

ELEMENTIA TODAY

STRONGER



MORE AGILE



MORE PROFITABLE



2020 ANNUAL REPORT



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ABOUT ELEMENTIA

Elementia is a leading company in the production and sale of a wide range of products used throughout the construction chain, and a reference in the industry, generating value in all its business segments.

With three business units—Cement, Building Systems and Metals—37 production plants in 9 countries and an extensive network of independent distributors, we offer a comprehensive platform of products which are sold mainly in the Americas, with some exports to Europe and Asia.

Our products and brands are recognized for their quality and advanced technology in all domestic and international markets. We are the largest fiber cement producer in Latin America, the second largest in the United States, and a leader in copper industrial products in Mexico.

TODAY WE ARE

STRONGER

With an extensive portfolio of high-quality products made according to the strictest standards, we have achieved significant brand presence in all the categories we are present. As true partners to our customers and distributors, we further strengthen our structure and earn their trust, generating increasing value.

MORE AGILE

With a simplified structure that reinforces and expedites local decisions with the support and oversight of central administration, we are able to take quick and timely actions, as appropriate to each market segment. This enables us to do business easily and simply, and expand business opportunities to our customers.

MORE PROFITABLE

A clear focus on efficiency, optimizing operations, keeping costs and expenses low and taking full advantage of all the resources available shored up our successful management, maximizing profitability across our product range and generating operating and administrative excellence.

MESSAGE FROM THE CHAIRMAN OF THE BOARD

2020 was a year marked by dramatic changes brought on by the COVID-19 pandemic, which posed challenges to public health and economies in our country and across the globe.

8%

GROWTH IN EBITDA
VS. 2019

Our people are our most valuable asset. That is why our priority was to protect the health and safety of all of them by applying the strictest sanitary measures. Most people from the administrative areas worked from home and plant personnel, especially those with specific risks or vulnerabilities, remained home.

But this terrible pandemic struck where it hurt the most. I deeply regret the loss of employees and board members, all of them beloved members of our Elementia family. We will miss them, but they will always be in our hearts and we will be forever grateful for their work and professionalism. I extend my most sincere condolences to their families and friends.

Financially, Elementia was able to face the situation responsibly, with flexibility and determination, and this brought positive results for the year. Despite global activity shutdowns in the first quarter, we reported higher sales, EBITDA and margins for 2020.

One key event during the year was the change of administration in the second half, which resulted in an organizational restructuring of the company. From the previously centralized management, we moved toward a more efficient, more agile de-centralized structure, focused on local capacities with the support and supervision of the central offices: the Chief Executive Officer, Chief Financial Officer and Head of Human Resources.



Francisco Javier
del Valle

Various other measures followed in the wake of this structural transformation: a closer focus on quality and customer satisfaction, lowering costs and expenses, limiting CAPEX to what was strictly necessary, pushing sales with higher margins instead of volume, enhancing profits and generating cash flow.

Because of the priority we place on environmental, social and governance issues, and because we support the United Nations Sustainable Development Goals, we adopted sustainable business practices to generate long-term value for all our stakeholders. These efforts earned us the Socially Responsible Company distinction for the tenth year in a row from the Mexican Center for Philanthropy (Cemefi).

In labor aspects, we strive to provide safe, dignified and stimulating working conditions to all our employees in support of their personal and professional advancement. In 2020, Elementia provided a total of 94,127 hours of training to its employees in all regions and at all levels, supported chiefly by

the flexibility that technological platforms provide for shortening learning times.

There is still much to do in order to capitalize on Elementia's strengths and make it an increasingly strong, agile and profitable company: its solid team of employees, its markets, and its tremendous potential. This was the motivation for the spinoff we first proposed in 2019, and for our continuing efforts to carry it through in order to optimize our financial situation.

I would like to close this message by thanking you all for the opportunity to serve as Chairman of the Board of Directors of Elementia for 21 years. Starting with the upcoming Annual Shareholder's Meeting to be held in April 2021, Juan Pablo del Valle will become Vice Chairman for Materials and Gerardo Kuri will be his counterpart for Cement. I will remain in my position as Chairman until the spinoff takes effect, at which point Juan Pablo and Gerardo will become Chairmen of those respective companies. We have the commitment of our senior management and board of directors to make sure this transaction is successful.

My deepest gratitude to all our employees, our management team, partners and suppliers, as well as our investors, for all their support during this phase of my career and for their unwavering support for Elementia's development.

Francisco Javier del Valle
Chairman of the Board of Directors

MESSAGE FROM THE CEO

I am very pleased to present these results for 2020, an atypical year globally, in which Elementia was able to generate positive results. Like other industries and countries, we faced health and economic challenges, but we were able to overcome them, first by caring for our people and second by working to temper the economic impacts.



WE REDUCED
INVENTORIES BY
MXN 616 M IN 2020

The effects of plant and market closures in our Latin American operations were evident starting in the first quarter of the year. But because construction was classified as an essential activity in Mexico, the US and Costa Rica, we were able to remain open, following the strictest safety protocols. With this, although we fell short of our volume targets, our sales were strong enough to give us a good year.

To offset the effects of the pandemic and remain in optimum financial condition considering the circumstances, we pursued the following initiatives:

- **Inventory reduction:** One priority during the year was reducing our inventories—mainly in Metals and in Building Systems in the United States. This strategy saved us MXN 616 million and freed up working capital.
- **Restricting CAPEX and working capital to the necessary minimum:** Investments were aimed at operating efficiency and quality improvements. For example, we bought lab equipment for process control, which saved money on reprocessing.

- **Sales:** Sales were redirected toward higher margins rather than volume, focusing on production of more profitable lines that were better positioned to raise prices and reorganize commercial conditions.

- **Cost and expense reductions, with goals for each business unit:** With these measures, practically all business units were able to lower expenses and increase sales, seeking out efficiencies and synergies. Furthermore, in the second quarter almost all of them not only met but exceeded their budget goals.

- **Profitability and cash flow generation:** The new focus on product profitability rather than sales volume resulted in higher cash flow.

In the Cement Unit, as operations remained open in all three countries where we have plants, we were able to continue serving customers, even operating at a distance. Another aspect that mitigated the impact was—as generally occurs during periods of contraction—more activity in the do-it-yourself construction business, so we prioritized sacking operations.

Another favorable aspect was the opening of a new plant in Progreso, Yucatán in September 2020, which added 250 thousand metric tons of annual cement capacity to our operations.

The Building Systems Unit meanwhile faced a more challenging



Jaime Rocha
Font

environment, because government restrictions were tighter in South America, and our plants in Ecuador, Peru, Bolivia and Colombia were shut down during three months. But taking advantage of the pickup in activity in the second half of the year, they were able to close the year with positive numbers.

In Metals, a change of commercial and operating strategy for the purpose of adding value to products and seeking growth in more profitable lines and market niches enabled us to turn this business around.

We took advantage of the pause in commercial activity to make some changes to our structure and processes so that, when the markets reopened, all our operations were ready to take opportunities and recover their pace, resulting in a good second half of the year. We empowered and strengthened the leader of each business unit, giving them more flexibility, and they responded by proving their entrepreneurial capacity. This also encouraged greater integration and synergies between the units in different countries, which have arisen naturally with the need to share targets and achievements.

161%

GROWTH IN CASH
SURPLUS, TO
MXN 5.14 B IN 2020

8%

GROWTH IN TOTAL REVENUES VS. 2019, TO MXN 28.04 B

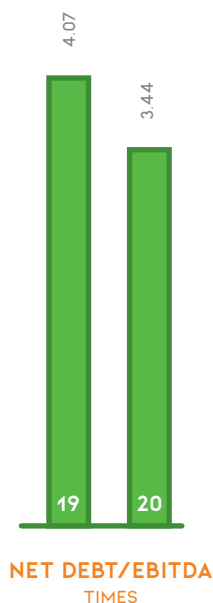


Total revenues grew 8% over the previous year, to MXN 28.04 billion; operating income was MXN 1.31 billion and EBITDA MXN 3.56 billion. The net debt/EBITDA ratio for the past twelve months was 3.44 times, an improvement of 1.7 times from the result for the first quarter of the year, when it was 5.14 times. Our interest coverage ratio was 2.81 times and cash flow before CAPEX was MXN 5.14 billion.

Our prospects for the future are good. We still have many challenges ahead of us, but we have stable businesses operating at full capacity, and others like Mexico, Ecuador and Bolivia with available production capacity, mainly in the Building Systems and Metals units, combined with a clear focus on results and, above all, a committed work team ready to improve on everything we have achieved this year.

We will continue on this path to making ourselves increasingly stronger, more agile and more profitable.

↓ 0.6x



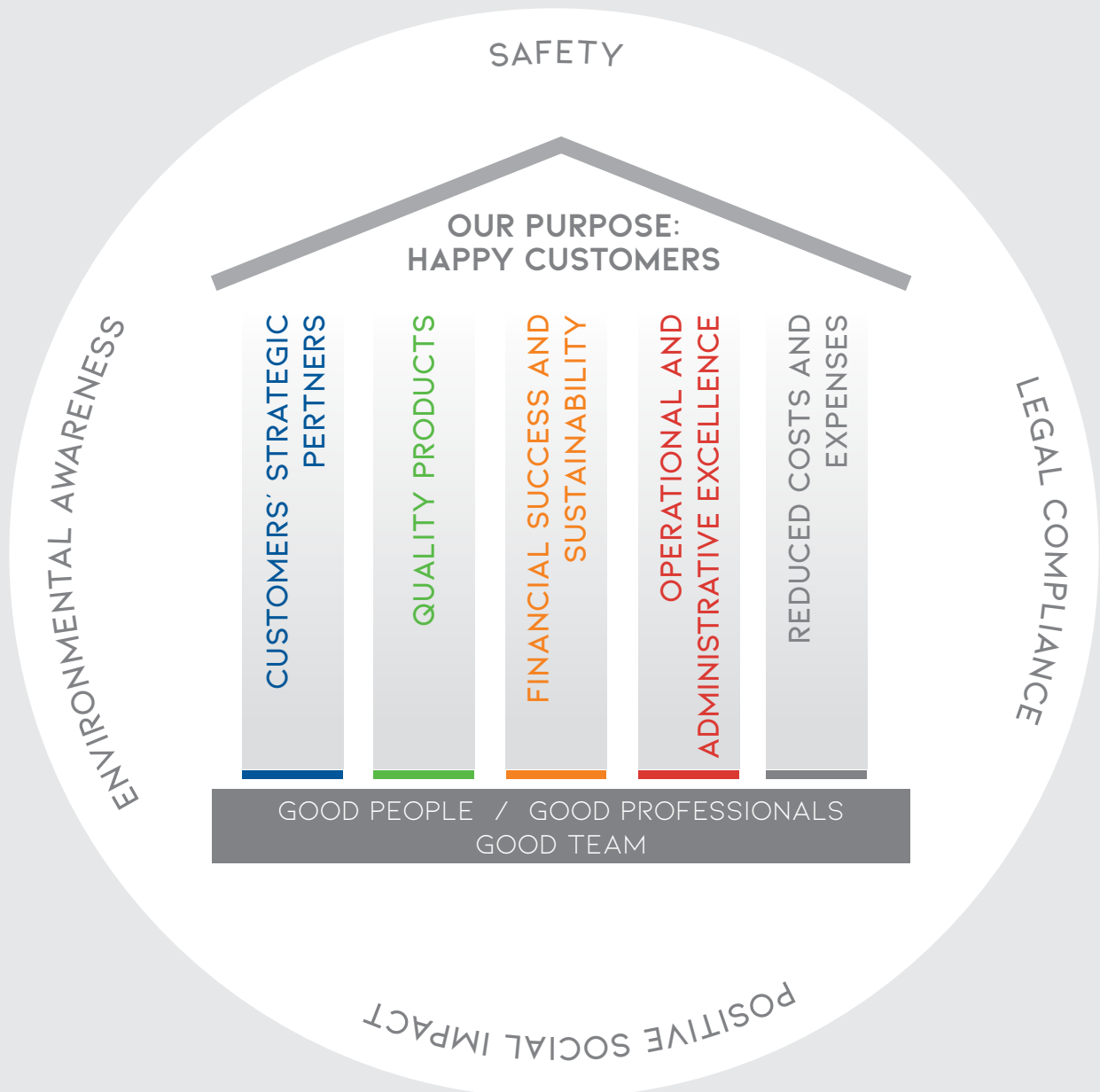
Also, taking advantage of the additional funds generated, we decided to pay off an international bond in advance, which improved our leverage, reduced our exposure to exchange-rate fluctuations and aligned our debt with our EBITDA generation. In addition to saving us around MXN 115 million in interest expense per year, this restructuring also improved our debt maturity profile, 67% of which is now at fixed rates.

This past year's strategies and financial achievements have earned the recognition of various rating agencies. S&P took us off its credit watch list, recognizing that the company is today in a more solid financial position.

Jaime Rocha Font
Chief Executive Officer

ELEMENTIA STRATEGY

STRONGER, MORE AGILE, MORE PROFITABLE

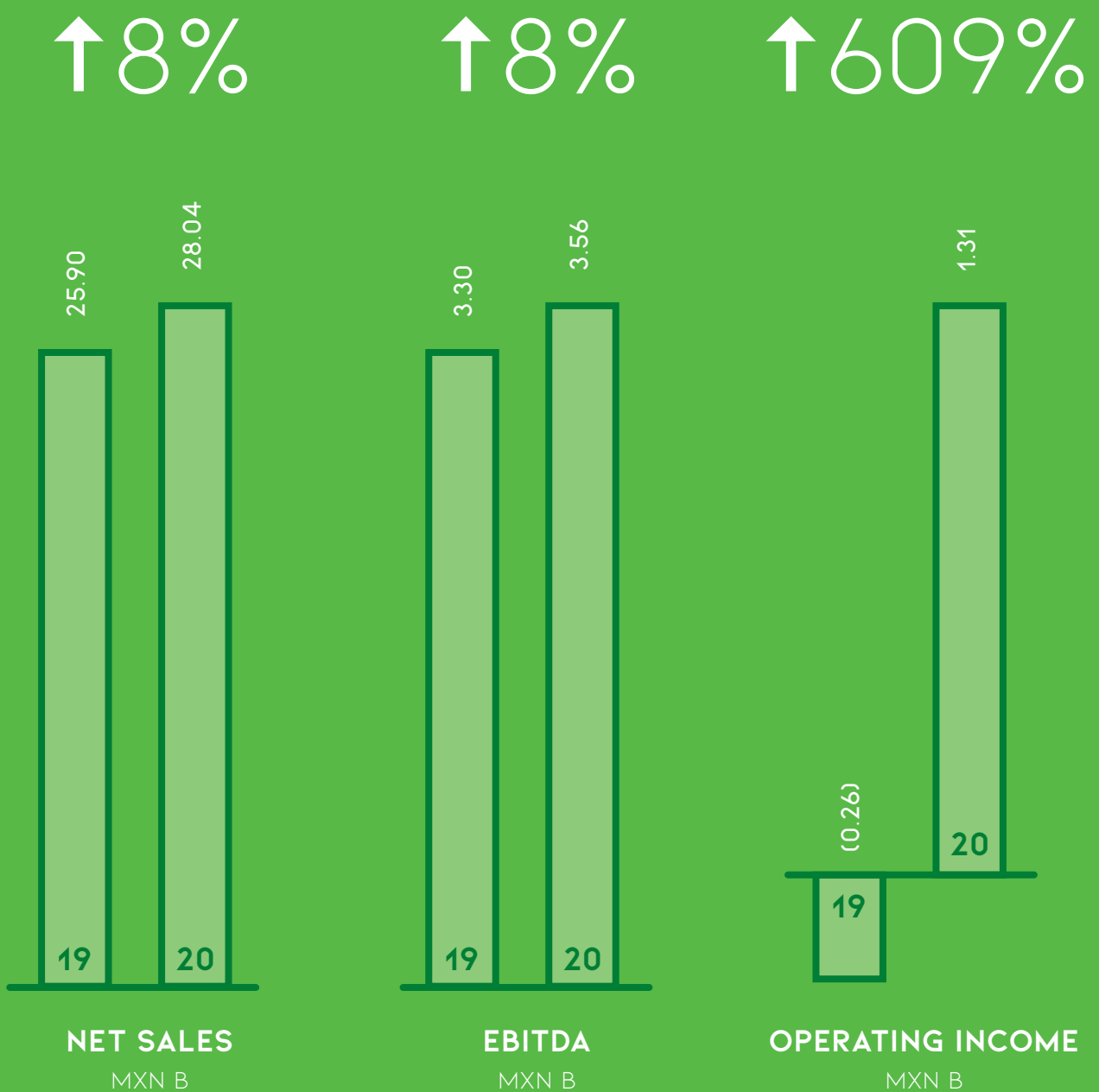


KEY FINANCIAL INFORMATION

	20	19	CHG
NET SALES	28.04	25.90	8%
GROSS INCOME	6.12	5.05	21%
CONSOLIDATED NET INCOME	(0.49)	(2.69)	82%
OPERATING INCOME	1.31	(0.26)	609%
EBITDA	3.56	3.30	8%
TOTAL ASSETS	50.11	48.19	4%
CASH AND CASH EQUIVALENTS	5.14	1.97	161%
CUSTOMERS, NET	3.31	3.09	7%
INVENTORIES, NET	4.54	5.16	(12%)
CURRENT ASSETS	17.70	15.04	18%
NON-CURRENT ASSETS	32.41	33.16	(2%)
TOTAL LIABILITIES	29.14	26.86	8%
CURRENT LIABILITIES	18.42	8.41	119%
LONG-TERM LIABILITIES	10.72	18.45	(42%)
SHAREHOLDERS' EQUITY	20.97	21.33	(2%)

Elementia, S.A.B. de C.V., in MXN billion, as of December 31, 2020 and 2019.

A marked improvement in efficiency and productivity, along with our cost and expense savings programs, sustained our results for the year.



ELEMENTIA AT A GLANCE

The quality and diversity of our products and the strategic location of our plants throughout the Americas give us unique strength in terms of synergies, distribution, and the capacity to serve our customers.



37 PLANTS

9 COUNTRIES

5,882 EMPLOYEES

\$3.56 EBITDA*

\$28.04 SALES*



*MXN billion

CEMENT MEXICO

Grey cement
White cement
Mortar
Concrete

CEMENT US

Grey cement
Slag cement

CEMENT CENTRAL AMERICA

Grey cement

BUILDING SYSTEMS US

Lap siding
Panels
Soffit and trims

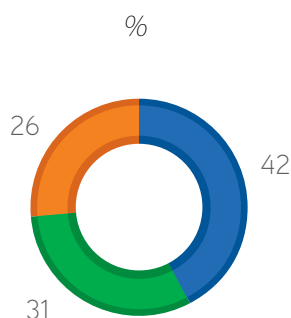
BUILDING SYSTEMS LATIN AMERICA

Fiber cement and plastic roofing, cement panels, water tanks, architectonic laminates, prestressed concrete, housing solutions

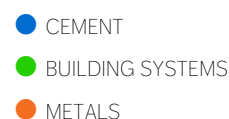
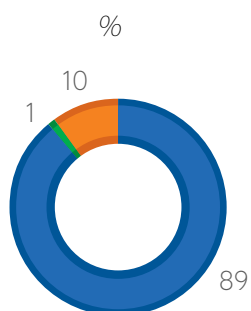
METALS

Copper alloy pipes for water and refrigeration; strips, wire and joints

SALES BY SECTOR



EBITDA BY SECTOR



4 cement plants
6 concrete plants
3.75 Mmt/year

Do-it-yourself and
processing segment in
Mexico

EBITDA: \$2.23*
SALES: \$5.61*



3 cement plants
2.8 Mmt/year

Concrete products
in the US east coast

EBITDA: \$0.82*
SALES: \$5.72*



1 cement plant
250 kmt/year

Do-it-yourself segment
in Costa Rica

EBITDA: \$0.12*
SALES: \$0.42*



3 plants

Wholesalers and builders
in the US southeast,
south-center and west
markets

EBITDA: \$(0.29)*
SALES: \$4.22*



17 plants

Do-it-yourself and
processing segment
in Mexico, Central and
South America, and
exports to more than
40 countries

EBITDA: \$0.33*
SALES: \$3.98*



3 plants

Mexican market and
exports to the US,
Europe and South
America

EBITDA: \$0.34*
SALES: \$7.45*



IN THE WORDS OF OUR BUSINESS LEADERS

The results obtained during the year were possible thanks to the commitment, skills and efforts of the leaders of each of our business units, who were responsible for implementing the strategies and initiatives defined to overcome the challenges of 2020 and generate new business opportunities. They share their vision and perspective.

“2020 was a key year for Cement Mexico, in which we were capable of adapting to the uncertainty caused by the pandemic and taking advantage of market opportunities. We have the confidence and the financial, operating and commercial discipline to keep up a good pace in 2021 and generate value for our shareholders, customers and suppliers.”

HIDEKI KAWAMURA CEMENT MEXICO



“When I came to Elementia in 2018 as CEO of Giant Cement, I faced various challenges, both personal and businesswise. But Elementia supported my vision and continues to support the growth and the direction I’ve given the business. In July 2020 I took on a greater responsibility as CEO of Elementia US, and once again, I had to face new challenges, but I know I will always have their full support, which is why we are committed to delivering results.”

TIM KUEBLER CEO ELEMENTIA US



“For Nacobre, 2020 was a year of challenges, but also of achievements. We took measures to adjust costs and expenses, and improve operating and financial metrics, thus succeeding in increasing EBITDA by 123%. Our aim in 2021 will be to gradually restore our volume, focusing on the more profitable markets and product families and consolidating the operating improvements to achieve the goals we set for ourselves.”

HUGO GÓMEZ METALS

“2020 was a year of challenges and adaptation in all senses of the word, and for us it was a valuable opportunity to reinvent ourselves and become more efficient. In a year marked by adverse conditions, we found the way to boost our sales and results by optimizing our resources. We set to work on restructuring, growing and seeking out new business opportunities and new customers, even launching new products on the market.”

GABRIEL PÉREZ BUILDING SYSTEMS MEXICO



“2020 was a year of great challenges for the region, due to plant closures caused by strict sanitary measures. Despite this, the second half of the year saw a significant recovery thanks to teamwork and a focus on results. We can say that we came out stronger to face 2021 with a more solid structure.”

MIGUEL RANGEL BUILDING SYSTEMS SOUTH AMERICA

“For Building Systems Central America, 2020 presented us with the opportunity to reinvent ourselves, to create a simpler business model, seeking to be closer to our customers to achieve results, regardless of the external conditions.”

JOSÉ LÓPEZ BUILDING SYSTEMS CENTRAL AMERICA



“In 2020, and despite the economic and public health difficulties, we consolidated our Fortaleza cement brand in Costa Rica. The distribution scheme we introduced was highly successful, mainly because of the excellence and quality of our commercial partners. Our cement has an image of high quality in all market segments, supported by an efficient production plant and first-class, one-on-one service.”

ENRIQUE ACOSTA CEMENT CENTRAL AMERICA

OUR PURPOSE: HAPPY CUSTOMERS

At Elementia, our goal is to provide excellent service to our customers. The concept of “happy customers” encompasses a fundamental aspect of our business philosophy: with the customer at the center of our efforts, we do everything we can to bring them value. This fundamental aspect, which is inherent to all our operations, is quality, which combined with factors like reliable supply, immediate business responses and excellent personal treatment, enables us to build long-term commercial partnerships.



11%

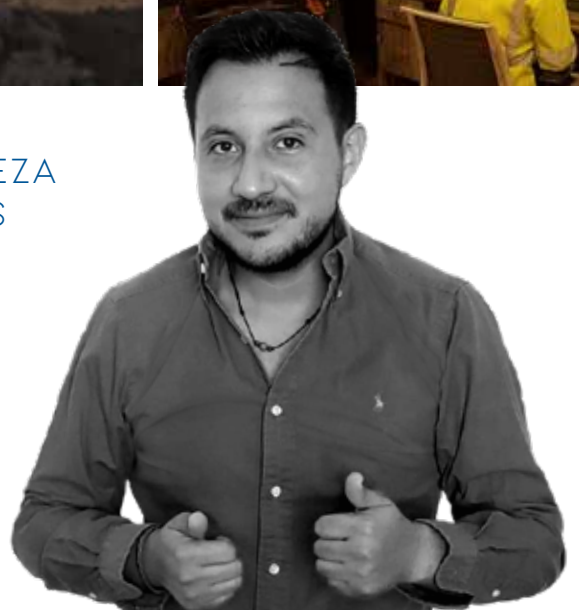
GROWTH IN PACKAGE
CEMENT SALES IN
MEXICO



"THE PATH TRAVELED WITH THE FORTALEZA FAMILY HAS BEEN FULL OF CHALLENGES BUT, ABOVE ALL, OF MANY SUCCESSES. FOR ME, THIS TRANSLATES INTO HAPPINESS."

Otto García

Customer, Ibai Consular





OUR STRATEGY IS
FOCUSED ON ADDING
VALUE TO DISTRIBUTION

SIMPLIFIED ORDER PROCESS

In Elementia US, our brands enjoy a solid position sustained by quality and trust, but the sales process was complicated. One of our customers, Knight's Concrete, told us that what they valued most in a supplier was the ease of doing business and excellent technical support. In response, we simplified our order process: a single waybill for the entire shipment, and an expert salesperson to provide optimum technical support. Today, Knight's is the second largest customer of Giant Cement.

WE GROW WITH OUR CUSTOMERS

We are the only company in the industry to offer our customers quality products for different market segments. We create strong distributors in every zone, with options for growth and profitable businesses. Choosing Fortaleza was a turning point for Adocreto de Puebla, because with our support, commercial and technical advice, it went from being a semi-industrial processing business to a business leader in the central and southern Mexican

markets, and one of the five top consumers of Fortaleza cement in the country.

EXPANDING OUR AREA OF INFLUENCE

With less than three years in the Central American market, our cement brands are very well positioned because of their high quality and extensive distribution. Our widespread acceptance in the Costa Rican market attests to their added value for customers and consumers. One example is our joint work with Fixur, a large and highly prestigious hardware business, where cement sales grew by 400% in a little over a year, extending its influence throughout the region.

A QUICK AND EFFICIENT RESPONSE

At Mexalit, we make roofing, water tanks, cement panels and paints. We are the second leading company in the highly fragmented water tank market, with a 15% share, and we also produce agricultural tanks and rainwater collectors. We are reliable suppliers, as proven in our role in the megaproject to build the new Santa Lucía International Airport.

Colorcel: a new paint line

With our experience in making paints for our panels, this year we launched a commercial line called Colorcel, with high quality and yield, and with 3, 5, and 10-year guarantees, which has been met with broad acceptance in the market.





PLYCEM IS THE ONLY
MANUFACTURER OF
FIBER CEMENT IN THE
REGION

Thanks to our efficiency and re-
sponse capacity, we were able to
supply 1,500 water tanks on a single
day's notice.

CONSTRUCTION WITH SOCIAL SENSIBILITY

The greatest competitive advantage
for Plycem is being the only local
manufacturer of fiber cement in
the region. Our high-performance
automated technology, 56-year
track record and sense of social
responsibility stand behind the high
value of this brand throughout Cen-
tral America. In El Salvador, during
the pandemic, we worked on 31 61
square-meter modules for hospitals
in that country, giving our employ-
ees a sense of social purpose.

ECO-FRIENDLY AND COMFORTABLE ROOFING

Eternit has been offering construc-
tion solutions for more than 77
years. We are leaders in every cate-
gory in the countries where we op-
erate, but light construction still has

a lot of opportunities to seize. With
the slogan: "Eternit, construction
in evolution," we have developed
polypropylene roofing made with
recycled fiber, which is a circular
economy and a more comfortable
alternative, transmitting less noise
and heat than zinc laminate.

DIFFERENTIATORS WITH VALUE

Two major advantages of the Metals
Unit products are their brand pres-
ence and the geographic distribu-
tion of Mexican manufacturing, from
which we export between 30% and
35% of our sales to other countries.
Although copper is a commodity
product, we are always seeking
differentiators that add value. For
example, we are the only manufac-
turers in Mexico of copper strip to
make coins, and of specialized pipes
for the medical industry.

ETERNIT PROVIDES
QUALITY PRODUCTS AT
THE CUTTING EDGE OF
THE MARKET



35%

OF METALS SALES
ARE EXPORTS

5%

GROWTH TARGET
FOR CEMENT
MEXICO IN 2021



"AT ELEMENTIA US WE NOT ONLY
WORK TOGETHER; WE TRUST EACH
OTHER, RESPECT EACH OTHER, AND
WE TAKE CARE OF EACH OTHER."

John Sims

Marketing, Elementia US

WE MAXIMIZE OUR POTENTIAL

With business strategies focused on high performance and meeting our goals, and on building synergies among all our operations, we have maximized our capacity to provide customers with an extensive product portfolio that meets their needs. Having thus optimized our operations through efficiency in all our processes, we are today better positioned to become the preferred suppliers of our customers and attract more market share.





COMMUNICATION AND CLEAR TARGETS

At Giant and Allura, we encourage constant communication within the team. All targets, initiatives and CAPEX must conform to the overall strategy and align with our success factors: to focus on investments that generate value and save on costs and expenses. The goal is a growing and more profitable business that generates value. The greatest challenge in this effort is to correctly allocate the capital obtained from our business results.

MORE CAPACITY IN CEMENT

The strategy for our Fortaleza cement brands has focused on expanding our network of distributors and our areas of influence, increasing our market share from central Mexico toward the northwest and south, in the Yucatán peninsula. For

2021 we have the goal of achieving a 5% increase in cement sales volume, maximizing operations at our plants in central Mexico and beginning the growth curve at our Progreso operations.

STRATEGIC LOCATION

The Fortaleza cement milling and packing plant near the port of Caldera, in Costa Rica, offers a strategic location for importing raw materials and it has also land access to leading markets in the country. The Plycem plant also gives us a very strong consumption base, complemented by exclusive distributors that have shown excellent performance. This should maximize our potential in this country.

LAUNCHING A UNIQUE PRODUCT

Under the slogan “adaptability and transformation,” during the year we expanded our portfolio with Cemroc, a cement panel that is unique in its market, weather-resistant, and easy and quick to install. With innovations like these and synergies between Building Systems Mexico, Central America and Allura, we will continue to expand our competitive advantages. From Mexico, we provide Cempanel to the United States, which they sell, along with products supplied by our Central and South American units.

250

KMT / YEAR
ADDITIONAL CEMENT
CAPACITY FOR
SOUTHERN MEXICO



CHALLENGED TO INNOVATE

With the strategy of offering quality products that meet certification standards and are highly profitable, at Building Systems Central America we want to be the best choice in light construction. And one of the challenges in the short term is to develop a quality product for the low-end segment, one that meets the needs of the do-it-yourself construction market.



OPPORTUNITIES IN NEW MARKETS

We focus on diversifying our portfolio and repositioning our technology while remaining leaders in every category in our markets. The Building Systems plants in Colombia are operating at full capacity, but we have growth opportunities in Peru, Ecuador and Bolivia, and are working to obtain BASC certification to export products to the American market.

FOCUSED ON QUALITY

Aware that quality is not inspected but produced, and that areas of opportunity must be detected, we assign each employee of the Metals business unit absolute responsibility for their part of the operation, in order to eliminate wasted time, material or administrative process; we concentrate on maintaining equipment and reactivating investment to improve their yield. We also improved the mix of raw materials, reducing our dependence on virgin material by incorporating a higher proportion of recycled materials.

BUILDING SYSTEMS CENTRAL AMERICA IS FOCUSED ON BECOMING THE BEST OPTION FOR LIGHT CONSTRUCTION

A MORE PROFITABLE METALS PORTFOLIO



Greater engagement with the customer to align our commercial strategy



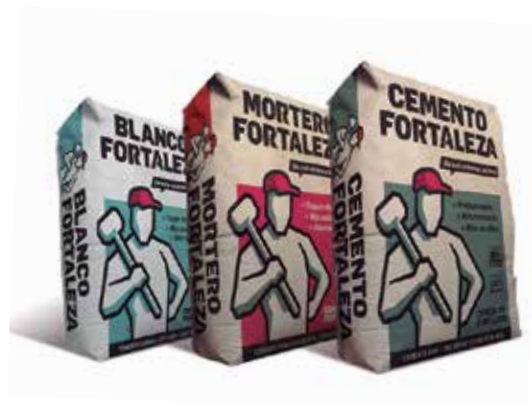
Modifying our price strategy



Rationalizing product lines and reducing SKUs

NO EXCUSES, JUST RESULTS

We have lived up to this Elementia principle with results that would not have been possible without the total commitment of our employees, the gears that kept the company moving ahead in this year of challenges. We took advantage of technological resources to be close to our customers and discover cheaper, quicker and more effective ways of doing business, proving that we are a team that knows how to adapt to any scenario.



7%

SALES INCREASE IN
BUILDING SYSTEMS
MEXICO



"THANKS TO PLYCEM, I'VE
SUSTAINED MY FAMILY FOR
30 YEARS."

Saúl Coto

Plycem Costa Rica



FACTORS DRIVING OUTSTANDING RESULTS

The results of Giant Cement have been impressive: over the past year, we increased sales 24% and operating income by 116%, besides reaching an outstanding margin growth of 400 base points. These favorable results were driven primarily by two factors: the commitment and disposition of our people, and a strong demand for housing.



PRIORITIZING JOB SECURITY

In our Central American cement operations, we prioritized the health and safety of our employees through measures and daily activities: reinforcement talks, contact with suppliers only through video or phone calls; follow-up of people who got the virus until they returned to work, and staggered working hours to space out entrances and departures. Our ongoing interest in their wellbeing is evident in the fact that there have been zero recorded accidents in the more than 1,050 days since we began operations.

OVERCOMING CHALLENGES

At Mexalit and Frigocel, despite the challenges and the business environment, sales grew 13% over 2019 and we almost doubled our profits in the second half of the year, primarily because of solid teamwork. Even with the temporary shutdown of the Santa Clara plant to protect people from contagion, with the resulting economic losses, we achieved a favorable final result in the second half.



IN MEXICO, WE PARTICIPATED IN THE MEGAPROJECT TO BUILD THE SANTA LUCÍA INTERNATIONAL AIRPORT, WHERE IN 2020 WE POURED 428,502 M³ OF CONCRETE

SUCCESSFUL STRATEGIC DECISIONS

Because the construction industry was classified as an essential activity during the pandemic in Mexico, operations did not stop. Furthermore, with strategic decisions, we had a good flow of prospective and new customers, and we maintained our market share despite the contraction in the market, sustained by do-it-yourself construction, which accounts for approximately 70% of consumption in Mexico.

OUR PEOPLE'S COMMITMENT WAS FUNDAMENTAL TO THIS YEAR'S OUTSTANDING PERFORMANCE

PROJECTS WITH FUTURE

It was a complicated year for Building Systems Central America. The shutdown of plants during COVID-19 was compounded by the effects of two hurricanes that hit Honduras, El Salvador and Nicaragua, and strict sanitary measures in El Salvador and Panama. Despite these challenges, we completed a project for two hospitals in Nicaragua, which will represent sales of 1,600 metric tons for 2021 and, in El Salvador, we closed the specification for the construction of five mega-markets.

AHEAD OF COMPETITION

With operations closed for three months in Colombia, Peru, Bolivia and Ecuador, Building Systems South America had a challenging second quarter. The outlook began to change as soon as we were able to reopen and return to an average capacity of 60% to 80%. In Bolivia, we offset the entrance of competing products from Brazil and, in Ecuador, we remained the preferred suppliers over Colombian competitors. We had a very positive second half of the year, so we were able to close out 2020 with very strong numbers.



SPECIFICATION
PROJECTS DROVE
RESULTS IN BUILDING
SYSTEMS CENTRAL
AMERICA



A BUSINESS TURNAROUND

After a challenging second quarter, in Metals we took drastic measures to prompt business recovery, like making organizational and structural changes. Beginning in August, and with this structure, we designed a new business strategy and prioritized financial discipline. With this, we succeeded in improving operating cash flow and positive financial results.

+77%

GROWTH IN
OPERATING INCOME
IN ELEMENTIA US



"I AM RESPONSIBLE FOR THE
DECISIONS I MAKE, AND I CARE
FOR THE COMPANY'S RESOURCES
AS IF THEY WERE MY OWN."

Tito Orellana
General Manager, Bolivia



OUTSTANDING PERFORMANCE

The combined performance of our employees and our customers brought excellent results in 2020. To offset the challenges of the year—supply problems and impacts on our markets, among others—and turn around the numbers for the first two quarters of the year, we introduced measures to control costs and expenses, focusing on increasing sales, efficiency and productivity.



IN A YEAR FILLED
WITH CHALLENGES,
WE GENERATED
OPPORTUNITIES
THAT BROUGHT US
EXTRAORDINARY
RESULTS



CONSTANT GROWTH

The operating, sales and financial performance of Cement US was very strong in 2020. Compared to 2019, profits were up 116%, sales and volume increased by 24% in a market depressed by the conditions of the year. Production grew by 16% with lower costs. This combination enabled Giant to increase its EBITDA by 72%, and to almost double its sales volume.

ASSEMBLING PRODUCTIVE CHAINS

With a focus on working capital, we at Cement Mexico tried to integrate our suppliers into more efficient production chains in order to extend their terms and generate liquidity. Key factors like teamwork and the capacity to adapt yielded positive

results: sales volume rose 8% and EBITDA 8%. We kept close track of operations and sales, placing top priority on customer satisfaction.

KEY ACHIEVEMENTS

Cement Central America had an excellent year: we generated positive profits and cash flow month-to-month, overcoming external effects like exchange-rate fluctuations and economic contraction. EBITDA for 2020 was 11% better than the previous year, and we significantly reduced production and administrative costs, generating a 6% increase in operating income.

DISCIPLINED INVESTMENT

Building Systems Mexico reported a sales increase of 7%. This was made possible by teamwork and well-targeted investments in capacity expansions and growth, like the acquisition of new equipment and production adjustments. At Frigocel, investment was aimed at avoiding outsourcing, which brought substantial savings.

24%

GROWTH IN CEMENT
SALES IN THE US



IN GIANT AND ALLURA WE KEEP ON WORKING TO DRIVE COMPETITIVE ADVANTAGES AND PROFITABILITY

IMPROVED OPERATING EFFICIENCY

With stronger operating performance, efficiencies and resource control, Building Systems Central America reduced production costs by 16% in our plants in El Salvador and Costa Rica. Operating income hit a six-year high (13% of sales) while general and administrative expenses reached a three-year low of MXN 195 million, and the best indicator of working capital: a reduction of MXN 160 million.



CAPITALIZING ON AREAS OF OPPORTUNITY

During the year we began rethinking our business, re-assessing administrative positions and carefully analyzing the profitability of each plant. We also focused on social responsibility activities and participated in a rural housing program—the construction of 10,000 homes—that will be developed by the Colombian government in the next two years.

FEWER SKUs, MORE PROFITS

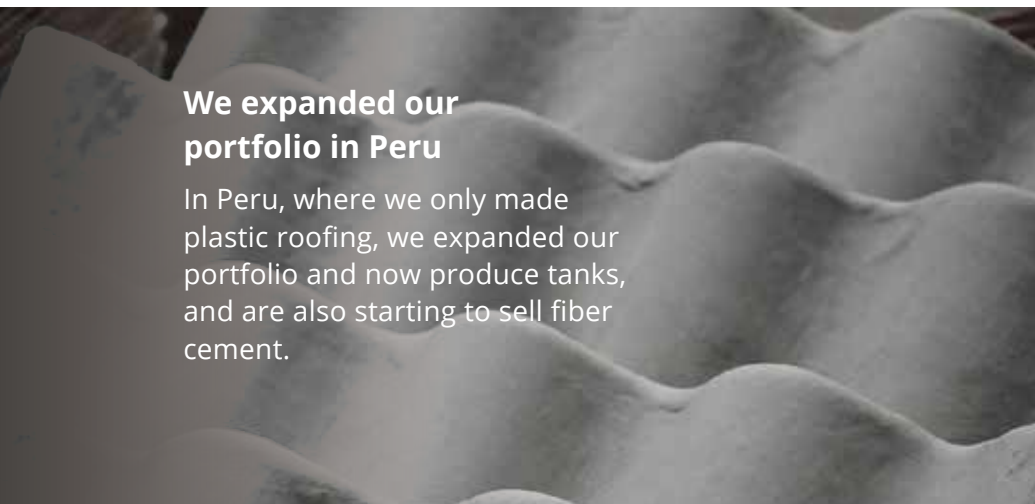
During the year, we focused on a financial overhaul of our Metals unit, laying the groundwork to restore profitability. In the export market—basically industrial—we identified niche segments for laminates with special alloys, cuts and differentiated calibers. In the domestic market we have a strong opportunity in joints and accessories. We aligned our commercial strategy by getting more involved with our customers and adjusted prices, rationalizing products and reducing SKUs to achieve a more profitable portfolio.

JOINTS AND ACCESSORIES ARE AN ATTRACTIVE MARKET IN MEXICO



We expanded our portfolio in Peru

In Peru, where we only made plastic roofing, we expanded our portfolio and now produce tanks, and are also starting to sell fiber cement.



A SUSTAINABLE BUSINESS MODEL

Amid a rapidly-changing global environment, and guided by the highest environmental, social and governance standards, Elementia pursues innovation-based solutions in order to continually incorporate sustainable business practices that benefit all our stakeholders. We try to create conditions for employees that support their professional and personal development. We believe in the strength of our team and in their capacity to continue imagining and creating an environment, and an Elementia, that is better every year.



+94_k

TRAINING
HOURS TO OUR
EMPLOYEES



"WE OPERATE THROUGH ACTIONS
THAT GENERATE SOCIAL,
ENVIRONMENTAL AND ECONOMIC
VALUE. WE ABIDE BY ALL THE LAWS
AND STANDARDS THAT REGULATE US."

Ademar Iriarte

Head of Production, Bolivia



WE HAVE THE HIGHEST INTEGRITY AND ETHICAL CONDUCT STANDARDS

REDUCING OUR CARBON FOOTPRINT

Environmental sustainability is a key priority in our operations. With Waste Fuels, we reduced our carbon footprint and avoided sending waste to landfills. At our cement plant in Harleyville we use 60% alternative fuels, and in 2021 we expect to reduce our use of coal to zero, while doubling our use of natural gas.



WE REDUCED OUR CARBON FOOTPRINT BY USING WASTE AS FUEL

COMMUNITY ENGAGEMENT

We create a value chain and economic spillover by creating formal jobs where people from the community benefit directly and indirectly—suppliers of transportation and sundry services, and contractors. We also promote social development through outreach and cooperative action under our Community Involvement Program, establishing respectful and mutually beneficial relations with open channels, taking into account local

culture and customs, contributing to autonomous self-development, maintaining dignified, collaborative dealings and listening and providing clear answers to concerns and grievances.

ADVANCES IN ENERGY EFFICIENCY

In Cement Central America, one major achievement in 2020 was earning accreditation in Efficient Energy Use by the Costa Rican Technical Standards Institute (Inteco)—the first company in the country to do so—which gives us access to a preferential electrical rate, which resulted in electrical cost savings of 37%.

SUSTAINABLE BENEFITS

The Steelframing system has a number of sustainable benefits: minimal water consumption because it is a dry process; reduction of project waste by up to five times compared to a traditional construction system; and 75% less material to transport, reducing CO2 emissions. We are also venturing into





LIGHT BUILDING
SYSTEMS GENERATE 2%
LESS WASTE ON SITE VS.
20% FROM TRADITIONAL
CONSTRUCTION
SYSTEMS

the use of recycled fibers, and now incorporate a greater percentage of these into our roofing.

RESPONSIBLE WATER STEWARDSHIP

All of Plycem's operations have wastewater treatment plants, and what used to be swamps in the adjoining land is now a system of lagoons that sustain tilapia and geese. We promote water awareness programs in our administrative offices and among our employees so they can apply them at home. During the pandemic, we supported the municipality of Ilopango with a supply of fresh water.

WASTE-FREE PRODUCTION

Our products generate practically no waste, and what little it does produce is returned to the process. We also have optimum water management—we have no discharges, because all water is recirculated and reincorporated into our processes.

MORE TRAINING, BETTER RESULTS

Aware that a business strategy can only be successful with committed people, and also perceptive about training needs, in Metals we promoted the advancement of our people last year with opportunities for improvement and a sense of belonging. We provided training to 231 employees through digital media.



70%

OF THE RESIN WE
USE IS RECYCLED



IN 2020, LEÓN AND
LIGA DEPORTIVA
ALAJUELENSE TEAMS
WON THE TITLE IN THEIR
RESPECTIVE LEAGUES



WE SPONSOR SUCH WELL-
ESTABLISHED SOCCER CLUBS AS LEÓN
AND PACHUCA, IN MEXICO, AND LIGA
DEPORTIVA ALAJUELENSE, IN COSTA
RICA. AND THROUGH THEM WE GET
CLOSER TO AND IDENTIFY WITH OUR
CUSTOMERS.



WE ARE A GREAT TEAM

Through the sponsorship of popular teams, we associate our brands with winning soccer teams. This allows us to get closer to our customers in the do-it-yourself construction sector, for whom the love of this sport is one of their greatest entertainments. We are present in their daily work with products of the highest quality and we accompany them in their moments of joy by sharing the triumphs of their favorite teams.



INTERVIEW

WITH OUR CFO



María de Lourdes Barajas

María de Lourdes Barajas, our Chief Financial Officer, shared with us her reflections on this complex year in which Elementia was able to overcome the challenges in its environment, and position itself as a strong, solid and profitable company, with outstanding results derived from the commercial, operating and financial strategy implemented during the year.

Q: What were the strategies that Elementia applied during the year to obtain these excellent results?

A: Our strategies were focused basically on quality and profitability. The first in order to strengthen our position and prioritize the satisfaction of our customers and, with this as the basis, we defined various measures, among them optimizing working capital, reducing the cost of goods sold, diversifying and rationalizing our products, seeking out greater synergies between our businesses and prudently managing our finances.

Q: Can you tell us how you optimized working capital?

A: This was a year in which the main focus was to slim down operations. We implemented a policy of looking basically for profitability and not only volume. To make the most efficient use of available resources, we analyzed the profitability of every product and eliminated SKUs for which demand was scant or margins very low. One priority was to reduce inventories, particularly at Metals and Building Systems.

+8%

IN SALES AND EBITDA
DUE TO CHANGES IN
OUR COMMERCIAL
STRATEGY, AND
AN EXCELLENT
PERFORMANCE

We also invested in improving operating processes to boost the production capacity of our current plants, many of which still have room for growth. And in the plants that are working at full capacity—Tula, Vito and El Palmar in the Cement Mexico unit, for example—our goal was to increase efficiency, eliminate redundancies and avoid errors that result in additional costs.

Q: How did you succeed in reducing the cost of goods sold?

A: We analyzed the product supply chain, looking for the best quality inputs at the lowest price. Another important factor was our use and optimization of energy resources, for the purpose of lowering overhead for each productive plant. By reducing costs and expenses and making the most efficient use of the resources available, spending only on what was strictly indispensable, we were able to turn the year's results around.

Q: What were your priorities for CAPEX?

A: As I mentioned, during the year we cut back on CAPEX, investing basically in maintenance and plant efficiency to ensure impeccable quality and standards in all our products. For example, we invested in laboratories for various plants to check that there were no variations in inputs or results, and this clearly drove an improvement in customer satisfaction.

Q: Around mid-year Elementia was reorganized. What effects did this have on the results?

A: By simplifying corporate functions, with strong and empowered local teams in each business, in each country, each of them focused on results. The change was immediately evident, and more synergies were generated between all the operations. The resulting reduction in administrative expenses was one of the most important factors in this year's results.

Q: What was the impact of the deleveraging strategy?

A: At the close of 2020, based on the success of our financial strategy, which enabled us to accumulate a cash surplus of MXN 3 billion, the Board of Directors approved the prepayment of a senior note totaling USD 425 million and a debt restructuring strategy. To do this, besides the cash surplus, we took out two medium-term bilateral credits and a short-term bridge loan with an issue of securities certificates, raising a total of MXN 6 billion.

The debt restructuring enabled us to keep aligned our foreign-currency revenues and our dollar debt, respectively. The leverage ratio (net debt to EBITDA) at the close of the year was 3.44 times and the interest coverage ratio was 2.81 times.

Q: What are the prospects for strengthening the capital structure and financial flexibility in 2021?

A: For 2021, we will be evaluating different debt restructuring options, which include going back to the international market if conditions are attractive. We also hope to reduce leverage to 2.81 times by the close of the year, and raise interest coverage to 4.65 times. In fact, S&P took us off the credit watch list on which we had been placed in 2019, recognizing the company's strong recovery and lower short-term liquidity risk.

Q: Finally, what is the financial outlook for 2021?

A: We will continue to focus on the profitability of our entire product range and on optimizing costs and expenses, and further improving working capital. To achieve this last objective, we recently took out a financing line through the international Development Bank (IDB) to extend our payment terms and benefit our suppliers. As a result, we have a stronger cash position and if this situation remains over time, we will continue paying down our debt and generating increasing value for the company.

MD & A

Results for the year ended December 31, 2020 compared to those for the year ended December 31, 2019

Based on appropriate decisions, strengthening sales, a strong operating process discipline, reducing general expenses in our administrative areas, improving working capital and generating substantial cash, we achieved extraordinary results that enabled us to begin deleveraging our balance sheet and to significantly improve our debt levels.

"THE ETERNIT BRAND IS OUR MOST PRIZED ASSET, AND WE HAVE TRAVELED A VIBRANT PATH TO REPOSITION OUR IMAGE."

Karina Morales

Marketing Manager, Eternit Colombiana



NET SALES

Net sales totaled MXN 28.04 billion in 2020, an 8% increase over the MXN 25.90 billion reported in 2019, primarily driven by higher sales in Mexico (33%), the United States (28%) and Latin America (32%), thanks to a focus on higher value-added products and a gradual recovery of demand in the second half of the year.

OPERATING INCOME

Operating income totaled MXN 1.31 billion, an excellent result for the year and a 609% increase over the previous year. This increase was due mainly to a higher sales volume and the success of the cost and expense optimization strategy begun in all of Elementia's business units.

EBITDA

In 2020 our consolidated EBITDA grew 8% (to MXN 3.56 billion, from MXN 3.30 billion in 2019). This can be attributed to a higher sales volume, strict cost and expense controls, and a workforce restructuring in the second half of the

year. By business unit, Metals and Cement US were the main EBITDA generators, with 123% and 72%, respectively.

FINANCING

Our net total financing cost at the close of 2020 stood 9% lower than the year before, due to lower interest expense, exchange-rate volatility and foreign-exchange gains on the reasonable value of hedge positions.

CASH FLOW

Cash flow before capital expenditures was equivalent to 35% of EBITDA at the close of 2020, compared to 29% in the same period of 2019. This was mainly because of higher sales, working capital optimization and lower financing cost.

We followed a consistent strategy of cash flow maximization throughout the year, which reduced CAPEX by 28% from 2019. In 2020, new financing was taken out equivalent to MXN 1.93 billion.

609%

INCREASE IN
OPERATING INCOME
VS. 2019

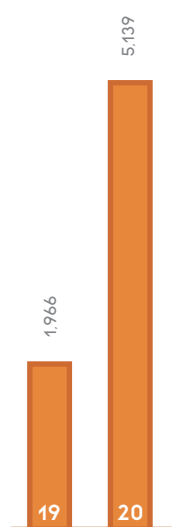


↑8%



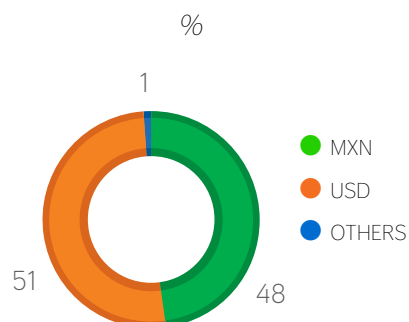
EBITDA
MXN M

↑161%

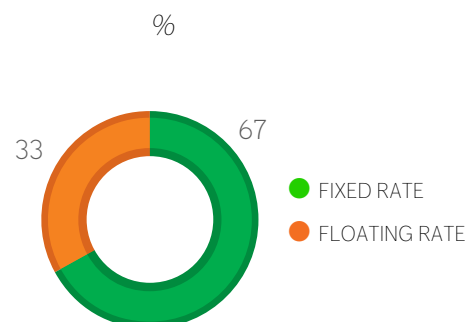


**CASH AND CASH
EQUIVALENTS**
MXN M

DENOMINATION OF DEBT



INTEREST RATES



INFORMATION ON THE DEBT

Elementia's total debt rose by 13% last year, mainly because of exchange-rate volatility and our decision to take out a revolving line of credit for working capital in the Metals unit. We also obtained two loans totaling MXN 88 million for our operations in Latin America.

At the close of 2020 Elementia's net debt had been reduced by MXN 1.16 billion, based on the company's solid cash position as of that date. In our short term debt we made advance payment of a senior note totaling MXN 8.48 billion, and Nacobre's MXN 1.84 billion revolving line of credit. Our debt maturity profile is very convenient, and 67% of it is at fixed rates.

RESULTS BY BUSINESS UNIT

CEMENT

Mexico - In 2020, consolidated sales and EBITDA for this business unit grew 15% and 3%, respectively. The segments that contributed the most were do-it-yourself construction and precast products.

United States - Cement US performed extraordinarily well in 2020. Net sales grew steadily at a rate of 24% with operating income 116% higher and EBITDA up 72% over 2019, to MXN 816 million. These results were due to a market driven by a recovery of demand, which increased our sales volume, and an effective, resilient operation, focused on optimizing the cost of goods sold and operating expense.



Central America - Despite the complex environment and demand dampened by market contraction, our Central American operations reported an 11% EBITDA growth in the consolidated annual total, supported by a focus on profitability and lower cost of goods sold.

BUILDING SYSTEMS

United States - Although net sales for Building Systems US were affected by the slowdown of market demand, they were still 14% higher than the year before.

Latin America - Sales were up 1% in 2020, but EBITDA sank 16% because of the temporary shutdown of plants in the first half of the year.

METALS

2020 was a year of transformation for Nacobre, which focused on higher-value products and a change in its pricing strategy, both of which were reflected in a remarkable 123% growth in EBITDA compared to 2019.



35%

CASH FLOW OF
EBITDA, COMPARED
TO 29% THE YEAR
BEFORE



"SUCCESS IS MADE UP OF BIG DREAMS,
DISCIPLINE, AND PASSION IN THE WAY WE
DO OUR JOBS."

Guadalupe Fernández Chávez
CNC Machining Operator, Nacobre

CORPORATE GOVERNANCE

At Elementia, we are firmly committed to abiding by all the laws and regulations in effect in every country where we operate, which has earned us the trust of our stakeholders. Furthermore, as a company whose shares are listed publicly on the Mexican Stock Exchange (BMV), we are aware of our responsibility to shareholders and the investing public.

Accordingly, our corporate governance guidelines stipulate that the information we publish on our finances and issues relating to company leadership and management—financial reports and notices submitted to the BMV—contain a full, clear, precise, timely and comprehensive statement about the company.

We have an active, independent and well-informed Board of Directors, which is at the heart of our corporate governance practices, and which is responsible for overseeing the proper functioning of the management team and protecting shareholders' long-term interests, sustained by policies and procedures that confer upon them the necessary authority to review and evaluate group operations.

Elementia's Board of Directors is made up of seven regular members, three of them independent, who have the broadest faculties for all operations in pursuit of the company's corporate purpose, such as setting the strategy, defining internal guidelines and policies on the business and approving transactions when so stipulated in our corporate bylaws, except for those reserved expressly for the Shareholders' meeting.

We also have an Audit and Corporate Practices Committee, whose job it is to evaluate the internal control and internal audit systems to detect any deficiencies at Elementia or its subsidiaries; to follow up on corrective or preventive measures adopted to deal with any breach of the financial and operating guidelines and policies, as well as legal compliance and technology matters; to evaluate performance of external auditors; to describe and evaluate the services of external auditors not related to the internal audit; to review the financial statements; to evaluate the effects of any change in the accounting policies approved during the fiscal year; to follow up on measures adopted in response to observations by shareholders, board members, senior executives, employees or outside parties regarding

the company's accounting, internal control and internal and external audit systems, and to address any complaint of irregularity in management, including those reported by anonymous and confidential channels for employee grievances; and to ensure that the resolutions passed in general shareholders' meetings and by the Board of Directors are executed.



Our corporate
governance is
sustained by an active,
independent and well-
informed Board of
Directors.

BOARD OF DIRECTORS

CHAIRMAN

Francisco Javier del Valle Perochena	Propietary
--------------------------------------	------------

REGULAR BOARD MEMBERS

Juan Pablo del Valle Perochena	Propietary
Tomás Espinosa Braniff Céspedes	Independent
Gerardo Kuri Kaufmann	Related
Alfonso Salem Slim	Related
Antonio Gómez García	Related
Juan Rodríguez Torres	Independent
Ernesto Moya Pedrola	Independent

SECRETARY

Juan Pablo del Río Benítez

AUDIT AND CORPORATE PRACTICES COMMITTEE

Juan Rodríguez Torres	Chairman
Ernesto Moya Pedrola	
Tomás Espinosa Braniff Céspedes	

MANAGEMENT TEAM

Our management team, made up of individuals with extensive experience in their respective areas, enabled us to overcome the current challenges and achieve favorable results for both the business and our stakeholders.

JAIME ROCHA

CHIEF EXECUTIVE OFFICER

Joined Elementia as CEO of Cementos Fortaleza in January 2015 and later headed the Cement Division after the acquisition of GCHI, leading domestic and international growth. He was appointed CEO of Elementia in 2020. He has a degree in Civil Engineering from the Pontificia Universidad Católica de Chile, with 30 years of experience in the construction industry. Before Elementia he held various management positions with Holcim for 23 years. He has postgraduate degrees in high-level management from ULB in Belgium, IMD Business School in Switzerland and IPADE in Mexico.

HUGO GÓMEZ

BUSINESS UNIT LEADER FOR METALS

He assumed his current position at Elementia in 2020, after a 35-year career in high-level management positions at Condumex. Hugo Gómez has a degree in Industrial Engineering from the Universidad Autónoma Metropolitana, with specialization courses in Finance from the Universidad de las Américas Puebla and in High-Level Management from IPADE.

HIDEKI KAWAMURA

BUSINESS UNIT LEADER FOR CEMENT MEXICO

Joined Elementia in 2015 as Chief Commercial Officer of Cementos México. In 2020 he was promoted to Business Unit Leader for Cement Mexico. With 17 years of experience in the industry, he formerly worked at Grupo Industrial Lala and as Commercial Manager for Cemex. He has an undergraduate degree in Industrial and Systems Engineering from ITESM and a specialization in Leadership and Management in Global Economics from Harvard University, as well as an MBA from IPADE.

TIM KUEBLER

CHIEF EXECUTIVE OFFICER, ELEMENTIA US

With a long 35-year history in the industry, which includes positions at Lehigh Cement, Builders Concrete and Titan America, he joined Elementia in 2017 as a director of Giant Cement and, in June 2020 he was appointed Chief Executive Officer of Elementia US. He holds a BA in Business Administration and Industrial Marketing from the University of North Texas and an MBA from James Madison University.

ENRIQUE ACOSTA

BUSINESS UNIT LEADER FOR CEMENT CENTRAL AMERICA

Began as an independent consultant to Elementia in 2008. In 2019 he joined the company as Business Unit Leader for Cement Central America. He is a graduate of the University of Costa Rica, where he received a degree in Chemical Engineering. He has a Master's in Business Administration from INCAE and a specialization course in cement in Spain.

GABRIEL PÉREZ**BUSINESS UNIT LEADER FOR
BUILDING SYSTEMS MEXICO**

Joined Elementia in 2020 as Business Unit Leader for Building Systems Mexico. He has 25 years of experience in management positions with various companies, like Saint-Gobain Mexico, Knauf, Stanley Black & Decker and Sherwin Williams, among others. He has an undergraduate degree in Business Administration from the University of Texas at Austin, where he also received a Master's degree in the same field.

JOSÉ LÓPEZ**BUSINESS UNIT LEADER FOR
BUILDING SYSTEMS CENTRAL
AMERICA**

Came to Elementia in 2017 with 18 years of experience in companies like Cemex, ICA Infraestructura and Autopistas Michoacán and, since 2017, he has held his current position. He has an undergraduate degree in Civil Engineering from the Universidad Iberoamericana, with Master's degrees in Administration and Finance from ITESM and in High-Level Management from IPADE.

MIGUEL RANGEL**BUSINESS UNIT LEADER FOR
BUILDING SYSTEMS SOUTH
AMERICA**

Has been with Elementia since 2018. He has 27 years of experience in management with 3M and Knauf, among other international firms. He has an undergraduate degree in Economics from the Universidad del Rosario, and a Master's degree in International Administration and Marketing and an MBA from the University of St. Thomas.

KEVIN POTTHOFF**BUSINESS UNIT LEADER FOR
ALLURA**

He joined Elementia in 2014 as Director of Key Accounts and, in 2019, was promoted to Director of Sales for Allura. As of 2021 he was appointed Business Unit Leader for Building Systems US. He studied Business Administration and Finance at Auburn University.

MARÍA DE LOURDES BARAJAS**CHIEF FINANCIAL OFFICER**

Joined Elementia in 2014 as Financial Comptroller for Cementos Fortaleza and in 2020 she was promoted to Chief Financial Officer for Elementia. With 18 years of experience in the industry, she previously worked at Lafarge leading various departments such as Internal Control, Plant Comptrollership and Accounting and Financial Information Reporting. She has a degree in Public Accounting from Universidad La Salle, a Master's degree in High-Level Management from the Escuela Bancaria y Comercial, and specialization courses in Taxes, from the College of Public Accountants, and in Corporate Finance, from ITAM.

JOSÉ RAMÓN GÓMEZ**HEAD OF IT**

Joined Elementia in 2011 as Head for Systems and Infrastructure, with a track record of more than 10 years in various management positions at Grupo Modelo. He has a degree in Informatics from ITAM, with specialization courses in Administrative Informatics from INTELMEEX and Executive Circle from IPADE.

LUIS ANTONIO GARCÍA**HEAD OF INTERNAL AUDIT**

Came to his current position at Elementia in 2013, with 31 years of experience in the financial area, mainly in internal audit but also in finance. He has worked at companies such as Ernst & Young, Productos de Maíz-Unilever, Philips Mexicana, Avon Cosmetics and Carnot Laboratorios, among others. He has a degree in Public Accounting from Universidad La Salle.

EDUARDO GONZÁLEZ**HEAD OF LEGAL**

He joined Elementia in 2020, after extensive work experience of more than 25 years in various companies, such as Telesites. He has a law degree from UNAM, and a specialization course in Commercial Law from the Universidad Panamericana.

CLAUDIA SAINZ DE LA MAZA**HEAD OF HR**

She joined Elementia in 2018 when she was appointed to her current position. She has more than 25 years of experience working in human resources, having held various senior management positions, including Vice President of Human Resources at Danone Mexico. She has a degree in Business Administration from ITESM and a specialization course in Business from Henley Business School, in addition to having completed the Senior Management Program at ESADE.

JOSÉ ALBERTO NOVOA**HEAD OF SUPPLY CHAIN**

When joining Elementia in 2018 as Head of Supply Chain, he had 27 years of experience at Lafarge Holcim, and three years as an independent business consultant. He has an undergraduate degree in Administration from the Universidad Panamericana, a specialization course in Corporate Finance from ITAM, a Business Management program from IPADE and a course in Management Development from IMD Business School.

REPORT

OF THE AUDIT AND CORPORATE PRACTICES COMMITTEE

ELEMENTIA, S.A.B. DE C.V. / April 2020-April 2021

To the Board of Directors of Elementia, S.A.B. de C.V.

In my capacity as Chairman of the Audit and Corporate Practices Committee of Elementia, S.A.B. de C.V. (the “Company” or “Elementia”), the following is my report:

During the period covered by this report the Committee I preside over met on the following dates: April 2, 2020; April 24, 2020; July 27, 2020; October 23, 2020, and February 23, 2021. All these meetings were attended by Committee members, independent and internal auditors, and officers of Elementia as required. Additionally, a set of unanimous resolutions were passed outside of ordinary meetings on April 8, 2020; August 27, 2020, and April 5, 2021.

The activities and resolutions passed were documented in the respective minutes.

The following is my report on the corresponding activities:

I. TRANSACTIONS WITH RELATED PARTIES

The Committee reviewed transactions with related parties and ascertained that they were conducted in keeping with policies previously approved by the Committee; no atypical movements were observed.

II. ASSESSMENT OF THE INTERNAL CONTROL SYSTEM

We have reviewed the assessments of the Internal Audit Department, the Independent Auditor and the Chief Executive Officer’s office, and as a result it has been agreed that improvements will continue to be made in Elementia’s Internal Control System to reinforce compliance with Management’s goals and provide greater security in preventing and detecting material errors and irregularities in the normal course of operations.

III. ASSESSMENT OF THE INTERNAL AUDIT FUNCTION

The Committee has remained attentive to the needs of the Internal Audit area to ensure that it has the human and material resources necessary for the proper execution of its functions. In this respect, the Committee followed up on the work programs and activities established in 2020.

Committee members met with the Chief Internal Audit Officer without the presence of other company officers, to receive and discuss the information considered appropriate.

IV. ASSESSMENT OF THE EXTERNAL AUDITORS

The Company has continued to engage the services of Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte) as Independent Auditors. The professional fees corresponding to fiscal year 2020 were duly revised and approved.

The Audited financial Statement’s as of December 31, 2020 were received from the Independent Auditors.

The Committee evaluated the work of the Independent Auditors Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte) and the Audit Partner, which was considered satisfactory. The External Auditors also confirmed their independence.

Committee members have met with the Independent Auditor without the presence of company officers, and obtained full collaboration in receiving additional information regarding matters dealt with in cases where it was requested.

V. FINANCIAL INFORMATION

The Company’s Financial Statements corresponding to each quarterly period and for the fiscal year were discussed during Committee meetings with the executives responsible for preparing and reviewing them, and had no material observations to make on the information presented.

Similarly, the Audited Financial Statements for the fiscal year ended December 31, 2020 were reviewed and discussed, and the Committee recommended their approval.

VI. SIGNIFICANT EVENTS

In all of its meetings, this Committee: (i) was informed of the progress of the Internal Control project; (ii) recognized the report on the General Company Policies at the corporate level, both completed and in the process of implementation, and the progress of their administration in the organization, information technologies and implementation of SAP projects.

In an extraordinary meeting held April 2, 2020, the Committee was informed of the following: (i) the general outlook for Elementia in light of the COVID-19 pandemic; (ii) its impact on the business; (iii) actions under way to deal with the public health emergency; (iv) guidelines of the Crisis Plan; (v) financial scenario and (vi) closing. Additionally, the Committee agreed to issue a communiqué to the Board of Directors regarding the COVID-19 emergency, and an official notice to the Mexican Stock Exchange and the investing public, regarding the policies followed by Elementia in response to the emergency.

In the meeting on April 24, 2020, this Committee resolved, among other matters, to approve the service and fee proposal of the Independent Auditors Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte), and the presentation of Human Resources actions taken for reasons having to do with the COVID-19 pandemic.

In its meeting on July 27, 2020, this Committee resolved, among other matters: (i) to issue its favorable opinion of the establishment of a dual program of revolving unsecured short- and long-term securities certificates issued by the Company for up to MXN 3,000,000,000.00 (three billion Mexican pesos 00/100) or its equivalent in inflation-indexed investment units (UDIs); as long as the outstanding balance of the securities certificates does not exceed MXN 1,000,000,000.00 (one billion Mexican pesos 00/100) or its equivalent in inflation-indexed investment units (UDIs), for a term of five years after their authorization by the National Banking and Securities Commission (the "Program"); (ii) to recognize the new organizational chart of the company, headed by Jaime Emilio Rocha Font as Chief Executive officer, Hugo Gómez as Business Unit Leader for Metals and Gabriel Pérez as Business Unit Leader for Building Systems Mexico, and the regional leaders for the various Cement operations.

Through unanimous resolutions by the Audit and Corporate Practices Committee, on August 27, 2020, the Committee resolved, among other matters, to recognize, express its favorable opinion on and propose that the Board of Directors approve: (i) the proposed merger of Mexalit Servicios Administrativos, S.A. de C.V., Construsistemas Servicios Administrativos, S.A. de C.V., Buenavista Elementia, S.A. de C.V., GEBA Fibrocementos Holding, S.A. de C.V., Cemplus, S.A. de C.V., and Ingeniería y Construcciones Hidráulicas, S.A. de C.V., all of them indirect subsidiaries of the Company in its Building Systems division, to be merged into Mexalit Industrial, S.A. de C.V., as merging entity; and (ii) the proposed ratification of the merger between Nacobre Servicios Administrativos, S.A. de C.V., as merged entity, and Nacional de Cobre, S.A. de C.V., as merging company, which will continue to exist after the merger, effective as of August 1, 2020.

VII. ACCOUNTING POLICIES

The Committee reviewed the main accounting policies followed by Elementia in terms of the information received regarding new regulations.

The accounting and reporting policies and criteria followed by Elementia are considered appropriate and sufficient.

VIII. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Committee received and approved the report of the Chief Executive Officer regarding the Company's activities in fiscal year 2020.

IX. LEGAL REPORT

The Committee regularly received the report of corporate counsel regarding the status of legal affairs and lawsuits.

X. PROPOSAL

In accordance with the work performed, the Committee recommends that the Board of Directors submit the Audited Financial Statements of Elementia for the fiscal year ended December 31, 2020 for approval by the Shareholders' meeting.

Sincerely,



Juan Rodríguez Torres

Chairman of the Audit and Corporate Practices Committee

Mexico City, April 5, 2021

CONTACT INFORMATION

CORPORATE HEADQUARTERS

Av. Paseo de las Palmas 781, Piso 7
Lomas de Chapultepec, Miguel Hidalgo
11560 Ciudad de México, CDMX

INDEPENDENT AUDITORS

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

INVESTOR RELATIONS

Iris Fernández
Head of Treasury and Investor Relations
Tel. 52 (55) 78457984
investorrelations@elementia.com

TICKER SYMBOL

ELEMENT*

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