization	1,219,832	756,126	9,788	-	1,985,746	(427,128)	1,558,618
Depreciation of right -of-use assets	161,349	139,622	18,249	-	319,220	(89,178)	230,042
Net employee benefit cost	21,875	31,712	19,979	-	73,566	(17,810)	55,756
Equity in results of joint ventures	-	-	-	-	-	(648,965)	(648,965)
Income from operations	(101,999)	879,709	3,532	2	781,244	(211,351)	569,893
Interest income	81,916	159,189	565,382	(577,734)	228,753	(115,522)	113,231
Interest expense	(253,102)	(299,316)	(1,071,693)	577,734	(1,046,377)	75,224	(971,153)
Other financial expenses	(165,930)	(338,314)	(24,170)	-	(528,414)	(5,877)	(534,291)
Exchange loss, net	320,445	594,435	(61,825)	-	853,055	(8,335)	844,720
Equity in results of subsidiaries and associates	(2,808)	-	1,619,682	(1,619,682)	(2,808)	2,808	-
Income tax	(512,646)	390,205	288,487	-	166,046	(265,136)	(99,090)
Income for the year from continuing operations	391,168	605,498	742,421	(1,619,680)	119,407	2,083	121,490
Income for the year from discontinued operations	622,064	-	(6,905)	(2)	615,157	(1,124)	614,033
Consolidated net income	1,013,232	605,498	735,516	(1,619,682)	734,564	959	735,523
Cash and cash equivalents	923,190	679,441	1,580,230	-	3,182,861	(1,350,876)	1,831,985
Total assets	25,620,374	25,779,207	33,434,550	(33,751,022)	51,083,109	(7,094,783)	43,988,326
Total liabilities	10,934,987	14,030,064	17,147,762	(7,528,520)	34,584,293	(7,089,993)	27,494,300
Total financial debt	1,002,227	-	11,668,598	-	12,670,825	(1,002,226)	11,668,599
Lease liability	1,086,267	506,323	39,382	- 1,631,972	(294,827)	1,337,145	
Additions to property, plant and equipment	675,254	303,480	390,433	-	1,369,167	(589,232)	779,935
Investment in intangibles	86,481	1,805	3,590	-	91,876	-	91,876
Business acquisition	-	-	218,804	-	218,804	-	218,804

For the year ended December 31, 2022	Industrial	Consumer	KUO and others	Eliminations	Total	Joint ventures	Consolidated information
Net sales	Ps.31,164,199	Ps.28,168,924	Ps. 1,136,966	Ps. (902,834)	Ps. 59,567,255	Ps.(19,259,613)	Ps. 40,307,642
General expenses	1,573,091	5,292,631	1,164,381	(768,365)	7,261,738	(3,059,145)	4,202,593
Other losses (gains), net	(76,431)	(616,149)	(336)	-	(692,916)	86,330	(606,586)
Impairment of assets from continuing operations	-	20,205	-	-	20,205	-	20,205
Depreciation and amortization	1,499,811	712,207	6,605	-	2,218,623	(543,943)	1,674,680
Depreciation of right -of-use assets	175,916	120,031	51,359	-	347,306	(76,363)	270,943
Net employee benefit cost	25,761	21,477	17,325	-	64,563	(14,465)	50,098
Equity in results of joint ventures	-	-	-	-	-	(1,350,730)	(1,350,730)
Income from operations	1,760,403	996,964	(27,079)	-	2,730,288	(446,951)	2,283,337
Interest income	36,308	87,455	362,135	(291,558)	194,340	(83,240)	111,100
Interest expense	(222,992)	(148,471)	(951,492)	291,558	(1,031,397)	81,894	(949,503)
Other financial expenses	(111,829)	(279,041)	21,862	-	(369,008)	(3,336)	(372,344)
Exchange loss, net	170,295	163,827	238,568	-	572,690	(8,216)	564,474
Equity in results of subsidiaries and associates	(3,554)	-	2,588,756	(2,588,756)	(3,554)	3,554	-
Income tax	41,572	188,773	360,995	-	591,340	(457,819)	133,521
Income for the year from continuing operations	1,587,059	631,961	1,871,755	(2,588,756)	1,502,019	1,524	1,503,543
Income for the year from discontinued operations	368,214	-	-	368,214	-	368,214	
Consolidated net income	1,955,273	631,961	1,871,755	(2,588,756)	1,870,233	1,524	1,871,757
Cash and cash equivalents	870,665	839,290	2,108,332	-	3,818,287	(1,485,436)	2,332,851
Total assets	29,658,708	27,633,455	36,181,727	(36,585,747)	56,888,143	(7,524,593)	49,363,550
Total liabilities	13,628,596	15,319,884	19,247,900	(8,454,565)	39,741,815	(7,519,358)	32,222,457
Total financial debt	995,355	-	13,657,930	-	14,653,285	(942,340)	13,710,945
Lease liability	1,314,996	534,796	52,575	-	1,902,367	(319,842)	1,582,525
Additions to property, plant and equipment	859,909	751,919	341,635	-	1,953,463	(642,806)	1,310,657
Investment in intangibles	103,947	10,384	1,401	-	115,732	-	115,732
Business acquisition	-	293,704	-	-	293,704	(293,704)	-

a. The following table shows net sales generated by the main products of the segments, the percentage of net sales for each product line for the years ended December 31, 2024, 2023 and 2022.

	2024	%	2023	%	2022	%
Pork meat	Ps. 18,758,943	52.6	Ps. 17,359,525	51.1	Ps. 18,049,396	44.8
Industrial	16,544,292	46.3	16,279,004	47.9	21,968,731	54.5
Others	388,478	1.1	342,803	1.0	289,515	0.7
Total	Ps. 35,691,713	100	Ps. 33,981,332	100	Ps. 40,307,642	100

b. The following tables present sales classified by geographic area for the years ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
México	Ps. 17,205,208	Ps. 15,425,042	Ps. 19,134,964
United States of America and Canada	11,821,444	11,789,623	14,015,256
Asia	5,630,698	5,227,534	5,199,508
Europe	865,346	1,311,976	1,463,615
Rest of the world	169,017	227,157	494,299
Total	Ps. 35,691,713	Ps. 33,981,332	Ps. 40,307,642

c. KUO has a diverse customer base in the two segments in which it mainly operates. For the years ended December 31, 2024, 2023 and 2022, no customer represents more than 5% of consolidated net sales; except in the automotive division, where it has a client, whose sales represent more than 16%, 17% and 12% of the total consolidated sales respectively, these percentages include the spare parts business.

7. Combinación de negocios

a. **Business acquisitions - During 2023, KUO acquired several businesses, which were recorded using the purchase method. The results of these businesses have been included in these consolidated financial statements since the date of acquisition. The acquisitions are as follows:**

- On January 12, 2023, KUO acquired PCP del Sureste, S.A. de C.V. by purchasing shares. The business is dedicated to the production of flour and fats based on meat residues left by the two processing plants of Porcicola in Yucatan. The acquisition is part of the strategy of increasing the value chain, with the incorporation of products into the own food production. The amount amounted to Ps. 274 million, of which Ps. 193 million was paid and the remainder will be liquidated within 12 months.
- On August 15, 2023, KUO, through its subsidiary Tremec Corporation, acquired the business "Electric GT, LLC.", a conversion systems supplier designed to transform internal combustion engine (ICE) vehicles into battery electric vehicles (BEV).

Electric GT's proven conversion systems will allow Tremec to enter the electric market, along with EDU developments for OEMs, expanding the offer to customers in the Transmissions business.

With this strategic acquisition, KUO strengthens its presence in the high-performance vehicle division, expanding the offering with applications in the electric market.

KUO has agreed to pay the previous shareholders an additional present value compensation in the event of achieving the annual growth percentage targets of "Net sales" and "Gross profit" during the next four financial years beginning January 1, 2024. KUO recorded a contingent liability for Ps. 50,790 as contingent additional consideration, which represents the fair value at the acquisition date, and which will be adjusted as the objectives are achieved.

b. Compensation Transferred

	Payment Amount	Amount pending payment	Amount Paid
PCP del Sureste, S.A. de C.V.	Ps. 274,217	Ps. (81,000)	Ps. 193,217
Electric GT, LLC.	81,067	(53,653)	27,414
Total	Ps. 355,284	Ps. (134,653)	Ps. 220,631

Procurement-related costs have been excluded from the transferred consideration and have been recognized as an expenditure over the period in the consolidated statements of integral utility.

During the 2024 financial year, the entity made the following movements resulting from the acquisition of the business:

	Amount due for payment	Payment Amount	Adjusted amount	Due for payment
PCP	Ps. (81,000)	Ps. 58,206	Ps. -	Ps. (22,794)
Electric GT	(53,653)	-	7,342	(46,311)
Total	Ps. (134,653)	Ps. 58,206	Ps. 7,342	Ps. (69,105)

c. Assets acquired and liabilities assumed at the date of acquisition.

	PCP	Electric GT	Total
Assets:			
Cash and cash equivalents	Ps. 1,827	Ps. -	Ps. 1,827
Accounts receivable	49,738	7,013	56,751
Inventories	11,315	9,502	20,817
Advance payment	1,240		1,240
Property, plant, and equipment	66,674	689	67,363
Intangible assets	-	4,959	4,959
Other assets	1,100	92	1,192
Liability:			
Current liabilities	(57,436)	(26,130)	(83,566)
Deferred tax liabilities	(7,303)	-	(7,303)
Non-current liabilities	(261)	-	(261)
Net assets	Ps. 66,894	Ps. (3,875)	Ps. 63,019

d. Goodwill from acquisitions

	Consideration transferred	The value of the net assets acquired	Goodwill
PCP del Sureste, S.A. de C.V.	Ps. 274,217	Ps. 66,894	Ps. 207,323
Electric GT, LLC	81,067	(3,875)	84,942
Total	Ps. 355,284	Ps. 63,019	Ps. 292,265

e. Net cash flow on the acquisition of subsidiaries

	2023
Compensation paid in cash	Ps. 220,631
Less: Account Balances cash and cash equivalent acquired	(1,827)
Net	Ps. 218,804

8. Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and bank and investment instruments in the money market. Cash and cash equivalents at the end of the year as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2024	2023	2022
Cash and cash equivalents	Ps. 251,958	Ps. 253,012	Ps. 228,562
Investments	1,968,111	1,578,973	2,104,289
Total	Ps. 2,220,069	Ps. 1,831,985	Ps. 2,332,851
Investments:			
Banknote paper	Ps. 1,968,111	Ps. 1,578,973	Ps. 2,104,289

9. Accounts and notes receivable

	2024	2023	2022
Trade	Ps. 2,016,789	Ps. 2,707,218	Ps. 3,095,752
Allowance for discounts	(120,733)	(132,576)	(171,308)
Allowance for doubtful accounts	(51,133)	(94,422)	(54,494)
	1,844,923	2,480,220	2,869,950
Other debtors	201,826	204,983	146,695
Recoverable taxes	1,328,630	1,338,467	1,413,825
Total	Ps. 3,375,379	Ps. 4,023,670	Ps. 4,430,470

Trade receivables

The average credit period on sales of goods is 60 days. The Entity has recognized a loss allowance of 23.47% of all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable. For accounts receivable that are between 60 and 120 days, an allowance is recognized for doubtful accounts based on expected loss determined for experiences of default of the counterparty and an analysis of their current financial position.

Before accepting any new client, the Entity uses an external credit rating system to evaluate the credit quality of the potential client and defines the limit of credit per client. The limits and ratings attributed to clients are reviewed twice a year. 84% of the accounts receivable from customers that are not due or impaired, have the best attributable credit rating according to the external credit rating system used by the Entity.

Accounts receivable from customers include amounts that are due at the end of the reporting period (see the aging analysis below), but for which the Entity has not recognized any estimates for uncollectible accounts because there has been no significant change in credit quality and amounts (which include accrued interest after the accounts are 60 days) are still considered recoverable.

December 31, 2024	Trade receivables - days past due					Total
	<30	31 - 60	61 - 90	91 - 120	>120	
Expected credit loss rate	0.58%	2.13%	18.03%	12.74%	23.47%	
Estimated total gross carrying amount at default	1,650,881	191,343	17,043	24,193	133,329	Ps. 2,016,789
Lifetime ECL	(9,605)	(4,074)	(3,073)	(3,083)	(31,298)	(51,133)
						Ps. 1,965,656

December 31, 2023	Trade receivables - days past due					Total
	<30	31 - 60	61 - 90	91 - 120	>120	
Expected credit loss rate	2.00%	4.49%	1.52%	1.51%	59.11%	
Estimated total gross carrying amount at default	2,283,850	169,338	50,630	138,471	64,929	Ps. 2,707,218
Lifetime ECL	(45,584)	(7,601)	(770)	(2,088)	(38,379)	(94,422)
						Ps. 2,612,796

December 31, 2022	Trade receivables - days past due					Total
	<30	31 - 60	61 - 90	91 - 120	>120	
Expected credit loss rate	1.08%	6.15%	2.75%	2.85%	9.67%	
Estimated total gross carrying amount at default	2,630,001	228,269	118,300	39,652	79,530	Ps. 3,095,752
Lifetime ECL	(28,373)	(14,049)	(3,248)	(1,130)	(7,694)	(54,494)
						Ps. 3,041,258

The following table shows the movement in lifetime ECL that has been recognized for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

		2024		2023		2022
Balance at the beginning of the year	Ps.	(94,422)	Ps.	(54,496)	Ps.	(50,928)
Amounts written off		10,119		17,246		1,037
Accounts considered uncollectible during the year		17,202		7,320		12,127
Impairment		(21,446)		(64,492)		(16,730)
Assets classified as held for sale		37,414		-		-
Balance at the end of the year	Ps.	(51,133)	Ps.	(94,422)	Ps.	(54,494)

As mentioned in Note 4f, for the determination of the estimation of doubtful accounts, the Entity performs an aging analysis of balances by client and is assigned based on experience an estimation percentage. This first analysis gives an indication of impairment; Subsequently, an analysis of the financial situation of all the clients included is carried out to determine which are the accounts that present an impairment according to the expected credit loss model and on these the corresponding estimate is recorded.

As of December 31, 2024, 2023 and 2022, the Entity sold as non-recourse accounts receivables with an accumulated carrying value of US 261,292, US281,288 and, US260,539, to a bank for cash funds of US258,844, US278,601 and US259,111, respectively. As the Entity has transferred the significant risks and benefits related to these accounts receivable, the Entity wrote down the book value of these accounts receivable. At the end of 2024, 2023 and 2022, the carrying amount of short-term accounts receivable, which are current and derecognized, amounts to Ps.602,733, Ps. 587,911 and Ps. 650,914, respectively.

10. Inventories

		2024		2023		2022
Finished goods and work in process	Ps.	1,950,535	Ps.	3,370,000	Ps.	3,646,021
Raw materials, supplies and others		3,863,771		4,142,983		4,811,202
		5,814,306		7,512,983		8,457,223
Allowance for obsolete and slow - moving inventories		(84,056)		(285,145)		(294,419)
Goods in transit		8,298		147,902		320,204
	Ps.	5,738,548	Ps.	7,375,740	Ps.	8,483,008

Change in the allowance for obsolete and slow -moving inventories:

		2024		2023		2022
Balances at the beginning of the year	Ps.	(285,145)	Ps.	(294,419)	Ps.	(301,176)
Increase in the allowance		(74,772)		(95,088)		(54,389)
Application		47,052		32,194		(10,375)
Decreases		75,329		72,168		71,521
Assets classified as held for sale		153,480		-		-
Balances at the end of the year	Ps.	(84,056)	Ps.	(285,145)	Ps.	(294,419)

The cost of inventories recognized as an expense during the year in respect to continuing operations was Ps.22,641,020, Ps. 23,158,679 and Ps.28,527,220 for the years ended December 31, 2024, 2023 and 2022, respectively.

11. Biological assets

		2024		2023		2022
Balances at the beginning of the year	Ps.	2,372,625	Ps.	2,684,230	Ps.	2,271,226
Production costs		9,009,262		9,518,619		10,939,150
Transfer to inventories		(8,863,554)		(9,830,224)		(10,526,146)
Balances at the end of the year	Ps.	2,518,333	Ps.	2,372,625	Ps.	2,684,230
Biological assets – short-term	Ps.	1,809,448	Ps.	1,674,128	Ps.	1,969,340
Biological assets – long-term		708,885		698,497		714,890
	Ps.	2,518,333	Ps.	2,372,625	Ps.	2,684,230

Principal risks in the hogs' operation:

The operation of raising and selling hogs and their derivatives is exposed to fluctuations in prices and sales volumes, as well as exchange rate fluctuations, the latter of which refers to foreign sales.

With respect to this operation, KUO is subject to the applicable health laws and regulations in both Mexico and the countries where it operates. Accordingly, environmental policies and procedures have been established to ensure compliance with environmental and health regulations. Furthermore, periodic reviews are performed to timely identify and mitigate any environmental risk.

Hurricanes and other adverse weather conditions may result in additional inventory losses and damage to the plants and equipment of the Entity.

12. Property, plant and equipment

Reconciliation of beginning and ending balances as of December 31, 2024, 2023 and 2022 is as follows:

		Balance as of December 2023	Additions	Assets classified as held for sale	Disposals	Impairment	Transferred assets	Translation effect	Balance as of December 31, 2024					
Investment:														
Land	Ps.	1,218,258	Ps.	-	Ps.	(94,412)	Ps.	(33,561)	Ps.	-	Ps.	136,816	Ps.	1,227,101
Building and installations		7,280,516		-		(227,207)		(60,938)		-	103,226	256,400		7,351,997
Industrial machinery and equipment		11,246,480		5,845		(704,127)		(219,015)		-	300,248	1,337,387		11,966,818
Office furniture and equipment		199,039		644		(1,865)		(2,523)		-	1,934	10,282		207,511
Vehicles		330,026		-		(8,983)		(22,626)		-	22,654	1,411		322,482
Aircraft		802,997		-		-		-		-	-	-		802,997
Other assets		27,994		-		-		(4,234)		-	1,431	4,699		29,890
Projects-in-progress		310,687		558,632		(42,650)		-		-	(429,493)	40,513		437,689
Total investment		21,415,997		565,121		(1,079,244)		(342,897)		-	1,787,508	22,346,485		
Depreciation:														
Building and installations		(2,452,979)		(314,773)		77,704		15,479		-	-	(143,529)		(2,818,098)
Industrial machinery and equipment		(7,457,555)		(677,331)		466,289		218,121		(34,073)	-	(1,044,558)		(8,529,107)
Office furniture and equipment		(167,159)		(9,413)		775		2,523		-	-	(10,063)		(183,337)
Vehicles		(277,930)		(21,033)		6,336		25,676		-	-	230		(266,721)
Aircraft		(5,353)		(32,120)		-		-		-	-	-		(37,473)
Other assets		(17,247)		(3,449)		-		1,839		-	-	(3,047)		(21,904)
Total accumulated depreciation		(10,378,223)		(1,058,119)		551,104		263,638		(34,073)	-	(1,200,967)		(11,856,640)
Net investment	Ps.	11,037,774	Ps.	(492,998)	Ps.	(528,140)	Ps.	(79,259)	Ps.	(34,073)	Ps.	586,541	Ps.	10,489,845

	Balance as of December 2022	Additions	Business Acquisition	Disposals	Impairment	Transferred assets	Translation effect	Balance as of December 31, 2023
Investment:								
Land	Ps. 1,316,081	Ps. -	Ps. 6,812	Ps. (2,759)	Ps. -	Ps. 24	Ps. (101,900)	Ps. 1,218,258
Building and installations	7,353,929	-	21,518	(71,415)	-	175,883	(199,399)	7,280,516
Industrial machinery and equipment	12,116,346	6,311	38,553	(333,510)	-	470,011	(1,051,231)	11,246,480
Office furniture and equipment	202,639	1,702	351	(871)	-	2,669	(7,451)	199,039
Vehicles	330,445	180,016	129	(202,466)	-	22,465	(563)	330,026
Aircraft	-	207,372	-	-	-	595,625	-	802,997
Other assets	21,314	-	-	-	-	8,872	(2,192)	27,994
Projects-in-progress	1,212,997	384,534	-	-	-	(1,275,549)	(11,295)	310,687
Total investment	22,553,751	779,935	67,363	(611,021)	-	-	(1,374,031)	21,415,997
Depreciation:								
Building and installations	(2,293,439)	(301,414)	-	40,393	-	-	101,481	(2,452,979)
Industrial machinery and equipment	(7,841,150)	(696,449)	-	307,268	(874)	-	773,650	(7,457,555)
Office furniture and equipment	(164,194)	(9,053)	-	805	-	-	5,283	(167,159)
Vehicles	(276,707)	(23,560)	-	117,030	(94,995)	-	302	(277,930)
Aircraft	-	(5,353)	-	-	-	-	-	(5,353)
Other assets	(15,117)	(3,835)	-	-	-	-	1,705	(17,247)
Total accumulated depreciation	(10,590,607)	(1,039,664)	-	465,496	(95,869)	-	882,421	(10,378,223)
Net investment	Ps. 11,963,144	Ps. (259,729)	Ps. 67,363	Ps. (145,525)	Ps. (95,869)	Ps. -	Ps. (491,610)	Ps. 11,037,774

	Balance as of December 2022	Additions	Disposals	Impairment	Transferred assets	Translation effect	Balance as of December 31, 2023
Investment:							
Land	Ps. 1,362,334	Ps. 613	Ps. -	Ps. -	Ps. 938	Ps. (47,804)	Ps. 1,316,081
Building and installations	6,309,970	-	(19,857)	(11,630)	1,167,804	(92,358)	7,353,929
Industrial machinery and equipment	11,495,024	4,427	(77,135)	(867)	1,174,648	(479,751)	12,116,346
Office furniture and equipment	200,938	580	(2,297)	(28)	6,897	(3,451)	202,639
Vehicles	312,916	1,707	(10,588)	-	26,587	(177)	330,445
Other assets	22,342	-	-	-	-	(1,028)	21,314
Projects-in-progress	2,308,330	1,303,330	-	-	(2,376,874)	(21,789)	1,212,997
Total investment	22,011,854	1,310,657	(109,877)	(12,525)	-	(646,358)	22,553,751
Depreciation:							
Building and installations	(2,058,081)	(280,411)	7,547	-	-	37,506	(2,293,439)
Industrial machinery and equipment	(7,560,287)	(707,265)	66,261	(1,715)	-	361,856	(7,841,150)
Office furniture and equipment	(157,452)	(11,164)	2,227	-	-	2,195	(164,194)
Vehicles	(252,802)	(32,678)	9,790	(1,127)	-	110	(276,707)
Other assets	(9,871)	(5,703)	-	-	-	457	(15,117)
Total accumulated depreciation	(10,038,493)	(1,037,221)	85,825	(2,842)	-	402,124	(10,590,607)
Net investment	Ps. 11,973,361	Ps. 273,436	Ps. (24,052)	Ps. (15,367)	Ps. -	Ps. (244,234)	Ps. 11,963,144

13. Right-of-use asset

The Entity leases various assets, including real estate, plant and equipment, technology equipment and transportation equipment. The average lease term is:

	2024	2023	2022
Building	10	9	10
Computer equipment	4	4	4
Machinery and equipment	6	6	6
Transportation equipment	4	5	4
Airplane	-	-	12

The Entity has the option to purchase certain manufacturing equipment for a nominal amount at the end of the lease period. The Entity's obligations are insured by the lessor's title to the assets leased in said leases.

	Balances as of December 31, 2023	Acquisitions	Assets classified as held for sale	Disposals	Net	Translation effect	Balance as of December 31, 2024
Costs:							
Building	Ps. 1,544,058	Ps. 117,243	Ps. (314,550)	Ps. (36,335)	Ps. (731)	Ps. 140,074	Ps. 1,449,759
Computer equipment	24,461	2,190	-	-	(15,402)	-	11,249
Machinery and equipment	79,464	2,410	(3,825)	-	(60,861)	9,935	27,123
Transportation equipment	214,979	80,833	(14,272)	(5,365)	(7,317)	17,251	286,109
Total investment	1,862,962	202,676	(332,647)	(41,700)	(84,311)	167,260	1,774,240
Accumulated depreciation:							
Building	(499,450)	(172,885)	77,254	11,872	731	(54,014)	(636,492)
Computer equipment	(15,466)	(5,726)	-	-	15,402	-	(5,790)
Machinery and equipment	(51,756)	(22,976)	1,505	-	60,861	(7,408)	(19,774)
Transportation equipment	(87,220)	(61,788)	6,981	3,222	7,317	(7,330)	(138,818)
Total accumulated depreciation	(653,892)	(263,375)	85,740	15,094	84,311	(68,752)	(800,874)
Net cost	Ps. 1,209,070	Ps. (60,699)	Ps. (246,907)	Ps. (26,606)	Ps. -	Ps. 98,508	Ps. 973,366

	Balances as of December 31, 2022	Acquisitions	Disposals	Net	Translation effect	Balance as of December 31, 2023
Costs:						
Building	Ps. 1,689,382	Ps. 63,827	Ps. (76,202)	Ps. -	Ps. (132,949)	Ps. 1,544,058
Computer equipment	21,172	4,392	-	(1,103)	-	24,461
Machinery and equipment	83,349	6,914	(935)	-	(9,864)	79,464
Transportation equipment	203,084	63,460	(17,916)	(11,624)	(22,025)	214,979
Airplane	132,641	-	(132,641)	-	-	-
Total investment	2,129,628	138,593	(227,694)	(12,727)	(164,838)	1,862,962
Accumulated depreciation:						
Building	(419,541)	(163,031)	27,870	-	55,252	(499,450)
Computer equipment	(10,848)	(5,721)	-	1,103	-	(15,466)
Machinery and equipment	(36,276)	(22,208)	941	-	5,787	(51,756)
Transportation equipment	(72,229)	(54,269)	9,929	11,624	17,725	(87,220)
Airplane	(120,127)	(2,503)	122,630	-	-	-
Total accumulated depreciation	(659,021)	(247,732)	161,370	12,727	78,764	(653,892)
Net cost	Ps. 1,470,607	Ps. (109,139)	Ps. (66,324)	Ps. -	Ps. (86,074)	Ps. 1,209,070

	Balances as of December 31, 2022	Acquisitions	Disposals	Net	Translation effect	Balance as of December 31, 2022
Costs:						
Building	Ps. 1,561,109Ps.	472,357	Ps. (307,336)	Ps.	- Ps. (36,748)	Ps. 1,689,382
Computer equipment	44,423	2,969	-	(26,220)	-	21,172
Machinery and equipment	83,504	10,631	-	(1,717)	(9,069)	83,349
Transportation equipment	202,988	138,025	(84,607)	(53,987)	665	203,084
Airplane	148,617	(15,976)	-	-	-	132,641
Total investment	2,040,641	608,006	(391,943)	(81,924)	(45,152)	2,129,628
Accumulated depreciation:						
Building	(396,508)	(169,460)	156,398	-	(9,971)	(419,541)
Computer equipment	(25,652)	(11,416)	- 26,220	-	- (10,848)	-
Machinery and equipment	(20,585)	(23,524)	-	1,717	6,116	(36,276)
Transportation equipment	(129,148)	(51,117)	64,479	53,987	(10,430)	(72,229)
Airplane	(89,170)	(30,957)	-	-	-	(120,127)
Total accumulated depreciation	(661,063)	(286,474)	220,877	81,924	(14,285)	(659,021)
Net cost	Ps. 1,379,578Ps.	321,532	Ps. (171,066)	Ps.	- Ps. (59,437)	Ps. 1,470,607

Amounts recognized as expenses in results:

	2024	2023	2022
Depreciation right-of-use asset	Ps. 263,375	Ps. 247,732	Ps. 286,474
Interest on lease liability	89,037	91,243	92,989
Short-term leases	165,488	210,121	232,665

Total cash outflows for leases amounted to Ps. 330,922, Ps.311,110 and Ps.354,241 in 2024, 2023 and 2022, respectively.

The weighted rates used by Management to determine the right -of-use asset are as follows:

	2024	2023	2022
Building and installations	9.64%	7.69%	5.30%
Computer equipment	9.75%	8.05%	3.98%
Machinery and equipment	9.65%	7.92%	4.86%
Transportation equipment	9.67%	7.89%	5.05%
Airplane	0.00%	7.38%	5.54%

14. Investments in joint ventures and other investments :

	2024	2023	2022
Investments in joint ventures	Ps. 10,860,898	Ps. 10,125,182	Ps. 11,253,594
Other investments	2,421	2,231	1,864
	Ps. 10,863,319	Ps. 10,127,413	Ps. 11,255,458

Joint ventures

a. As of December 31, 2024, 2023 and 2022, the balance of investments in joint ventures is as follows:

	Ubicación	Activity	Interest %	2024		2023 %		2022 %	
				Total	Interest %	Total	Interest %	Total	Interest %
Herdez del Fuerte, S.A. de C.V. and subsidiaries	Mexico and United	Sale of processed food	50 %	Ps. 5,636,106	50%	Ps. 5,357,866	50%	Ps. 5,734,013	
Synthetic rubber (i)	Mexico, Spain and China	Production of synthetic rubber	50 %	5,224,792	50%	4,767,316	50%	5,519,581	
				Ps. 10,860,898		Ps. 10,125,182		Ps. 11,253,594	

(i) Integrated by Dynasol Gestión México, S.A.P.I. de C.V. and subsidiaries and Dynasol Gestión, S.L. and subsidiaries.

Movements in the joint ventures balance are as follows:

	2024	2023	2022
Balance as of January 1	Ps. 10,125,182	Ps. 11,253,594	Ps. 11,453,173
Participation in the results of the period	436,210	648,965	1,350,730
Dividend distribution	(720,334)	(842,730)	(1,083,517)
Participation in other comprehensive income items	1,019,840	(934,647)	(466,792)
Balance as of December 31	Ps. 10,860,898	Ps. 10,125,182	Ps. 11,253,594

b. The equity in results for the period of such joint ventures is as follows:

Equity in results	2024	2023	2022
Herdez del Fuerte, S.A. de C.V. and Subsidiaries	Ps. 704,628	Ps. 821,627	Ps. 671,784
Synthetic Rubber	(268,418)	(172,662)	678,946
Total	Ps. 436,210	Ps. 648,965	Ps. 1,350,730

c. The equity in the comprehensive income of such joint venture is as follows:

Equity in results:	2024	2023	2022
Herdez del Fuerte, S.A. de C.V. and Subsidiaries	Ps. 293,945	Ps. (355,043)	Ps. 7,593
Synthetic Rubber	725,894	(579,604)	(474,385)
Total	Ps. 1,019,839	Ps. (934,647)	Ps. (466,792)

d. A summary of the financial information regarding each joint venture is detailed below:

Herdez del Fuerte, S.A. de C.V. and Subsidiaries	2024		2023		2022	
Current assets	Ps.	9,239,758	Ps.	9,574,479	Ps.	8,971,009
Non-current assets		11,418,222		10,291,606		10,552,957
Current liabilities		7,553,069		7,558,938		6,678,893
Non-current liabilities		1,030,738		790,186		574,926
Net assets		12,074,173		11,516,961		12,270,147
Non - controlling interest	Ps.	(10,311)	Ps.	(9,580)	Ps.	(10,470)
Controlling interest net assets	Ps.	12,063,862	Ps.	11,507,381	Ps.	12,259,677
Cash and cash equivalents	Ps.	1,622,307	Ps.	999,144	Ps.	1,274,060
Revenue	Ps.	14,858,771	Ps.	14,134,444	Ps.	12,517,868
Income from operations		1,502,959		1,560,687		1,382,216
Net income		1,407,247		1,641,334		1,340,518
Net loss of non - controlling interest		(2,009)		(1,918)		(3,049)
Net income of controlling interest		1,409,256		1,641,334		1,343,567
The income for the period includes:						
Depreciation and amortization		369,335		338,727		292,518
Net period cost		38,058		35,621		28,929
Interest income		(186,300)		(165,604)		(119,762)
Interest expense		41,175		21,634		16,009
Income tax expense	Ps.	616,882	Ps.	853,950	Ps.	634,976

The reconciliation of financial information above to the carrying amount of the investment in the joint venture recognized in the consolidated financial statements is as follows:

	2024		2023		2022	
Net assets of the joint venture	Ps.	12,063,862	Ps.	11,507,381	Ps.	12,259,677
Participation		50%		50%		50%
Equity of the Entity's interest in the joint venture		6,031,931		5,753,691		6,129,838
Goodwill	Ps.	(395,825)	Ps.	(395,825)	Ps.	(395,825)
Carrying amount of the interest in the joint venture	Ps.	5,636,106	Ps.	5,357,866	Ps.	5,734,013
Net income of controlling interest	Ps.	1,409,256	Ps.	1,643,252	Ps.	1,343,567
Participation		50%		50%		50%
Profit for the period	Ps.	704,628	Ps.	821,627	Ps.	671,784
Synthetic Rubber						
Current assets	Ps.	7,115,803	Ps.	6,095,379	Ps.	8,631,036
Non-current assets		9,709,511		7,483,845		7,824,037
Current liabilities		4,665,677		3,028,868		4,411,769
Non-current liabilities		1,710,053		1,015,724		1,004,141
Net assets controlling interest	Ps.	10,449,584	Ps.	9,534,632	Ps.	11,039,163
Cash and cash equivalents	Ps.	885,455	Ps.	1,481,798	Ps.	1,184,372

	2024		2023		2022	
Revenue	Ps.	11,214,578	Ps.	10,418,604	Ps.	17,280,989
Income (Loss) from operations		86,046		(721,307)		1,542,872
Net (loss) income		(536,836)		(345,323)		1,357,892
Net (loss) income of controlling interest		(536,836)		(345,323)		1,357,892
Income for the period includes:						
Depreciation and amortization		526,743		494,696		571,052
Interest income		(101,584)		(66,041)		(43,668)
Interest expenses		164,733		106,007		56,536
Income tax		331,631		(430,159)		252,371

The reconciliation of financial information above to the carrying amount of the investment in the joint venture recognized in the consolidated financial statements is as follows:

	2024		2023		2022	
Net assets of the joint venture	Ps.	10,449,584	Ps.	9,534,632	Ps.	11,039,163
Participation		50%		50%		50%
Carrying amount of the interest in the joint venture	Ps.	5,224,793	Ps.	4,767,316	Ps.	5,519,581
Net (loss) income of controlling interest		(536,836)		(345,323)	Ps.	1,357,892
Participation		50%		50%		50%
(Loss) profit for the period	Ps.	(268,418)	Ps.	(172,662)	Ps.	678,946

15. Intangibles and other assets

	2024		2023		2022	
Intangible assets (a)	Ps.	2,469,627	Ps.	2,980,874	Ps.	3,987,544
Other assets (b)		379,518		420,893		227,826
	Ps.	2,849,145	Ps.	3,401,767	Ps.	4,215,370

a. Intangible assets

	Balances as of December 31, 2023			Assets classified as held for sale				Balances as of December 31, 2024	
	2023	Additions	Transfers	Conversion effect	Disposals	Impairment			
Investment									
Projects and capitalized development costs	Ps. 4,586,282	Ps. 117,834	Ps. -	Ps. (18,550)	Ps. 872,794	Ps. (13,903)	Ps. -	Ps. 5,544,457	
Capitalized costs associated with contracts with clients	604,003	-	-	-	118,204	-	-	722,207	
Knowledge transfer	-	-	41,955	-	-	-	-	41,955	
Patents and trademarks	222,255	-	-	(101,031)	-	-	-	121,224	
Licenses	210,621	56,698	-	(4,290)	3,868	(25,158)	-	241,739	
Total	5,623,161	174,532	41,955	(123,871)	994,866	(39,061)	-	6,671,582	
Accumulated amortization:									
Projects and capitalized development	(2,058,618)	(525,786)	-	18,550	(412,942)	326	(461,526)	(3,439,996)	
Capitalized contract compliance costs	(376,076)	(103,673)	-	-	(85,634)	-	-	(565,383)	
Patents and trademarks	(84,874)	-	-	-	-	-	-	(84,874)	
Licenses	(122,719)	(13,511)	-	1,430	(2,060)	25,158	-	(111,702)	
Total	(2,642,287)	(642,970)	-	19,980	(500,636)	25,484	(461,526)	(4,201,955)	
	Ps. 2,980,874	Ps. (468,438)	Ps. 41,955	Ps. (103,891)	Ps. 494,230	Ps. (13,577)	Ps. (461,526)	Ps. 2,469,627	

	Balances as of December 31, 2023	Additions	Business acquisition	Translation effect	Disposals	Balances as of December 31, 2023
Investment:						
Projects and capitalized development costs	Ps. 5,291,344	Ps. 83,768	Ps. 4,959	Ps. (648,589)	Ps. (145,200)	Ps. 4,586,282
Capitalized costs associated with contracts with clients	690,109	-	-	(86,106)	-	604,003
Patents and trademarks	222,255	-	-	-	-	222,255
Licenses	215,524	8,108	-	(1,552)	(11,459)	210,621
Total	6,419,232	91,876	4,959	(736,247)	(156,659)	5,623,161
Accumulated amortization:						
Projects and capitalized development	(1,893,717)	(464,735)	-	225,436	74,398	(2,058,618)
Capitalized contract compliance costs	(328,529)	(92,244)	-	44,697	-	(376,076)
Patents and trademarks	(84,874)	-	-	-	-	(84,874)
Licenses	(124,568)	(11,054)	-	1,444	11,459	(122,719)
Total	(2,431,688)	(568,033)	-	271,577	85,857	(2,642,287)
	Ps. 3,987,544	Ps. (476,157)	Ps. 4,959	Ps. (464,670)	Ps. (70,802)	Ps. 2,980,874

	Balances as of December 31, 2022	Additions	Translation effect	Disposals	Balances as of December 31, 2022
Investment:					
Projects and capitalized development costs	Ps. 5,485,942	Ps. 101,906	Ps. (296,504)	Ps. -	Ps. 5,291,344
Capitalized costs associated with contracts with clients	731,301	-	(41,192)	-	690,109
Patents and trademarks	222,255	-	-	-	222,255
Licenses	202,426	13,826	(728)	-	215,524
Total	6,641,924	115,732	(338,424)	-	6,419,232
Accumulated amortization:					
Projects and capitalized development	(1,420,325)	(556,355)	82,963	-	(1,893,717)
Capitalized contract compliance costs	(231,361)	(114,407)	17,239	-	(328,529)
Patents and trademarks	(84,874)	-	-	-	(84,874)
Licenses	(107,186)	(18,019)	637	-	(124,568)
Total	(1,843,746)	(688,781)	100,839	-	(2,431,688)
	Ps. 4,798,178	Ps. (573,049)	Ps. (237,585)	Ps. -	Ps. 3,987,544

The useful lives of intangible assets are as follows:

Projects and capitalized development costs	5 - 8 years
Capitalized costs associated with contracts with clients	Based on the maturity of the contracts
Licenses	15 years
Patents and trademarks	20 years

In the Automotive division investments are being made for the development of new generation high - tech dual-clutch DCT transmissions ("DCT - Dual Clutch Transmission"). During 2024, 2023 and 2022, investments were made for Ps.118 million, Ps. 80 million and Ps.92 million, respectively.

b. Other assets

	2024	2023	2022
Goodwill	Ps. 258,764	Ps. 292,677	Ps. -
Guarantee deposits	42,199	47,801	147,183
Artworks	76,883	76,883	76,883
Others	1,672	3,532	3,760
	Ps. 379,518	Ps. 420,893	Ps. 227,826

16. Financial instruments

a. Financial risk management objectives

KUO's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Entity through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, and liquidity risk.

KUO seeks to minimize the effects of these risks by using derivative financial instruments to hedge these 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 exchange risk, interest rate risk, credit risk, the use of financial derivatives and non -derivative financial instruments, and the investment of excess liquidity. The Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

b. Market risk

The Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- Forward foreign exchange contracts to hedge the exchange rate risk arising on the import of corn.

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

Foreign currency risk management

The Entity undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Activos			Pasivos		
	2024	2023	2022	2024	2023	2022
US dollars	Ps. 51,468	Ps. 67,165	Ps. 131,817	Ps. 658,921	Ps. 699,156	Ps. 672,326
Ps. Pesos (*)	Ps. 53,095	Ps. 37,773	Ps. 121,280	Ps. 231,168	Ps. 229,662	Ps. 256,946

(*) The carrying amount of monetary assets and liabilities in foreign currency is applicable to the entities of Resirene, S.A. de C.V. and Transmisiones y Equipos Mecánicos, S. A. de C. V.

(i) *Foreign currency sensitivity analysis* - The Entity is mainly exposed to the currency of US dollars. The Entity performs periodic sensitivity analysis to an increase and decrease of 10% in Mexican pesos against the relevant foreign currencies. The 10% is the sensitivity rate used when foreign exchange risk is reported internally to key Management personnel and represents Management's assessment of the reasonably possible change in exchange rates.

The sensitivity analysis includes only outstanding monetary items denominated in foreign currency and adjusts their translation at the end of the period for a 10% change in exchange rates. The sensitivity analysis mainly includes loans in foreign currency. A positive number (as shown in the table below) indicates an increase in the results where the peso is strengthened by 10% against the relevant currency. If a weakening of 10% by the peso with respect to the reference currency is presented, then it will have a comparable impact on the results and the following balances would be negative.

	2024	2023	2022
Results	Ps. 1,231,204	Ps. 1,069,455	Ps. 1,197,738 (i)

(i) Mainly attributable to the exposure of accounts receivable and payable balances, including debt, held by the Entity at the end of the reporting period.

(ii) *Administración del riesgo de tasas de interés*

KUO is mainly exposed to interest rate risks because it has entered into debt at variable rates. Hedging activities are regularly monitored so that they align with interest rates and their related risk, ensuring the implementation of the most profitable hedging strategies.

The Entity's exposures to interest-rate risk are mainly related to changes in the TIEE and London Interbank Offered Rate (LIBOR) rate with respect to KUO'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. The analyses are prepared assuming that the ending period balance as at year-end was the outstanding balance during the entire year. The Entity internally reports to the Board of Directors about its interest rate risks.

When reporting internally to key executive personnel on the interest rate risk, an increase or decrease of 50 basis points is used, which represents Management's evaluation of the possible reasonable change in interest rates.

If the interest rates were 50 basis points above/below and all the other variables remained constant:

The result would decrease/increase in 2024 Ps.2,643, in 2023 Ps. 5,157 and Ps. 9,941 in 2022. This is mainly attributable to the Entity's exposure to interest rates on its variable rate loans in Mexican pesos.

The Entity's sensitivity to interest rates has been maintained during the current year mainly due to the contracting of variable rate debt instruments.

c. Credit risk management

Note 9 details the Entity's maximum exposure to credit risk and the measurement bases used to determine ECL.

In order to minimize credit risk, the Entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Entity uses other publicly available financial information and its own trading records to rate its major customers. The Entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed and approved twice a year by the risk management committee. 80% of the trade receivables have the best credit scoring attributable under the external credit scoring system used by the Entity.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Entity reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, Management considers that the Entity's credit risk is significantly reduced. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

(i) Overview of the Entity's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Entity. As of December 31, 2024 KUO's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to KUO due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Entity arises from:

- The carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and
- The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised .

The Entity's exposure and the credit ratings of its counterparties are continuously monitored and the accumulated value of the completed transactions is distributed among the approved counterparties. The credit exposure is controlled by the counterparty limits that are reviewed and approved by KUO's Credit Committee.

Accounts receivable from customers are composed of a large number of clients distributed through different industries and geographic areas. Before granting credit to any client, a financial evaluation is performed and credit references are requested; finally, the continuous evaluation of the credit is made on the financial condition of the accounts receivable, when appropriate. KUO considers that its potential credit risk is adequately covered by its allowance for doubtful accounts, which represents its estimate of expected credit losses due to impairment with respect to accounts receivable (see Note 9).

KUO does not have significant credit risk exposures with any of the parties or any group of counterparties with similar characteristics. The concentration of credit risk with some other party did not exceed 5% of the gross monetary assets at any time during the years 2024, 2023 and 2022.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by recognized rating agencies.

d. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with Entity's 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 credit lines, continuously monitoring projected and actual cash flows, reconciling the profiles of maturity of financial assets and financial liabilities.

Liquidity and interest risk tables

The following table details the remaining contractual maturities of the Entity's financial liabilities, based on contractual repayment periods. The table has been designed based on un-discounted projected cash flows of financial liabilities based on the date on which the Entity makes payments. The table includes both projected cash flows related to interest and capital on financial debt in the consolidated statements of financial position. Where the contractual interest payments are based on variable rates, the amounts are derived from interest rate curves at the end of the period.

The contractual maturity is based on the earliest date on which the Entity is required to make payments.

As of December 31, 2024	Six months	One year	1 and 3 years	More than 3 years	Total
Bank loans including the current portion of long-term debt	Ps. 141,915	Ps. 459,061	Ps.13,879,864	Ps. 420,749	Ps.14,901,589
Notes and accounts payable to suppliers	3,031,348	-	-	-	3,031,348
Supplier Finance Arrangements	4,960,440	-	-	-	4,960,440
Other creditors	4,178,701	-	-	-	4,178,701
Lease liability	173,200	169,121	858,119	709,688	1,910,128
Other payables and accrued liabilities	-	-	11,452	40,840	52,292
Accounts payable to related parties	8,851	-	-	-	8,851
Total	Ps.12,494,455	Ps. 628,182	Ps.14,749,435	Ps. 1,171,277	Ps.29,043,349

As of December 31, 2023	Six months	One year	1 and 3 years	More than 3 years	Total
Bank loans including the current portion of long-term debt	Ps. 335,604	Ps. 428,775	Ps. 2,020,570	Ps.11,470,762	Ps.14,255,711
Notes and accounts payable to suppliers	7,637,077	-	-	-	7,637,077
Lease liability	151,414	149,373	768,968	797,455	1,867,210
Other payables and accrued liabilities	4,236,089	-	16,939	34,098	4,287,126
Accounts payable to related parties	15,930	-	-	-	15,930
Total	Ps.12,376,114	Ps. 578,148	Ps. 2,806,477	Ps.12,302,315	Ps.28,063,054

As of December 31, 2022	Six months	One year	1 and 3 years	More than 3 years	Total
Bank loans including the current portion of long-term debt	Ps. 318,206	Ps. 608,786	Ps. 3,476,304	Ps.12,545,771	Ps.16,949,067
Notes and accounts payable to suppliers	10,082,939	-	-	-	10,082,939
Lease liability	169,145	154,447	847,925	1,106,476	2,277,993
Other payables and accrued liabilities	4,322,115	-	-	-	4,322,115
Accounts payable to related parties	6,659	-	-	-	6,659
Total	Ps.14,899,064	Ps. 763,233	Ps. 4,324,229	Ps.13,652,247	Ps.33,638,773

17. Fair value of financial instruments

This note provides information about how the Entity determines the fair values of its various financial assets and liabilities.

The Entity's cash and cash equivalents, as well as accounts receivable and payable from and to third and related parties, and the current portion of bank loans and long-term debt approximate to their fair value, because of their short-term maturities. The Entity's long-term debt is recorded at its amortized cost and consists of debt that generates interest at fixed and variable rates related to market indicators.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices)
- 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 carrying amounts of financial instruments by category and their related fair values as of December 31 are as follows:

	2024		2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at amortized cost (level 2)						
Bank loans and current portion of long-term debt (1)	Ps. (12,896,054)	Ps.(13,059,388)	Ps.(11,668,599)	Ps.(11,240,874)	Ps.(13,710,945)	Ps.(13,436,534)
Derivatives designated as hedging instruments (level 2)						
Forwards (2)	Ps. 266,978	Ps. 266,978	Ps. (117,346)	Ps. (117,346)	Ps. -	Ps. -
Total	Ps. (12,629,076)	Ps.(12,792,410)	Ps.(11,785,945)	Ps.(11,358,220)	Ps.(13,710,945)	Ps.(13,436,534)

(1) The fair value of debt issued on the stock market was obtained based on the financial indicators provided by Accival Casa de Bolsa Banamex and Thomson Reuters, which determine the price for bonds issued by KUO that can be exchanged. This value represents the fair amount for these instruments to be exchanged on their respective expiration dates.

(2) Discounted cash flows. The future cash flows are estimated on the basis of the rates of forward exchange rates (starting from observable forward exchange rates at the end of the reporting period) and rates of forward contract, discounted at a rate that reflects credit risk of various counterparties.

During the periods, there were no transfers between Level 1 and 2.

18. Derivative financial instruments

The objective of the Entity in executing contracts with derivative financial instruments is to partially hedge the financial risk from exposures in the exchange rates and corn prices. The decision to enter into an economic or financial hedge reflects market conditions and the related expectation at a given date, as well as the domestic and international economic context of the economic indicators that influence the Entity's operations.

As of December 31, 2024, 2023 and 2022, the effect in other comprehensive income (loss) is Ps.28,676, Ps.2,230 and Ps.566, net of deferred tax, respectively.

19. Financial instruments to hedge net investments in foreign operations

As of January 2, 2020, the Entity designated the bond in the amount of US450 million as a hedging instrument for its net foreign investments Resirene, S.A. de C.V., Transmisiones y Equipos Mecánicos, S.A. de C.V., Resirene USA Inc and Tremec Corporation; such designation was made in order to mitigate variations in exchange rates arising between the functional currency of such operation and the functional currency of the holding company that holds these investments.

The Entity formally designated and documented the hedging relationship, establishing the objectives, the strategy for hedging the risk, the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged and the methodology for assessing effectiveness. Since the hedging relationship is clear, the method used by the Entity to assess effectiveness consisted of a qualitative effectiveness test comparing the critical terms between the hedging instruments and the hedged items. The hedge will be effective as long as the notional debt designated as a hedging instrument is equal to or less than the value of the net assets of the hedged foreign operation. When the value of the net assets of the foreign operation is less than the notional amount of the designated debt, the Entity rebalances the hedging relationship and recognizes the ineffectiveness in the income statement.

The Entity maintains the hedging relationships described below:

Holding	Functional currency	Hedging instruments	Notional value (US)	Covered item	Covered assets of the hedged item (US)
KURO, S.A.B. de C.V.	MXN	Bond	351,484	Resirene, S.A. de C.V.	34,836
	MXN	Debt	-	Transmisiones y Equipos Mecánicos, S.A. de C.V.	288,746
				Resirene USA Inc	7,941
				Tremec Corporation	19,961

As of December 31, 2023:

Holding	Functional currency	Hedging instruments	Notional value (US)	Covered item	Covered assets of the hedged item (US)
KURO, S.A.B. de C.V.	MXN	Bond	425,274	Resirene, S.A. de C.V.	39,391
				Transmisiones y Equipos Mecánicos, S.A. de C.V.	399,174
MXN		Debt	38,864	Resirene USA Inc	5,835
				Tremec Corporation	19,738

As of December 31, 2022:

Holding	Functional currency	Hedging instruments	Notional value (US)	Covered item	Covered assets of the hedged item (US)
KURO, S.A.B. de C.V.	MXN	Bond	431,719	Resirene, S.A. de C.V.	40,919
	MXN	Debt	14,472	Transmisiones y Equipos Mecánicos, S.A. de C.V.	389,323
				Resirene USA Inc	4,645
				Tremec Corporation	11,304

The Entity's average hedge ratio amounted to 100% from the date of designation until December 31, 2024, 2023 and 2022, respectively. Due to the above, and the Entity's hedging strategy of 100% as the maximum hedging percentage, the exchange rate fluctuation generated by the designated portion of the hedging instruments amounted to a (profit) loss of Ps.(1,406,696), Ps.107,346 and Ps.(596,491), respectively, which was recognized in other comprehensive income, offsetting the translation effect generated by foreign investments for the same amount and generating a zero effect in comprehensive income. The excess of the exchange fluctuation of the hedging instrument was recognized directly in the statement of income for the period.

Hedge effectiveness results confirm that hedging relationships are highly effective due to the economic relationship between the hedging instruments and the hedged items.

20. Bank loans

	2024	2023	2022
I) Senior Notes 2027	Ps. 8,613,922	Ps. 7,196,495	Ps. 8,327,044
II) Bilateral credit Bank of America	3,336,160	2,958,955	3,393,509
III) HSBC simple credit	-	-	774,153
IV) Syndicated credit	222,951	355,362	-
V) Bank of America committed line	-	-	53,016
VI) Scotiabank simple credit	330,407	811,697	998,202
VII) Short-term loan Bank of America	392,614	346,090	165,021
	12,896,054	11,668,599	13,710,945
Less - Bank loans and current portion of long-term debt	(106,932)	(95,601)	(546,227)
Long-term debt	Ps. 12,789,122	Ps. 11,572,998	Ps. 13,164,718

a. Summary of loan agreements:

- I) Senior Notes 2027- Bond for US450 million dollars, at a fixed rate of 5.75% issued in international markets in July 2017, with maturity date in July 2027. Pays interest every 180 days in the months of January and July (certain subsidiaries are granted as guarantors). As part of the optimization strategy in liability management, during 2024, 2023 and 2022 \$0.5 million dollars and \$4.2 million dollars and \$ 18.3 million dollars respectively of the KURO 2027 bond were repurchased in the open market, the repurchased securities of this bond were canceled, thus reducing the total amount of the debt.
- II) Bank of America Bilateral Credit – held in March 2019 with Bank of America, N.A., for US\$175 million. It pays interest at LIBOR rate + 1.40%, with a maturity of 5 years, which was modified in January 2023, extending the maturity date to 2027 at a rate of SOFR 3m + 1.25% + 0.10%; during 2024, a partial prepayment of USD 10 million was made, thus reducing the total amount of the debt.

- III) Simple Credit - with HSBC Mexico, S.A. for the Ps.1,500million granted in July 2019 and pays interest quarterly to TIIE at 91 days + 1.45%, with amortizations increasing to 6 years starting in 2022. This credit was fully prepaid in October 2023.
- IV) Syndicated credit - In March 2022, KUO entered into a revolving syndicated loan contract for US\$180 million and Ps2.399 million pesos, in which they act as lending banks: Bank of America N.A., JP Morgan Chase N.A., Coöperatieve Rabobank U.A., HSBC Mexico S.A. and BBVA Mexico S.A. It pays interest according to provisions at the rate SOFR 3m + 1.40% +0.10% dollars and TIIE 91 + 1.40% for pesos, with a maturity of 5 years; the loan is for general corporate purposes and is due in 2027. A provision of USD 21 mil lion was made during 2024; a partial advance prepayment of USD 10 million was made during, thus reducing the total amount of debt, which is due in March 2027.
- V) Tremec Bank of America Credit - held in March 2018 with Bank of America, N.A., for US\$40 million that pays interest at LIBOR rate 3m + 1.60%, with maturity at 5 years, with 1.75 years of disposal and 3.25 years of linear amortizations beginning in 2020. The subsidiary TREMEC Corporation is the one accredited and acts as guarantors KUO and some subsidiaries. The resources are used to meet the requirements of the accredited flows. This credit was due in March 2023.
- VI) Simple Scotiabank Credit - In May 2023, KUO entered into a bilateral credit contract with Scotiabank Inverlat S.A. for a sum of Ps.1,000 million pesos, pays interest quarterly to TIIE for 91 days + 1.25%, With amortizations increasing since 2023 and due in 2027, destined to the total payment of the credit with BBVA Bancomer S.A. and to the partial payment with HSBC Mexico S.A. In December 2023, partial prepayment was made for Ps. 130 million and in 2024, prepayments were made for a total of Ps.410 million pesos.
- VII) Bank of America Credit - In August 2023, KUO entered into a credit contract with Bank of America N.A. for USD 20.8 million, pays interest monthly to SOFR 1m + 1.80% + 0.10%, With monthly amortizations of USD 90 thousand and payment at maturity of USD 10 million, whose destination of funds was f or the purchase of the aircraft, due in August 2033.

Long-term debt maturities as of December 31, 2024 are as follows:

2026	Ps.	177,419
2027		12,284,835
2028		21,915
2029		21,915
2030		21,915
2031		21,915
2032		21,915
2033		217,293
	Ps.	<u>12,789,122</u>

The current portion of long-term debt and short-term bank loans are as follows:

		2024	2023	2022
Current portion of long-term debt	Ps.	106,932 Ps.	95,601 Ps.	546,227

The Bank loans measured at amortized cost are net of unamortized issuance costs which as of December 31, 2024, 2023 and 2022, amount Ps.44,024, Ps. 49,183 and Ps. 65,200, respectively.

The loan contracts establish affirmative and negative covenants for the borrowers; also, they require the maintenance of certain minimum financial ratios and percentages based on the Entity's consolidated financial statements. All of these requirements have been satisfactorily fulfilled at the date of the consolidated financial statements.

In August 2023, the entity obtained approval to the waivers requested from banks with existing loans confirming the agreement that the failure of the entity to comply with its obligations of the credit contracts, in each case, On the last day of each of the fiscal quarters of the entity ending on September 30, 2023, December 31,

2023 and March 31, 2024, They shall not constitute or be deemed to constitute a breach or non-compliance event provided and only to the extent that the net leverage ratio in effect (1) as of September 30, 2023 is not greater than 4.00 to 1.00, (2) as of December 31, 2023 is not greater than 4.00 to 1.00 and (3) at march 31, 2024 is not greater than 3.75 to 1.00. The indices were fully met as of December 31, 2023.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Entity's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Entity's consolidated statements of cash flows as cash flows from financing activities .

	December 31, 2023	Financing cash flows, net (i)	Other changes (ii)	December 31, 2024
Bank loans	Ps. 11,668,599 Ps.	(849,081) Ps.	2,076,536 Ps.	12,896,054

	December 31, 2022	Financing cash flows, net (i)	Other changes (ii)	December 31, 2023
Bank loans	Ps. 13,710,945 Ps.	(507,274) Ps.	(1,535,072) Ps.	11,668,599

	December 31, 2022	Financing cash flows, net (i)	Other changes (ii)	December 31, 2022
Bank loans	Ps. 15,063,383 Ps.	(634,098) Ps.	(718,340) Ps.	13,710,945

- i) The cash flows from bank loans are the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statements of cash flows.
- ii) Other changes include exchange fluctuations and expenses associated with the issue of the Bonds recognized at amortized cost.

21. Other accounts payable and accrued liabilities

	2024	2023	2022
Provisions (i)	Ps. 552,108 Ps.	591,081 Ps.	652,952
Tax liabilities	354,467	493,152	569,338
Other creditors	2,617,975	2,183,410	2,268,752
Customer advances	649,686	618,949	663,620
Current portion of tax consolidation deferred taxes (Note 27g.)	-	-	154,625
Interest payable	300,762	259,187	303,620
Dividends payable	11,912	426,995	11,702
Direct employee benefits	341,477	282,264	361,126
	Ps. 4,828,387 Ps.	4,855,038 Ps.	4,985,735
Provisions (i):			
Beginning balance as of January 1	Ps. 591,081 Ps.	652,952 Ps.	694,254
Increase	525,639	429,298	619,860
Applications	(469,969)	(302,747)	(651,433)
Cancellation	(90,475)	(188,422)	(9,729)
Liabilities classified as held for sale	(4,168)	-	-
Final balance as of December 31	Ps. 552,108 Ps.	591,081 Ps.	652,952

The provisions recorded as of December 31, 2024, 2023 and 2022 include the reserve for the products' warranty.

The Entity in the automotive division provides warranties against defects in manufacturing of its products for periods of two to four years, depending on the product. A provision for warranties at the time of sale is recognized, based on statistics of the warrantee costs incurred in the last four years.

22. Employee benefits

Planes de contribución		2024	2023	2022
a.	Defined contribution plans for retirement benefits	Ps. 91,361	Ps. 81,229	Ps. 93,266
b.	Defined benefit plans	511,722	530,822	514,525
	Total	Ps. 603,083	Ps. 612,051	607,791

a. Defined contribution plans for retirement benefits

KUO as part of their benefits, grants its employees a defined contribution retirement benefit plan, which provides additional benefits to those provided by the Mexican Social Security Institute (IMSS, for its acronym in Spanish) or the Administrator of Retirement Funds (AFORE), if appropriate. The main features are summarized below:

Participants requirements - Be a non-union employee in the plant and sign the consent letter to join the plan. Employees may not be participants of the plan, if when they reach the retirement age, they do not have at least 10 years of service in the Entity

Contributions - The global fund will be constituted with the Entity and participants' contributions.

Each participant will have the option to perform the following contributions:

- Basic contribution: the participant may contribute from 0.50% to 6.00% of their monthly salary, the Entity will contribute a percentage equal to that contributed by the participant up to 50% if the employee has up to 4.9 years of service, 1% if he has between 5 and 9.9 years and 1.5% if the participant has more than 10 years of service.
- Complementary contribution: those participants whose monthly salary exceeds the IMSS maximum salary current quote, may contribute over the monthly salary which exceeds the IMSS maximum salary current quote from 0.50% to 6.00% of the salary. The Entity will contribute a percentage equal to that contributed by the participant over the monthly salary that exceeds the IMSS maximum salary for current quote with up to 4% if he has 4.9 years of service or less, 5% if he has between 5 to 9.9 years of service and from 10 years and older it will contribute up to 6%.

Total retirement benefits - Participants who reach normal retirement date (age 65 and have a minimum of 10 years of service) or the anticipated date of retirement (55 years old and have a minimum of 20 years of service) are entitled to the total retirement benefits described in the plan. The balance of the individual fund will be considered as a benefit of the plan, which will be received in a single exhibition.

Voluntary resignation - The participant who submits his voluntary resignation to the Entity with less than 5 years of service in the Entity, shall be entitled to withdraw only the part of individual fund subaccount corresponding to the participant.

The participant who submits his voluntary resignation to the Entity with 5 years or more of service, shall be entitled to withdraw the portion of their individual background corresponding to the participant's sub-account plus a percentage of the Entity's subaccount, which can range from 15% to 100% depending on age and years of service of the participant at the time of the separation.

b. Defined benefit plans

Seniority premium - Based on Article 162 of the Mexican Federal Labor Law, the amount of the premium is equal to twelve days of actual salary for each year of service, considering a maximum salary of twice the minimum wage of the economic zone in which the employee has provided service. Payment of the obligation is made to plant workers who cease to provide services to the Entity. If the separation is voluntary; it is necessary that the employee has provided a minimum of 15 years of service, whereby the obligation is calculated based on the entire seniority of the employee within the Entity; if the separation is for dismissal (justified or unjustified), it is not necessary that the employee comply with a minimum of 15 years of service, and the seniority is determined beginning from May 1, 1970, or if the employee began employment subsequent to that date, their actual date of hire. In the case of death or disability, it is also not necessary to have completed 15 years of service; full seniority will be paid.

Retirement pension plan - The eligible group under this plan includes permanent, nonunion full-time personnel retired prior of January 1, 2005; permanent, nonunion full-time personnel aged 45 years or more, with at least 15 years of service, retired between January 1, 2005 and April 1, 2008; permanent, nonunion full-time personnel who at the date of the Plan amendment of April 1, 2008 were age 55 years or more and had at least 18.25 years of service, either retired or active after April 1, 2008.

The age considered for normal retirement is 65 years, with at least 10 years' seniority, and for early retirement, 55 years of age with at least 20 years' seniority.

The pensionable wage includes savings fund, vacation premium, year-end bonus and grocery coupons.

For personnel retired prior of January 1, 2005, the normal retirement will consider 90% of the pensionable wage, less the Social Security pension granted, including the benefit of the SAR Retirement Saving System.

For personnel active or retired after January 1, 2005, the normal retirement will consider 80% of the pensionable wage, less the Social Security pension granted.

The pension will be paid through a monthly lifetime income and optionally any form of payment of equivalent actuarial value, such as: several payments, guaranteed number of payments, one-time payment, among others.

Post-retirement benefits - This plan focuses on the permanent, nonunion full-time personnel who retired prior of January 1, 2005; permanent, nonunion full-time personnel retired between January 1, 2005 and January 1, 2008 who at the plan amendment date of April 1, 2008 were 55 years old or older and had at least 18.25 years of service completed. The normal retirement considers of 65 years, and for early retirement, 55 years of age with at least 10 years of seniority.

The personnel retired prior of January 1, 2005 who receive the benefits of normal, early or deferred retirement will have the option of keeping 50% of their group life insurance protection and, up to 80 years also the major medical expenses insurance coverage, through the payment of 10% of the respective premiums.

Personnel retired between January 1, 2005 and April 1, 2008 who receive the benefits of normal, early or deferred retirement, in the normal form of pension payment or under the first or second options contained in article 24 of the pension plan, will have the option of keeping the benefit of life insurance for up to 10 years after retirement with a coverage equivalent to 50% of the number of months' wages of protection for death of the employees considered active.

This number of months will be applied according to the monthly pension received by the retired person as of the retirement date. The retired person will absorb 10% of the cost of the respective annual premium.

Furthermore, participants who receive the benefits of normal, early or deferred retirement, in the normal form of the pension payment or under the first or second options of article 24 of the pension plan, will have the option of keeping the benefit of major medical expenses insurance only for the participant for up to 10 years after the retirement, through the payment of 10% of the cost of the respective premium, and may keep coverage for their beneficiaries through the payment of 100% of the respective premiums.

Postretirement benefits do not apply to personnel who are active or retired after April 1, 2008.

The actuarial valuation of labor liabilities is supported by a number of assumptions determined through economic, financial and the Entity's own environment for their determination. In this regard, the Entity is exposed to risks related to these assumptions, which are presented below:

Interest rate risk

The present value of the net employee benefit obligation and the funds within the plan established to meet the obligation represents the amount of money that the Entity would receive in exchange for the securities held in the fund, or the amount of money to be paid to transfer the net obligation to a third party, as the case may be depending on if the net amount is an asset or liability. Therefore, the discount rate (as part of measuring the value of money over time), should represent the rate at which the plan obligations can be transferred irrevocably to a third party in an orderly and open market transaction. In other words, the rate at which the amount invested to transfer the obligation will be sufficient to cover future cash flows upon liquidation.

The selection of the discount rate is determined considering government bonds, with maturities that are similar to the expected settlement of the employee benefits obligation. In case of selecting those bonds whose duration is equal to or approximately the length of the obligations of the plan, it could immunize the fund before any changes in interest rates (and hence the discount rate).

Because the discount rate is a variable that does not depend on the operation of the Entity, but the fluctuations and variations observed in the market, the Entity is exposed to the inherent risk posed by such fluctuations.

If, resulting from a fluctuation of rates on government bonds, the discount rate decreases, this will cause the benefit obligation to increase and vice versa. The size of the increase or decrease will depend on the characteristics of the benefit obligation, the population and the variation shown in other variables.

Currently, for KUO, the discount rate used was 9.33%, considering the yield curve of government bonds.

Salary increases risk

The rate of salary increase, within an actuarial valuation, should model the behavior of wages of participants over time.

Valued benefits such as seniority premiums and pension plan at retirement, are linked to these assumptions, to rely entirely on this variable. If the salary increases from year to year, this will cause the present value of liabilities or obligations to increase. For this reason, there is a risk for this variable. For KUO, a salary increases of 8.0% is being used, which is consistent with the actual observed behavior of this variable in the target population. If increased, it must be considered in the calculation.

Longevity risk

Longevity is an important factor to be considered when performing actuarial calculations for retirement plans. When a person retires, the value of the obligation is based on life expectancy or expected time a retiree will receive his or her retirement benefits. If an increase in longevity is presented, the present value of the obligations will increase, as the benefit will be granted for a longer time, creating a larger obligation to the Entity.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2024 by Mr. Fernando Rodríguez Zamora, member of Asociación Mexicana de Actuarios Consultores, A. C. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2024 %	2023 %	2022 %
Discount rate	10.20	9.33	9.17
Expected rate of salary increase	8.00	8.00	5.00
Pension increase rate	4.80	4.80	4.80
Expected return on plan assets	10.20	9.33	9.17
Average longevity at retirement age for current pensioners (years)			
Males	22.54	22.47	22.38
Females	24.88	24.83	24.8

Amounts recognized in income from these defined benefit plans are as follows:

	2024	2023	2022
Service cost:			
Current service cost	Ps. 23,538	Ps. 22,169	Ps. 28,771
Cost past services	(2,487)	2,678	-
Financial cost	46,977	46,939	40,710
Reductions and early settlement	(2,388)	(73)	(13,743)
Interest income	(3,299)	(2,945)	(1,060)
Components of defined benefits costs recognized in profit or loss	Ps. 62,341	Ps. 68,768	Ps. 54,678

The net periodic cost for the year is included in the cost of employee benefits in the consolidated statement of income and comprehensive income, and recorded in the following line items:

	2024	2023	2022
Cost of sales	Ps. 28,750	Ps. 26,238	Ps. 25,743
Operating expenses	25,712	29,518	24,355
Discontinued operations	7,879	13,012	4,580
Total	Ps. 62,341	Ps. 68,768	Ps. 54,678

The amount included in the consolidated statements of financial position arising from the obligation of the Entity regarding their defined benefit plans is as follows:

	2024	2023	2022
Present value of defined benefit obligation	Ps. 585,188	Ps. 598,824	Ps. 587,429
Fair value of plan assets	(73,466)	(68,002)	(72,904)
Net liabilities generated by the defined benefit obligation	Ps. 511,722	Ps. 530,822	Ps. 514,525

Movements in the present value of the defined benefit obligation in the period were as follows:

		2024	2023	2022
Opening balance of defined benefit obligation	Ps.	598,824 Ps.	587,429 Ps.	655,506
Current service cost		23,538	22,169	28,771
Interest cost		46,977	46,939	40,710
Actuarial (gains) and losses arising from changes in financial assumptions		26,598	18,135	(52,100)
Cost of past service including losses on reductions		(2,487)	2,678	-
Contributions from plan affiliates		375	414	704
Early settlement		(2,388)	(73)	(13,743)
Liabilities transfer		-	260	-
Translation effect		29,943	(20,874)	(9,612)
Benefits paid		(69,792)	(58,253)	(62,807)
Liabilities directly associated with assets classified as held for sale		(66,400)	-	-
Ending balance of defined benefit obligation	Ps.	585,188 Ps.	598,824 Ps.	587,429

Movements in the fair value of the plan assets in the period were as follows:

		2024	2023	2022
Opening balance of fair value of plan assets	Ps.	68,002 Ps.	72,904 Ps.	72,618
Interest income		3,299	2,945	1,060
Remeasurement gains		(5,893)	(3,727)	176
Contributions from employer		5,255	5,170	10,726
Contributions from employees		375	414	704
Benefits paid		(7,576)	(3,139)	(3,668)
Translation effect		10,004	(6,565)	(8,712)
Ending balance of the fair value of plan assets in financial institutions	Ps.	73,466 Ps.	68,002 Ps.	72,904

Actuarial gains or losses from changes in demographic assumptions relate to changes in turnover rates and mortality rates compared to those used in the previous year. These correspond to changes in financial assumptions related to the change in the discount rate, the rate of wage increase, the rate of increase in the minimum wage and experience adjustments compared to those used in the prior valuation and those generated by experience adjustments are those differences between what we expected would happen according to the actuarial assumptions used in the previous year and what really happened.

The value of actuarial gain (loss) is as follows:

		2024	2023	2022
Changes in demographic assumptions	Ps.	(21,024) Ps.	(20,560) Ps.	(5,618)
Changes in financial assumptions		4,507	26,379	(88,378)
Experience		49,008	16,043	41,720
Actuarial gain (loss)	Ps.	32,491 Ps.	21,862 Ps.	(52,276)

If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by Ps.22,687 (increase by Ps.24,393).

If the expected salary growth increases (decreases) by 0.5% , the defined benefit obligation would increase by Ps.6,336 (decrease by Ps.6,568).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

23. Supplier financing agreements

The Group maintains certain financing agreements with suppliers that, due to their characteristics, are presented as part of financial liabilities.

These agreements aim to ensure that the supplier receives the funds within the agreed commercial term, while the Entity can extend the maturity up to 180 days, thus optimizing its working capital.

The agreements used by the Entity include the following instruments:

- **Letters of credit:** Documentary credit instrument used for the acquisition of inputs and merchandise, which allows for extending payment terms with the bank up to 180 days. This is achieved through a direct request from the supplier for an advance payment. KUO is responsible for the financing cost.
- **Supplier Discount Program:** Instrument that allows suppliers to receive payment for their invoices on commercial terms through a multi -bank platform, while the Entity extends the payment term up to 180 days. KUO is responsible for the financing cost.
- **Supply Chain Finance (SCF) programs:** These programs allow suppliers to affiliate directly with the financial institution through a contract. Once registered, the entity publishes the invoices on the platform, giving suppliers the option to advance payment of their invoices or receive the funds within their commercial term.

KUO extends these maturities up to 180 days to optimize its working capital. Under this scheme, KUO assumes the financial cost of extending the commercial term. However, if the supplier decides to advance payment before the commercial term expires, the financial cost is borne by the supplier.

The discount rate margin that the entity pays ranges between 1.50% and 2.70% per year.

Given the nature of these agreements, the associated amounts are classified as financial liabilities, as they involve a deferred payment obligation with financial institutions rather than a commercial account directly with the suppliers.

	2024
Carrying amount of financial liabilities that are subject to supplier financing agreements	
Loans for which providers have already received payment from the financing provider	Ps. 4,960,440
Payment due date range	
Liabilities that are part of supplier financing agreements	Up to 180 days

Liabilities subject to financing agreements with suppliers are mainly due to purchases of goods and services, as well as subsequent cash settlements.

24. Stockholders' equity

Contributed capital

As of December 31, 2024, 2023 and 2022, capital stock is represented by:

	2024	2023
Fixed portion-		
Nominative Series "A" shares (without redemption rights and which must represent at least 51% of voting stock)	233,221,719 Ps.	1,393,883
Variable portion-		
Nominative Series "B" shares (with redemption rights and which may not represent more than 49% of voting stock)	223,144,429	1,333,651
	456,366,148 Ps.	2,727,534

- At the Ordinary General Meeting of Shareholders held on April 22, 2024, it was approved to allocate the amount of Ps. 1,000,000 to the share repurchase fund for a period of twelve months.
- At the Ordinary General Meeting of Shareholders held on April 24, 2023, the change of name of the company was approved to be "KUO, S.A.B. de C.V. and consequently to reform the first clause of the social statutes.
- At the Ordinary General Meeting of Shareholders held on April 24, 2023, a dividend payment of Ps. 415,293 was approved for the annual profit account, which will be paid in accordance with Statement of cash flows the entity's earnings. In addition, it was approved to allocate the amount of Ps.1,000,000 to the share repurchase fund for a twelve-month period.
- In the Ordinary and Extraordinary General Meeting of Stockholders held on April 25, 2022, a dividend payment of Ps.456,366 was approved and applied to the retained earnings account, and an additional Ps.1,000,000 was approved for the share repurchase fund for a period of twelve months.
- The net amount of repurchased shares is recorded in the share repurchase fund and represents the repurchase and sale transactions of treasury shares; those that originated a decrease of Ps.8,281, Ps13,424. and Ps 25,300 as of December 31, 2024, 2023 and 2022, respectively.
- As of December 31, 2024, 2023 and 2022 there are 19,024,949, 18,831,337 and 18,471,996 treasury shares, respectively.
- As of December 31, 2024, 2023 and 2022 there are no common shares with potential dilution effects.
- *Legal Reserve:*
- The net income of the Entity and each subsidiary is subject to the legal provision requiring that 5% of the net income of each year be transferred to the reserve fund until it equals 20% of its capital stock. The reserve fund is not distributable to stockholders during the existence of each entity, except upon dissolution. As of December 31, 2024, 2023 and 2022 the reserve fund amounts to Ps.485,583, Ps. 448,807 and Ps. 355,220, respectively and is recorded in retained earnings.
- Stockholders' equity, except restated common stock and tax-retained earnings, will incur income tax payable by the Entity at the rate in effect at the time of its distribution. Any tax paid on such distribution may be credited against income for the year in which the dividend tax is paid and, in the subsequent two years, against tax for the year and the related estimated payments.

- Dividends paid from profits generated as of January 1, 2014 to individuals resident in Mexico and foreign residents may be subject to an additional income tax of up to 10%, which must be withheld by the Entity.

The balances of the tax accounts of stockholders' equity as of December 31 are as follows:

	2024	2023	2022
Capital contribution account	Ps. 17,068,535	Ps. 16,369,138	Ps. 15,869,804
Net tax income account	27,835,528	19,969,952	17,005,364
Total	Ps. 44,904,063	Ps. 36,339,090	Ps. 32,875,168

25. Discontinued operations

On June 24, 2024, KUO, S.A.B. de C.V. announced that it has reached an agreement with Frasle Mobility for the sale of its Reactions business. KUO's Parts business is a leader in the marketing and distribution of products for the automotive parts market in Mexico, through a portfolio of highly recognized brands (TF Victor, Moresa, and Fritec, among others) in the categories of engine, powertrain and brakes. It has a distribution center, in addition to 3 production plants in Mexico, with an export presence in the region. Frasle Mobility is a Brazilian company with extensive experience in providing solutions, products and services for the independent auto-parts market. It has production, marketing and distribution units in eleven territories and presence in about 125 countries offering, among others, brakes, friction materials, suspension, steering and transmission for applications in light, heavy vehicles, motorcycles and rail and aircraft wagon solutions. On January 14, 2025, the entity concluded the sale of its Automotive Parts business to Frasle Mobility after obtaining the approvals from the relevant authorities and complying with the conditions agreed in the respective contract.

a. The net profit of discontinued operations for the years ended 31 December 2024, 2023 and 2022 is as follows:

	2024	2023	2022
Profit for the year from discontinued operations, net	Ps. 601,126	Ps. 614,033	Ps. 368,214
Loss for the year from discontinued operations before tax	(39,298)	-	-
Gain for the year from discontinued operations, net	Ps. 561,828	Ps. 614,033	Ps. 368,214

b. The net profit from discontinued operations for the years ended 31 December 2024, 2023 and 2022 is presented as follows:

	2024	2023	2022
Net sales	Ps. 4,903,189	Ps. 4,800,879	Ps. 4,396,809
Costo of sales and general expenses	3,925,709	3,936,705	3,808,605
Other income	(12,664)	(3,263)	(2,135)
Income from operations	990,144	867,437	590,339
Comprehensive financing cost	(131,479)	(50,567)	(79,680)
Profit before tax	858,665	816,870	510,659
Income Tax	257,539	202,837	142,445
Profit for the year from discontinued operations, net	Ps. 601,126	Ps. 614,033	Ps. 368,214

c. The net loss in disposal of discontinued operations for the years ended 31 December 2024 is as follows:

	2024
Loss for the year from discontinued operations before tax (KUO)	Ps. (39,298)

d. The total book value of the consolidated net assets disposed of by KUO on December 31, 2024 in connection with the transaction for the sale of its parts business is as follows:

	2024
Current assets:	
Cash and cash equivalents	Ps. 43,816
Accounts and notes receivable, net	767,035
Inventories, net	2,114,512
Prepaid expenses	13,183
Total current assets	2,938,546
Property, plant and equipment, net (1)	528,140
Right-of-use asset	246,907
Intangible and other assets, net	119,434
Deferred income tax	94,261
Total non - current assets	988,742
Total	Ps. 3,927,288
Current liabilities:	
Notes and accounts payable to suppliers	Ps. 544,402
Supplier finance arrangements	2,503
Short-term lease liability	43,646
Other accounts payable and accrued liabilities	303,379
Total current liabilities	893,930
Lease liability	245,996
Employee benefits	71,384
Total non - current liabilities	317,380
Total liabilities	Ps. 1,211,310

(1) This balance includes the effect of assets available for sale of the entity Inmobiliaria Corcel, S.A. de C.V for an amount of Ps.8,269.

Comparative cash flows from discontinued operations have been presented to include operations classified as discontinued in the current period:

Cash flows from discontinued operations:

	2024	2023	2022
Flujos de efectivo netos de actividades de operación	Ps. 115,094	Ps. 906,574	Ps. (203,208)
Flujos de efectivo netos de actividades de inversión	(30,260)	(382,804)	315,946
Flujos de efectivo netos de actividades de financiamiento	(82,803)	(521,734)	(115,699)
Flujos de efectivo neto	Ps. 2,031	Ps. 2,036	Ps. (2,961)

26. Balances and transactions with related parties

a. Transactions with related parties, carried out in the ordinary course of business were as follows:

	2024	2023	2022
Revenues -			
Sales	Ps. 857,314	Ps. 727,900	Ps. 1,300,917
Administrative services rendered	Ps. 346,299	Ps. 303,689	Ps. 183,794
Services charged in advances	Ps. -	Ps. 101,000	Ps. -
Interest income	Ps. 7,632	Ps. 9,708	Ps. 1,127
Air transportation	Ps. 21,832	Ps. 17,131	Ps. 18,272
Recovery of expenses	Ps. 20,289	Ps. 49,642	Ps. 76,644
Expenses -			
Purchase of inventories	Ps. 124,600	Ps. 99,780	Ps. 117,685
Administrative services received	Ps. -	Ps. 2,512	Ps. 2,567
Others	Ps. 191	Ps. 525	Ps. 435

b. Balances from and to related parties are as follows:

	2024	2023	2022
Cuentas por cobrar -			
Corto plazo:			
Dynasol Elastómeros, S.A. de C.V.	Ps. 68,205	Ps. 43,393	Ps. 63,876
Industrias Negromex, S.A. de C.V.	27,961	27,487	20,009
Herdez del Fuerte, S.A. de C.V.	3,099	5,607	2,653
Dine 28, S.A. de C.V.	754	155	3,977
Fernando Senderos Mestre	2,177	626	662
Dynasol Gestión México, S.A.P.I. de C.V.	1,301	8,756	1,668
Plaza Bosques, S.A. de C.V.	-	-	61
Promociones Bosques, S.A. de C.V.	929	348	283
Administración de Riesgo, Agente de Seguros y Fianzas, S.A. de C.V.	-	-	348
Cantiles de Mita, S.A. de C.V.	16,502	6,494	6,570
Dine S.A.B. de C.V.	14,074	5,320	2,673
Inmobiliaria Dine, S.A. de C.V.	30,061	1,445	2,122
Corporativo Dine, S.A. de C.V.	803	280	231
Costa Cantiles, S.A. de C.V.	-	5,196	4,173
Otros	673	431	389
Seradri, S.A. de C.V.	-	-	259
Fideicomiso 4757	2,016	3,368	-
Fideicomiso de Administración con Actividad Empresarial F/3293	5,483	1,175	106,111
	Ps. 174,038	Ps. 110,081	Ps. 216,065

	2024	2023	2022
Long-term:			
Fideicomiso de Administración con Actividad Empresarial F/3293	Ps. 109,449	Ps. 91,379	Ps. -
Accounts payable-			
Short-term:			
Dynasol Elastómeros, S.A. de C.V.	Ps. 1,905	Ps. 11,663	Ps. -
Industrias Negromex, S.A. de C.V.	6,946	4,267	6,341
Administradoras de Clubes de Playa Punta Mita, S.A. de C.V.	-	-	78
Costa Cantiles, S.A. de C.V.	-	-	230
Herdez del Fuerte, S.A. de C.V.	-	-	4
Administración de Riesgo, Agente de Seguros y Fianzas, S.A. de C.V.	-	-	6
	Ps. 8,851	Ps. 15,930	Ps. 6,659

c. Remuneration of key management personnel

The remuneration of the directors, who are the key personnel of the Entity's management, is detailed below in aggregate form for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2024	2023	2022
Short-term and long-term benefits	Ps. 120,592	Ps. 188,200	Ps. 215,303

27. Income taxes

The Entity is subject to ISR. Under the ISR Law the rate for 2024, 2023 and 2022 was 30% and will continue to be 30% thereafter.

a. Income taxes expense (benefit) are as follows:

	2024	2023	2022
ISR:			
Income tax for the year	Ps. 84,797	Ps. 414,398	Ps. 496,902
Restatement of deferred income tax due to tax deconsolidation	-	2,506	14,207
Insufficiency from previous years	8,850	(2,489)	91
	93,647	414,415	511,200
Deferred tax	(51,971)	(513,505)	(377,679)
ISR Total	Ps. 41,676	Ps. (99,090)	Ps. 133,521

b. Deferred tax recognized in other comprehensive result:

	2024	2023	2022
Financial instruments	Ps. (12,289)	Ps. (956)	Ps. (243)
Employee benefits	18,294	4,833	(15,486)
Exchange rate difference	120,881	(111,106)	(18,508)
Total deferred taxes	Ps. 126,886	Ps. (107,229)	Ps. (34,237)

c. Deferred tax recognized in the consolidated statement of financial position:

Following is an analysis of the deferred tax assets (liabilities) presented in the consolidated statement of financial position:

	2024	2023	2022
Deferred income tax asset	Ps. 2,059,492	Ps. 2,056,801	Ps. 1,724,749
Deferred income tax liability	1,145,147	1,200,078	1,245,863
Deferred income tax asset	Ps. 914,345	Ps. 856,723	Ps. 478,886

d. Tax assets and liabilities:

	2024	2023	2022
Assets:			
ISR	Ps. 210,915	Ps. 170,832	Ps. 148,051
Liabilities:			
ISR	Ps. 14,043	Ps. 100,260	Ps. 194,005
Deferred income tax arising from tax consolidation current liabilities	-	-	154,625
	Ps. 14,043	Ps. 100,260	Ps. 348,630

e. Deferred tax balances:

The tax effects of temporary differences that generated assets (liabilities) of deferred taxes as of December 31, 2024, 2023 and 2022, are as follows:

	Balance as of December 2023	Recognized in profit or loss for the year	Other comprehensive income items / exchange rate difference	Assets/ Liabilities available for sale	December 31, 2024
Deferred ISR asset:					
Effect of tax loss carryforwards	Ps. 591,122	Ps. (8,393)	Ps. 21,734	Ps. -	Ps. 604,463
Reserves and provisions	760,519	(9,088)	13,007	(101,241)	663,197
Advances from customers	140,897	(78,371)	8,693	-	71,219
Employee benefits	117,464	(540)	12,368	(12,053)	117,239
Simplified tax regime on purchases and sales	594,638	120,295	7,938	(2,495)	720,376
Income deferral	68,459	816	119	-	69,394
Derivative financial instruments	15,074	(732)	(12,289)	-	2,053
Lease liability	386,508	64,828	(56,272)	(86,895)	308,169
Others	148,104	96,865	1,344	(3,665)	242,648

	Balance as of December 2023	Recognized in profit or loss for the year	Other comprehensive income items / exchange rate difference	Assets/ Liabilities available for sale	December 31, 2024
Deferred ISR liability:					
Inventories	(1,083,758)	(61,815)	(1,647)	-	(1,147,220)
Property, plant and equipment	(687,472)	(56,534)	(1,930)	3,440	(742,496)
Right-of-use asset	(354,700)	(98,909)	97,762	74,073	(281,774)
Prepaid expenses	(44,777)	97,539	(7,490)	3,955	49,227
Intangible assets	204,645	(40,962)	43,549	30,618	237,850
Net deferred ISR asset (liability)	Ps. 856,723	Ps. 24,999	Ps. 126,886	Ps. (94,263)	Ps. 914,345

	Balance as of December 2023	Recognized in profit or loss for the year	Other comprehensive income items	Business acquisition	December 31, 2023
Deferred ISR asset:					
Effect of tax loss carryforwards	Ps. 604,111	Ps. 33,556	Ps. (46,545)	Ps. -	Ps. 591,122
Reserves and provisions	922,280	(116,190)	(46,191)	620	760,519
Advances from customers	199,085	(52,608)	(5,580)	-	140,897
Employee benefits	118,816	(959)	(471)	78	117,464
Simplified tax regime on purchases and sales	763,009	(161,822)	(6,549)	-	594,638
Income deferral	73,514	(5,256)	201	-	68,459
Derivative financial instruments	-	16,030	(956)	-	15,074
Lease liability	455,758	(40,265)	(28,985)	-	386,508
Others	44,798	99,963	3,343	-	148,104

Deferred ISR liability:					
Inventories	(1,379,557)	294,475	1,324	-	(1,083,758)
Property, plant and equipment	(904,007)	213,981	10,544	(7,990)	(687,472)
Right-of-use asset	(421,715)	39,039	27,976	-	(354,700)
Prepaid expenses	(74,625)	24,256	5,603	(11)	(44,777)
Intangible assets	77,419	148,169	(20,943)	-	204,645
Net deferred ISR asset (liability)	Ps. 478,886	Ps. 492,369	Ps. (107,229)	Ps. (7,303)	Ps. 856,723

	Balance as of December 2022	Recognized in profit or loss for the year	Other comprehensive income items	December 31, 2022
Deferred ISR asset:				
Effect of tax loss carryforwards	Ps. 375,790	Ps. 249,390	Ps. (21,069)	Ps. 604,111
Reserves and provisions	966,188	(23,063)	(20,845)	922,280
Advances from customers	190,547	10,631	(2,093)	199,085
Employee benefits	134,922	(14,739)	(1,367)	118,816
Simplified tax regime on purchases and sales	596,747	167,774	(1,512)	763,009
Income deferral	31,749	41,765	-	73,514
Derivative financial instruments	243	-	(243)	-
Deferred income for claim recovery	191,919	(191,919)	-	-
Lease liability	421,858	47,102	(13,202)	455,758
Others	23,235	20,458	1,105	44,798

Deferred ISR liability:				
Inventories	(1,081,051)	(299,234)	728	(1,379,557)
Property, plant and equipment	(1,039,283)	123,072	12,204	(904,007)
Right-of-use asset	(391,541)	(43,029)	12,855	(421,715)
Prepaid expenses	(109,140)	33,881	634	(74,625)
Intangible assets	(147,998)	226,849	(1,432)	77,419
Net deferred ISR asset (liability)	Ps. 164,185	Ps. 348,938	Ps. (34,237)	Ps. 478,886

f. Tax loss carryforwards

As of December 31, 2024, KUO has tax loss carryforwards, which will be indexed for inflation through the year applied or recovered, in the following restated amounts:

	Maturity	Tax loss carryforwards
	2028	Ps. 150,453
	2029	439,142
	2030	1,198,779
	2031	111,208
	2032	529,495
	2033	485,690
		Ps. 2,914,767

In determining deferred income taxes as of December 31, 2024, 2023 and 2022 the effects of tax loss carryforwards were included for Ps. 2,914,767, Ps. 3,515,496 and Ps. 3,294,936, respectively. In the determination of deferred income taxes as of December 31, 2024, 2023 and 2022 the effects of deferred tax assets related to the carryforward of tax losses not recognized amounted to Ps.899,890, Ps.1,545,089 and Ps.1,283,233, respectively, because Management believes it is unlikely that the benefits of such losses will be realized.

g. Tax consolidation:

ISR's liabilities relating to profit and fiscal consolidation were liquidated during 2023.

h. Reconciliation of income tax at statutory rate:

Following is a reconciliation of the statutory income tax rate and the effective rate on the income from continuing operations before income taxes:

	2024	2023	2022
Income tax at statutory rate	Ps. (561,097)	Ps. 4,648	Ps. 492,491
Add (deduct) the effect of permanent differences:			
Non-deductible expenses	Ps. 121,087	Ps. 88,533	Ps. 34,171
Non-taxable income		2,506	14,207
Inflation effect of deconsolidation deferred tax	(10,186)	(11,355)	(19,003)
Annual adjustment for inflation	184,791	190,095	374,405
Tax for restatement of tax items	(91,570)	(39,582)	(110,441)
Fixed asset restatement tax	(108,761)	(119,111)	(153,399)
Tax Loss Valuation Re-serve	640,734	101,191	(30,654)
Equity in results of joint ventures	(130,863)	(194,690)	(405,219)
Translation effect of foreign operations	35,757	(89,759)	49,347
Others	(38,216)	(31,566)	(13,690)
Effective rate	Ps. 41,676	Ps. (99,090)	Ps. 133,521

28. Costs and expenses by nature

Cost of sales, administrative expenses and selling and distribution expenses are comprised of the following:

	2024	2023	2022
Cost of sales:			
Direct cost of sales	Ps. 22,641,020	Ps. 23,158,679	Ps. 28,527,220
Salaries and employee benefits	3,831,819	3,437,629	3,407,126
Freight and transportation	356,558	342,169	424,091
Maintenance, fees and leasing	1,246,119	1,092,460	1,232,557
Electric power	539,465	482,863	480,048
Depreciation of right-of-use asset	131,248	125,777	132,352
Depreciation and amortization	2,025,657	1,467,996	1,575,634
Total	Ps. 30,771,886	Ps. 30,107,573	Ps. 35,779,028

	2024	2023	2022
Administrative, selling and distribution ex-penses:			
Freight and transportation	Ps. 1,350,447	Ps. 1,213,759	Ps. 1,336,986
Salaries and employee benefits	1,758,234	1,543,705	1,489,626
Advertisement and marketing	27,360	32,171	34,567
Depreciation, amortization and impairment	115,615	185,617	99,045
Depreciation of right-of-use asset	107,928	104,265	138,591
Export costs	130,901	155,642	179,393
Maintenance, fees and leasing	383,682	211,947	441,643
Electric power	78,621	77,573	69,656
General expenses	502,840	453,108	413,086
Total	Ps. 4,455,628	Ps. 3,977,787	Ps. 4,202,593

29. Other income and expenses

The other income item is composed as follows:

	2024	2023	2022
Recovery of property, plant and equipment claim	Ps. (34,519)	Ps. (6,735)	Ps. -
Recovery of inventory and other expenses claim	(89,003)	(21,898)	-
Recovery of Consequential Losses	-	-	(639,729)
Costs for property, plant and equipment claims	15,649	(997)	20,206
Costs for inventory claims and other expenses	9,880	1,796	13,512
(Profit) loss from sale of fixed assets	(55,137)	2,876	(237)
Others expenses (income), net	23	2	(338)
Total	Ps. (153,107)	Ps. (24,956)	Ps. (606,586)

30. Contingencies

- Some subsidiaries have lawsuits pending in their favor or against them as a result of the normal course of their operations. Such lawsuits involve uncertainties, and, in some cases, it is possible that they may be resolved against them. Although it is not possible to determine the amounts involved in the pending lawsuits, management believes that based on the elements known, any resulting liability would not materially affect the financial position or results of operations of the Entity or its subsidiaries.
- On September 28, 2021, Volvo Trucks filed an arbitration claim with the American Arbitration Association (AAA) against Tremec. The proceedings were conducted under North Carolina law.

On December 2, 2024, the Tribunal issued its Award, dissenting. Applicable law grants the parties 90 days to pursue any relevant objections.

The administration does not have sufficient evidence to estimate a favorable or unfavorable resolution of the pending legal actions against the Award. However, it considers that current insurance coverage is sufficient to cover the amount of the resolution issued by the Panel; therefore, only a guarantee provision corresponding to the deductible of the contracted insurance has been recorded.

31. Subsequent events

In January 2025, KUO completed the sale of its automotive aftermarket business to Frasle Mobility after obtaining regulatory approvals and fulfilling the terms and conditions agreed upon in the respective contract. The proceeds from this transaction will be used to strengthen the company's capital structure through debt prepayments, investments in strategic projects, and other corporate purposes.

32. Financial statement issuance authorization

The accompanying consolidated financial statements for the year ended December 31, 2024, were approved by the Deputy General Director of KUO Mr. Jorge Padilla Ezeta, on March 19, 2025; consequently, they do not reflect any events that occurred after that date, and they are subject to the approval of the Ordinary Stockholders' General Meeting of the Entity, who may decide to modify them in accordance with the provisions established in the Mexican Securities Law and the General Corporate Law. The consolidated financial statements for the years ended December 31, 2023, and 2022 were approved at the Ordinary General Stockholders' Meeting on April 22, 2024 and April 24, 2023, respectively.

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