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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 333-7480

**INDUSTRIAS BACHOCO, S.A.B. DE C.V.**

(Exact name of Registrant as specified in its charter)

**Bachoco Industries**

(Translation of Registrant's name into English)

**The United Mexican States**  
(Jurisdiction of incorporation  
or organization)

**Avenida Tecnológico 401**  
**Ciudad Industrial, 38010**  
**Celaya, Guanajuato, Mexico.**  
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol (s)</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares, each representing twelve Series B Shares.	IBA	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding Shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Series B Capital Stock: 600,000,000 Shares

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. /X/

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statements item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court.

Yes  No

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## Introduction

Industrias Bachoco, S.A.B. de C.V. is a holding company with no operations other than holding the stock of its subsidiaries. Our two main subsidiaries are Bachoco, S.A. de C.V. (“BSACV”), located in Mexico, and Bachoco USA, LLC (“Bachoco USA”) located in the United States of America (“United States” or “U.S.”).

References herein to “Bachoco,” “we,” “us,” “our,” “its” or the “Company” are, unless the context requires otherwise, to Industrias Bachoco, S.A.B. de C.V. and its consolidated subsidiaries as a whole.

Additionally, references herein to “OK Industries” or “OK Foods” are, unless the context requires otherwise, to Bachoco USA and its consolidated subsidiaries as a whole.

We are incorporated under the laws of the United Mexican States (“Mexico”), but we have operations in both Mexico and the U.S. Our principal executive offices are located in Mexico at Avenida Tecnológico 401, Ciudad Industrial, zip code 38010, Celaya, State of Guanajuato, Mexico, and our main telephone number is +52 (461) 618 3500 or +52 (461) 618 3555.

## Presentation of Information

### *Fiscal Year*

The fiscal year for Bachoco and its subsidiaries in Mexico and the U.S. ends in December each year.

### *Currency*

Except as otherwise indicated, all data in the financial statements included below and in Item 18 (which together with the attached notes constitute our “Audited Consolidated Financial Statements”) and the selected financial information included throughout this Form 20-F (this “Annual Report”) have been presented in millions of nominal pesos unless otherwise indicated. References herein to “pesos” or “\$” are to the lawful currency of Mexico.

References herein to “U.S. dollar” or “USD” are to the lawful currency of the United States of America.

This Annual Report contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such U.S. dollar amounts have been translated from pesos at an exchange rate of \$20.51 to USD1.00 (one U.S. dollar), the exchange rate on December 31, 2021, according to the Banco de México (the “Mexican Central Bank”).

### *Accounting Practices*

In January 2009, the *Comisión Nacional Bancaria y de Valores* (Mexican Banking and Securities Commission or “CNBV”) published certain amendments to the Rules for Public Companies and other participants in the Mexican Securities Market that require public companies to report financial information in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective as of January 1, 2012. Following these amendments, on January 1, 2012, we adopted IFRS, meeting the CNBV requirements.

Our Audited Consolidated Financial Statements included elsewhere in this Annual Report have been prepared in accordance with IFRS, as issued by the IASB.

The rules and regulations of the Securities and Exchange Commission (the “SEC”), do not require foreign private issuers that prepare their financial statements on the basis of IFRS (as published by the IASB) to reconcile such financial statements to generally accepted accounting principles in the United States of America (“U.S. GAAP”). As such, while Bachoco has in the past reconciled its consolidated financial statements prepared in accordance with Mexican Financial Reporting Standards (MFRS) to U.S. GAAP, those reconciliations are no longer presented in Bachoco’s filings with the SEC.

### *Other References*

Bachoco’s production volume is measured in “tons”, which term refers to metric tons of 1,000 kilograms, equal to 2,204.6 pounds.; the term “billion” refers to one thousand million (1,000,000,000).

### *Non-GAAP Financial Measures*

The body of generally accepted accounting principles is commonly referred to as “GAAP.” For this purpose, a non-GAAP financial measure is generally defined by the SEC as a numerical measure of a company’s historical or financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of comprehensive income, statement of financial position or statement of cash flows (or equivalent statements) of the company; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

The Company discloses in this Annual Report the so-called non-GAAP financial measures of EBITDA result, EBITDA margin, and net debt. EBITDA result is defined as profit before income tax expense (benefit), financial income (expense), net and depreciation. EBITDA margin is defined as EBITDA result divided by total net revenues. The non-GAAP financial measures of EBITDA result and EBITDA margin are not substitutes for the GAAP measure of profit for the year. Rather, these measures are provided as additional information to complement the GAAP measure of profit for the year by providing further understanding of the Company’s results of operations from management’s perspective. Accordingly, EBITDA result and EBITDA margin should not be considered in isolation or as substitutes for an analysis of the Company’s financial performance, liquidity or debt obligations.

Company management believes that disclosure of these non-GAAP measures are an important supplemental measure of the Company’s operating performance and debt obligations because investors, financial analysts and other interested parties frequently use EBITDA and net debt in the evaluation of other companies in the same industry in which the Company operates.

### **Market Data**

This Annual Report contains certain statistical information regarding the Mexican chicken, egg and balanced feed (or “feed”) markets. We have obtained this information from a variety of sources, including but not limited to *Unión Nacional de Avicultores* (the National Poultry Association or “UNA”), the *Consejo Nacional de Fabricantes de Alimentos Balanceados y de la Nutrición Animal, A.C.* (or “CONAFAB”), the U.S. Department of Agriculture (or “USDA”) and the Mexican Central Bank, among others.

Other sources of statistical information used by the Company include *Consejo Mexicano de Porcicultura* (the Mexican Pork Council or “CMP”) and *Secretaría de Agricultura y Desarrollo Rural* (Ministry of Agriculture and Rural Development or “SADER”), among others.

The producers’ associations rely principally on data provided by their members. Information for which no source is cited was prepared by us on the basis of our knowledge of the Mexican chicken, egg, feed, turkey and swine markets and the wide variety of information available regarding these markets. The methodology and terminology used by different sources are not always consistent, and data from different sources are not readily comparable.

### **Forward-looking Statements**

We may from time to time make written or oral forward-looking statements in our periodic reports to the SEC on Forms 20-F and 6-K, in our Annual Report to stockholders, in offering circulars and prospectuses, in press releases and other written materials and in oral statements made by one of our officers, directors or employees to analysts, institutional investors, representatives of the media and others.

Examples of such forward-looking statements include, but are not limited to: (i) projections of revenues, income (or loss), earnings (or loss) per share, capital expenditures, dividends, capital structure or other financial items or ratios; (ii) statements of our plans, objectives or goals or those of our management, including those relating to new contracts; (iii) statements about future economic performance; and (iv) statements of assumptions underlying such statements. Words such as “believe,” “anticipate,” “plan,” “expect,” “intend,” “target,” “estimate,” “project,” “predict,” “forecast,” “guideline,” “should” and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties, and a number of unexpected changes could cause actual results to deviate from our plans, objectives, expectations, estimates and intentions. We recognize that the accuracy of our predictions and our ability to follow through on our intentions depend on factors beyond our control. The potential risks are many and varied, but include unexpected changes in economic, weather and political conditions, raw material prices, competitive conditions, and demand for chicken, eggs, turkey, balanced feed, beef and swine.

**PART I**

**ITEM 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**ITEM 2. Offer Statistics and Expected Timetable**

Not applicable

**ITEM 3. Key Information**

**A. [Reserved]**

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not Applicable.

**D. Risk Factors**

The Company is exposed to a wide range of risks. Note that the order in which the below risks are described does not necessarily reflect the effect that any of the below risks would have on the Company.

**Risks Related to Economic, Political and Regulatory Conditions**

Bachoco's core businesses are conducted in Mexico and in the United States and, therefore its performance depends on, among other factors, the economic conditions prevailing in those countries, and particularly in Mexico. The Company's risk exposure related to economic conditions includes risks related to economic performance, exchange rates, interest rates, as well as other political, economic and social events that may negatively affect the Company's performance and may result in lower demand for, and lower real pricing of, our products.

Additionally, the Mexican economy continues to be heavily influenced by the U.S. economy, therefore, deterioration in economic conditions in the U.S. economy may affect the Mexican economy. Prolonged periods of weak economic conditions in Mexico may have, and in the past have had, a negative effect on our Company and a material adverse effect on our results and financial condition.

*Unfavorable economic conditions in Mexico or the United States, such as a recession or increases in interest and inflation rates, could have an adverse effect on our financial performance.*

If the Mexican or U.S. economies experience a high inflation rate, recession or economic slowdown, consumers may not be able to purchase our products as usual, especially in Mexico, where these factors have a direct impact on the consumers. As a consequence, our earnings may be adversely affected.

High interest rates in Mexico or in the U.S. could adversely affect our costs and our earnings due to the impact those changes have on our variable-rate debt instruments. Alternatively, we may benefit from the interest we earn on our cash balance. Mexico historically has had, and may continue to have, high real and nominal interest rates.

A strong variation in the exchange rates between the peso and the U.S. dollar could negatively affect our financial results, as a greater percentage of our net revenue are made in pesos, and a large percentage of our raw material purchases are made in U.S. dollars.

Furthermore, the Company could be adversely affected by negative economic conditions prevalent in the U.S. or other countries (including economic volatility as a result of the COVID-19 pandemic), even when economic conditions in such countries may differ significantly from economic conditions in Mexico, as investors' reactions to developments in any of these other countries may have an adverse effect on our securities. Consequently, the market value of our securities may be adversely affected by events taking place outside of Mexico or the U.S.

***Political events and regulatory changes in Mexico could affect Mexican economic conditions and negatively affect our operations.***

The Company has operations in both Mexico and the U.S. However, it is incorporated under the laws of Mexico, where a greater percentage of its net revenue are made. Accordingly, we foresee an impact mainly from negative developments in the political, regulatory and economic conditions in Mexico.

The direct correlation between economic conditions in Mexico and the U.S. has strengthened in recent years because of the North American Free Trade Agreement (“NAFTA”), now United States – Mexico – Canada Agreement (“USMCA”). During 2017 the renegotiation process of NAFTA began between U.S., Canada and Mexico. The three countries reached an agreement in November 2018, which was later ratified in March 2020. With regard to the industry in which we compete, the trade agreement remained practically unchanged. Because the Mexican economy is heavily influenced by the U.S. economy, any potential re-negotiation of USMCA and/or other U.S. government policies that may be adopted by the U.S. administration (which may result in regulatory gridlock or, on the contrary, a major regulatory change) could have a material adverse effect on the Mexican economy, which, in turn, could affect our business, financial condition and results of operations.

***International trade policies may impact demand for our products and our competitive position.***

Government policies on international trade and investment, such as sanctions, import quotas, capital controls or tariffs, whether adopted by individual governments, multinational organizations or addressed by regional trade blocs, may affect the demand for our products lines, impact the competitive position of our products or prevent us from being able to sell products in certain countries. The implementation of more protectionist trade policies, such as more detailed inspections, higher tariffs, or new barriers to entry, in countries where we sell products could negatively impact our business, results of operations and financial position. For example, trade disputes between the U.S. and Mexico could negatively affect demand for export products from both countries and directly or indirectly affect the markets in which we compete.

***Government regulations in Mexico and the U.S. could cause a material increase in the Company’s costs of operations and thus could have a negative impact on our results of operations.***

Every region in which Bachoco operates is subject to extensive federal, state and foreign laws and regulations that govern the production, packaging, storage, moving and marketing in the food industry and the poultry industry in particular, including several provisions relating to the discharge of materials into the environment.

We may be subject to fines, closures of our facilities, asset seizures, injunctions or criminal sanctions if we are held by a court of competent jurisdiction to be non-compliant with any of the applicable laws and regulations.

The adoption of new regulations or changes in the prevailing regulatory environment governing the food industry may entail restrictions in the daily operation of our Company, or increases in our expenses or production costs, conditions that could negatively affect our financial results.

Additionally, the imposition of new taxes or changes in the existing tax laws or rates in Mexico or the U.S. could have an adverse impact on our operations and, as a result, negatively affect our financial results.

***We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine.***

Our business, financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions. Global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, increase in our energy and other input costs, and supply chain interruptions. We are continuing to monitor the situation in Ukraine and globally and assessing its potential impact on our business.

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Additionally, Russia's prior annexation of Crimea, recent recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military interventions in Ukraine have led to sanctions and other penalties being levied by the United States, European Union and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic, and the so-called Luhansk People's Republic, including agreement to remove certain Russian financial institutions from the Society for Worldwide Interbank Financial Telecommunication payment system. Additional potential sanctions and penalties have also been proposed and/or threatened. Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets.

Any of the abovementioned factors could affect our business, prospects, financial condition, and operating results. The extent and duration of the military action, sanctions and resulting market disruptions are difficult to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this Annual Report.

***Risks Related to Bachoco and the Poultry Industry***

The poultry industry in Mexico and the U.S., as well as the chicken industry in other countries, has undergone cyclical periods of higher prices and profitability, followed by overproduction, leading to periods of lower prices and profitability.

The market that we serve is subject to volatility with respect to supply and raw material prices, which affects our product prices. We cannot provide assurance that future cyclical, excess supply, increases in main raw materials prices or downturns in real prices will not adversely affect our financial results.

The largest single component of our cost of sales is the cost of grains used to prepare balanced feed, including sorghum and corn, and some other ingredients such as: soybean meal and marigold extract, among others.

***Bachoco's business operations could be disrupted by COVID-19 or other pandemic disease and health events.***

Pandemic disease and health events, such as the outbreak of the novel strain of coronavirus infection (COVID-19) have and may continue to negatively impact economic activities in many countries, including Mexico, with consequent adverse effects on our customers and business.

Since the outbreak began, countries have responded by taking various measures including imposing quarantines and medical screenings, restricting travel, limiting public gatherings and suspending certain activities. These actions have and may continue to negatively impact sales operations with some of our customers.

In addition, concerns related to COVID-19 have negatively impacted global financial markets, resulting in, among others, exchange rate volatility (including the Mexican peso to U.S. dollar exchange rate) and the fall of stock prices (including the price of our stock), trends which may continue. There are other broad and continuing concerns related to the potential effects of COVID-19 on international trade (including shipping and transportation channels, supply chains and export levels), travel, employee health and productivity, securities markets, and other economic activities that may have a destabilizing effect on financial markets and economic activity. There have been and may continue to be changes in domestic and international governmental policies in response to the COVID-19 pandemic that could negatively affect our daily operations and our ability to supply our products.

In 2021, we analyzed the financial impact derived from the effects of COVID 19 on us. Because the products that we produce and the markets that we serve are considered essential, there were no significant adverse effects on our financial position and consolidated financial performance. As of the date of this annual report, we do not believe that we should substantially modify our budgets and/or financial projections or recognize significant losses in the valuation of our monetary and non-monetary assets. However, there is no guarantee that the COVID-19 pandemic will not have an adverse effect on our financial position, results of operations or cash flows if significant disruptions to the national and global economy continue into future periods. In addition, in the case of a shutdown involving Bachoco, any of our subsidiaries or our customers, we may be unable to meet the needs of our customers for an unknown period of time, which could adversely affect our business, financial condition and results of operations.

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At this point, we cannot forecast the duration of the effects of COVID-19 on our business. Our future business results will be affected by the extent and duration of these conditions and the effectiveness of responsive actions that we and others take, including, the impact of vaccination programs, coverage and immunity achieved, the severity and duration of the outbreak, and the actions by national and international government authorities to contain the pandemic and minimize its impact, among other things.

***Increase or volatility in main raw materials prices may adversely affect our operating and financial results.***

The price of most of these raw materials is subject to significant volatility resulting from weather conditions, the size of harvests, governmental agricultural policies, currency exchange rates, transportation, storage costs, and other factors.

Furthermore, the cost of corn in the U.S. may be affected by an increase in the demand both of ethanol and feed production, which can reduce the supply of corn in the U.S. market, adversely affecting our operations in the U.S.

High prices or volatility in main raw materials could adversely affect our production costs and, therefore, our financial results.

***Supply, demand and the prices we are able to charge for our products may fluctuate due to competition from other food producers and the economic performance in the countries we are present may adversely affect our operating and financial results.***

Excess in chicken or egg supply caused by increases in production from our competitors, coupled with a weak demand for our products in the markets we operate in, may result in a downturn in prices for these products and, as a result, our operating margins and financial results could be negatively affected.

We face competition from other chicken producers in all markets in which we sell our products. These chicken producers have the financial resources and operating strengths to directly compete with our Company. We expect to continue to face strong competition in every market, as our existing or new competitors are likely to broaden their product lines and extend their geographic markets. Accordingly, we can provide no assurance that our performance will not be adversely affected by increased competition.

***Raising animals and meat processing involve animal health and disease control risks, which can have an adverse impact on our results of operations.***

Our operations in Mexico and in the U.S. depend on raising animals and meat processing, which are subject to risks such as diseases (like different types of avian flu) and contamination during production, packaging, storage or distribution processes. Such diseases may cause bans from countries we export to. Any such ban could affect export prices, and therefore our financial results.

Live chickens and swine are susceptible to infections by a variety of microbiological agents that may result in higher mortality rates, which could affect our earnings and financial results.

Our chicken, turkey, beef and egg products are subject to contamination during processing, packaging, distribution or conservation. Potential contamination of our products during processing, however, could affect a larger number of our products, which may have a significant impact on our results.

***Natural disasters or other events beyond our control, such as hurricanes, tornadoes or earthquakes could have an adverse impact on our results of operations.***

Natural disasters may result in additional losses of inventory and could significantly damage our facilities. Our facilities in Mexico are susceptible mainly to earthquakes and hurricanes. Our facilities near Mexico's coast are most vulnerable to the risk of severe weather. Our U.S. facilities are located in Georgia, Alabama, Arkansas and Oklahoma, a region vulnerable to tornadoes. Extensive damage to these facilities could affect our ability to conduct our regular production and, as a result, reduce our operation results.

***Our growth through mergers, acquisitions or joint ventures may be impacted by challenges in integrating significant acquisitions.***

We have made in the past, and may make in the future, certain acquisitions in order to continue our growth. Acquisitions involve risks including, among others, the following: failure of the acquired businesses to achieve expected results, inability to retain or hire key personnel of the acquired businesses, inability to retain the same client and supplier base and inability to achieve expected synergies and/or economies of scale. If we are unable to successfully integrate or manage our acquired businesses, we may not realize anticipated cost savings and revenue growth, which may result in reduced profitability or losses.

***Elimination of tariff barriers may adversely affect our performance.***

U.S. producers may increase exports to Mexico because chicken, eggs and swine are free of import quotas to Mexico according to the USMCA. Poultry producers in the United States have developed low-cost production methods and have been successful in exporting primarily frozen and value-added poultry to other countries, especially in periods of overcapacity in the United States, a condition that could have a material adverse effect on our performance in Mexico.

***Regulations on animal health and environmental changes in Mexico could affect Mexican poultry industry conditions and, as a consequence, negatively affect the Company.***

Our processes are subject to several animal health and environmental regulations that include animal raising, transportation, packaging, storage and distribution regulations. Drastic changes in any of these regulations could negatively affect our daily operations and ability to supply our products and, as a result, affect our financial results. Changes in regulations may also require the implementation of new processes or equipment to comply with the new regulations, a condition that may negatively affect our liquidity, as our capital investments could increase.

***Our inability to maintain good relationships with our work force and its labor union may affect our processes, and as a consequence, our financial results.***

As of the date of this report, we have not seen any material effects or changes in our contractual agreements and obligations regarding labor due to COVID-19 since we have been able to maintain the operational continuity of our business. Nonetheless, if we are unable to maintain good relations with our employees and labor union we may be faced with significant work stoppages as a result of labor problems, a condition that may affect our processes and our operating results.

***Our derivative risk management activities could result in financial losses.***

We routinely enter into financial derivatives transactions as part of our risk management activities, and losses from exposures thereof could result in a material adverse effect on our business, financial condition and results of operations.

As part of our treasury operations, we trade various financial instruments, including currency and commodities, such as corn, soybean meal, soybean oil and related derivatives. As a result of these operations, we are exposed to numerous factors that are beyond our control, including overall market trading activity, foreign exchange fluctuations, volatility on the commodity market the credit risk of our counterparties and general market volatility. In addition, we could be exposed to a number of risks related to the movement of market prices in the underlying instruments to these derivatives transactions, including the risk of unfavorable market price movements relative to its long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, or foreign currency exchange rates relating to these positions, and the risk that the instruments with which we choose to hedge certain positions do not track the fair value of those positions. If we incur any losses from these exposures, it could have a material adverse effect on our business, financial condition and results of operations.

***Risks relating to Bachoco's investors and its American Depositary Receipts (or ADRs)***

The Robinson Bours family owns 73.25% of our total shares outstanding and their interests may differ from the interests of other security holders. With that percentage, the Robinson Bours family holds the power to elect a majority of the members of our board of directors and have the power to determine the outcome of certain other actions requiring the approval of our stockholders, including whether or not dividends are to be paid and the amount of such dividends.

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The Company trades its ADRs on the New York Stock Exchange (“NYSE”) with each ADR representing twelve common shares. The prevailing market prices for the ADRs and the shares could decline if the Robinson Bours family sold substantial amounts of their shares, whether directly, or indirectly, through two Mexican trusts through which they hold their shares, or if the perception arose that such a sale could occur. See Item 7 for more details about the Company’s trusts.

Also, it is uncertain how markets will react in the short- and medium-term as a result of the March 25, 2022 announcement by a vehicle of the Robinson Bours family of its intention to initiate a process to launch a voluntary tender offer for up to all of the outstanding shares of Bachoco, including shares represented by ADRs, which are not owned directly or indirectly by such shareholders or their affiliates, representing approximately 27% of the outstanding capital of Bachoco. See “—History and Development of the Company—Tender Offer”.

The market value of our securities may also be affected by economic and market conditions prevailing in any other country, although economic conditions in such countries may differ significantly from economic conditions in Mexico. Investors’ reactions to developments in any of these other countries may have an adverse perception and, consequently, the market value of our securities may be adversely affected by events elsewhere.

Moreover, global developments, including the recent Russian invasion of Ukraine, the medium-term relationship between the United States and China, uncertainty over government instabilities in Europe, and other local geopolitical risks, have all recently generated uncertainty in global capital markets, and United States and European stock markets have seen increased price volatility. We cannot predict how these developments will evolve and whether or to what extent they may affect Mexican capital markets and, consequently, us. The materialization of these political risks may affect global growth and decrease investors’ interest in assets from Mexico, which may materially and adversely affect the market price of our preferred shares, including in the form of ADRs.

***Payment of cash dividends may be affected by the exchange rate of the peso versus the U.S. dollar.***

Because we pay cash dividends in pesos, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of ADRs upon conversion of such cash dividends by the Bank of New York (BNY) Mellon, who acts as our Depositary Bank.

***The protection afforded to non-controlling stockholders in Mexico is different from that in the United States.***

Under Mexican law, the protection afforded to minority stockholders is different from that in the United States. In particular, the law concerning fiduciary duties of directors is not well developed, there is no procedure for class actions or stockholder derivative actions, and there are different procedural requirements for bringing stockholder lawsuits. As a result, in practice, it may be more difficult for the minority stockholders of Bachoco to enforce their rights against us or our directors or our controlling stockholders than it would be for stockholders of a U.S. company.

***Our bylaws restrict the ability of non-Mexican stockholders to invoke the protection of their governments with respect to their rights as stockholders.***

As required by Mexican law, our bylaws provide that non-Mexican stockholders shall be considered as Mexicans with respect to their ownership interests in Bachoco and shall be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under this provision, a non-Mexican stockholder is deemed to have agreed not to invoke the protection of its own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the stockholder’s rights as a stockholder, but is not deemed to have waived any other rights it may have, including any rights under the U.S. federal securities laws, with respect to its investment in Bachoco. If you invoke such governmental protection in violation of this agreement, your shares could be forfeited to the Mexican government.

***Our bylaws may only be enforced in Mexico.***

Our bylaws provide that legal actions relating to the execution, interpretation or performance of the bylaws may be brought only in Mexican courts. As a result, it may be difficult for non-Mexican stockholders to enforce their stockholder rights pursuant to the bylaws.

***It may be difficult to enforce civil liabilities against us or our directors, officers and controlling persons.***

We are organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States. As a result, it may be difficult for investors to affect service of process within the United States on such persons or to enforce judgments against them. This includes any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts of liabilities based solely on the U.S. federal securities laws.

***Non-Mexican stockholders may not be entitled to participate in future preemptive rights offerings.***

Under Mexican law and our bylaws, if we issue new shares for cash as part of a capital increase, we must grant our stockholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage in the Company (“preemptive rights”). We can allow holders of ADRs in the United States to exercise preemptive rights in any future capital increase only in one of the following two circumstances: (i) we file a registration statement with the SEC with respect to that future issuance of shares; or (ii) the offering qualifies for an exemption from the registration requirements of the Securities Act of 1933, as amended.

We make no promises that we will file a registration statement with the SEC to allow holders of ADRs in the United States to participate in a preemptive rights offering. As a result, the equity interests of such holders in the Company may be diluted proportionately. In addition, under current Mexican law, it is not practicable for the depositary to sell preemptive rights and distribute the proceeds from such sales to ADR holders.

**ITEM 4. Information of the Company**

**A. History and Development of the Company**

The Company was legally formed in Mexico as Industrias Bachoco, S.A.B. de C.V., on April 17, 1980, in Obregon, State of Sonora, Mexico, and is frequently referred to as Bachoco.

We are incorporated under the laws of Mexico, but we have operations in both Mexico and the U.S. Our principal executive offices are located in Mexico at Avenida Tecnológico 401, Ciudad Industrial, zip code 38010, Celaya, State of Guanajuato, Mexico, and our telephone number is +52 (461) 618 3500.

Our investor relations department is located at the address above and can be reached by email at [inversionistas@bachoco.net](mailto:inversionistas@bachoco.net) or by telephone at +52 (461) 618 3555.

The SEC maintains an Internet website that contains reports and other information regarding issuers that file electronically with the SEC. This annual report and the exhibits thereto and any other document we file pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”) may be viewed on the SEC Internet site (<http://www.sec.gov>) and on our website (<https://corporativo.bachoco.com.mx/>). However, the content of our website is not incorporated by reference into this annual report.

Our operating segments, which are comprised of our product lines, are identified on the basis of our core principles in accordance with IFRS 8.10. Accordingly, our operating segments are comprised of the following five components: chicken, eggs, pork, balanced feed and other meat products. The chicken and eggs segments meet, in an aggregate basis, the quantitative thresholds for separate reporting, while the pork, balanced feed and other meat products lines are immaterial, both on an individual and aggregate basis, and have therefore been reported on a combined basis in the “other operating segments” category. We have aggregated the chicken and eggs operating segments into one reportable segment. As a result, we end up with two reportable operating segments, “Poultry” and “Others”.

***Important events in the development of the Company’s business***

We were founded in 1952 and have grown from a small commercial table egg operation in the state of Sonora into a vertically integrated Company and the leading poultry company in Mexico, as well as, in our opinion, one of the most important poultry companies worldwide.

In 1963, we started operations in the cities of Navojoa, Los Mochis and Culiacan, producing just table eggs. In 1971, we commenced the production of chicken in an operating facility that we opened in the city of Culiacan.

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In 1974, we established a new complex in Celaya, Guanajuato, Mexico and in 1980 we legally incorporated as Industrias Bachoco, S.A.B. de C.V. in Obregon, State of Sonora, Mexico. As our products were increasingly widely accepted, we opened offices and distribution centers in Mexico City. In 1993, we moved our headquarters from Obregon to Celaya, and opened a new complex in the city of Tecamachalco, in the Southeast of Mexico.

In 1994, we continued expanding our coverage, this time with a new complex in the city of Lagos de Moreno, in Western Mexico. By 1994, we had four productive complexes strategically located throughout Mexico and an important presence in the Mexican poultry market share.

In September 1997, we began trading on the Mexican Stock Exchange (or “BMV”) and on the NYSE, through our ADR Level III Facility.

Furthermore, in December 1999, we acquired Campi. With this acquisition we entered the chicken market in the South of Mexico, starting a new business line selling balanced feed to third parties. In 2001, we established our sixth productive complex in the city of Gomez Palacio, located in the Northeast of Mexico.

In December 2006, we acquired most of the assets and inventories of Del Mezquital to start a new complex in the city of Hermosillo, located in Northern Mexico, close to the border with the United States.

In 2007, through a business agreement with Grupo Libra and Grupo Agra we entered a new business, the sales of turkey and beef value-added products, and increased our production capacity of table eggs. Both companies are located in the Northeast of Mexico.

In 2009, we made diverse business agreements with companies located at the Northeast of Mexico. Specifically, to improve capacity and efficiency in our Northeast production complex headquartered in Monterrey, we: (i) acquired the assets of a balanced feed mill and a soybean processing plant from Productora de Alimentos Pecuarios de Nuevo León; (ii) acquired the assets of a chicken processing plant from Avi Carnes Monterrey; (iii) entered into agreements to rent breeder farms and egg incubation plants from Reproductoras Asociadas, and one-day-old breeder capacity farms and egg incubation plants from Producción Avícola Especializada; and (iv) made arrangements with contract growers to acquire their inventories.

In August 20, 2011, we acquired Trosi de Carnes, S.A. de C.V. (or “Trosi”); this facility is located in Monterrey, Northern Mexico. Trosi produces and sells processed beef and chicken.

On November 1, 2011, the Company entered the U.S. market and increased its export business with the acquisition of the American poultry company OK Foods. This company has operations across the River Valley area in Arkansas and Oklahoma. It supplies grocery retailers, food service distributors and commodity customers throughout the U.S., as well as foreign markets. Our U.S. subsidiary, Bachoco USA, is the holding company of OK Foods.

In December 2011, the Company carried out a transaction to buy certain property assets of Mercantil Agropecuaria Coromuel, S.A. de C.V. (or “MACSA”), whereby the Company reinforced its presence in the State of Baja California in Mexico with three distribution centers.

In July 2013, the Company reached an agreement to acquire the Arkansas breeding assets of Morris Hatchery Inc., a U.S. company. These assets are comprised mainly of equipment and bird inventory (laying hens that produce hatching eggs).

In July 2015, the Company reached an agreement to acquire the Georgia breeding assets of Morris Hatchery Inc. These assets are comprised of mainly equipment and bird inventory (laying hens that produce hatching eggs), with a capacity of approximately one million laying hens. See Notes 4 and 12 of our Audited Consolidated Financial Statements for more detail.

In December 2015, the Company reached an agreement to acquire the Oklahoma City Fully Cooked facility from American Foods Group, a U.S. Company. This acquisition is comprised of all of American Foods Group’s Chicken assets located in Oklahoma City, with a capacity to produce over 700,000 pounds per week of fully cooked chicken products. The Company closed the transaction in February 2016 through its subsidiary, OK Foods.

In 2017, the Company made two acquisitions: (a) Proveedora La Perla S.A. de C.V. (hereinafter “La Perla”), a pet food plant located in central Mexico. This acquisition includes all of La Perla’s assets owned in the State of Queretaro, Mexico. These assets have the capacity to produce over 65,000 tons a year of dry pet food and are comprised of a facility for producing pet food treats; and (b) Albertville Quality Foods Inc. (hereafter “AQF”), a U.S. company located in the State of Alabama that produces and sells value-added further processed products. This acquisition is comprised of two value-added, further processing plants. We merged AQF with OK Foods, Inc. at the end of 2017 and, thus, it is not operating as a separate subsidiary.

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On June 26, 2020, the Company acquired 54.8% of the voting stock of Sonora Agropecuaria, S.A. de C.V. (“SASA”), a swine processing and distributor company with operations in the Mexican States of Sonora and Jalisco. This investment is expected to benefit the “Other” segment as is expected to allow the Company to accelerate the pace of growth and continue advancing in the process of diversifying other animal proteins.

In December 2020, the Company announced that it reached an agreement to invest in the company RYC Alimentos (“RYC”), a multiprotein processor and distributor with productive operations in Puebla, Mexico. Founded in 1983, RYC is a meat processor and distributor mainly of beef, pork, and chicken with national coverage that participates in all the distribution channels with fresh and value-added products.

On January 24, 2022, the Company acquired 100% of the shares of RYC Alimentos “RYC”, a company dedicated to multiprotein processing and marketing with production centers in the state of Puebla, Mexico at a purchase price of \$1,251.5 million. The agreement contemplates the acquisition of 2 plants located in Puebla, Puebla, as well as approximately 21 stores located across four United Mexican States (Puebla, Oaxaca, Veracruz and Tlaxcala).

### ***Tender Offer***

On March 25, 2022, a vehicle (the “Offeror”) in which current Bachoco shareholders of the Robinson Bours family participate, communicated to Bachoco’s Board of Directors its intention to initiate the process to launch a voluntary tender offer for up to all of the outstanding shares of Bachoco, including shares represented by ADRs, which are not owned directly or indirectly by such shareholders or their affiliates, representing approximately 27% of the outstanding capital of Bachoco. The tender offer is expected to take place concurrently in Mexico and the United States at a purchase price of \$81.66 Mexican pesos per share. This price constitutes a premium of 20% relative to the average price of Bachoco shares over the last 30 trading days as of the date of the announcement on the Bolsa Mexicana de Valores, S.A.B. de C.V. (“Bolsa Mexicana de Valores”).

The tender offer shall be subject to various corporate and regulatory requirements, including registration before the Mexican Securities Market, filing with the SEC and authorization of the Board of Directors of Bachoco. Subsequent to the tender offer closing, the offeror intends to delist the outstanding shares on the markets where its shares are listed, including the NYSE and the Bolsa Mexicana de Valores, and to deregister the shares under the Securities Exchange Act of 1934, as amended.

We expect that the offeror will submit the appropriate documents to the relevant securities authorities describing all of the relevant terms and conditions of the voluntary public offering. The Board of Directors shall resolve the initiation of the tender offer in accordance with Bachoco’s bylaws and the members of the Board of Directors shall opine on the offer price within the ten business days following the launch of the tender offer pursuant to applicable legal provisions.

### ***Purchases of property, plant and equipment***

We finance most of our capital expenditures with resources generated by our operations.

The following is a summary of the capital expenditures incurred by the Company during the periods covered by this Annual Report with the amounts having been computed under IFRS.

In 2021, we made purchases of property, plant and equipment of \$3,479.5, which were mainly allocated towards organic growth and productivity projects.

In 2020, we made purchases of property, plant and equipment of \$2,752.3, which were mainly allocated towards productivity projects, the replacement of part or our transportation fleet and other equipment across our facilities, as well as our organic growth plans.

In 2019, we made purchases of property, plant and equipment of \$2,069.3, which were mainly allocated towards our organic growth plans, productivity and upgrading bottle necks in different parts of our process.

At present, as part of its regular course of business, the Company continues with its replacement of equipment and productivity projects.

## B. Business Overview

### *General*

Bachoco owns and manages more than a thousand facilities, organized in nine production complexes and more than 80 distribution centers in Mexico, and one production complex in the United States.

We participate in the food industry in Mexico and in the U.S., mainly in the poultry industry.

We are the leader in the Mexican poultry industry, and, according to WATTPoultry, one of the largest poultry producers globally. In 2011, we entered the U.S. chicken market through our acquisition of OK Foods.

In Mexico, our core business is poultry (chicken and egg products), but we also produce and sell a wide range of other products, which we refer to as “others,” including, among others, balanced feed, pet food, pork, beef and turkey value-added products, one day old breeders and chicks, as well as a laboratory that produces vaccines for the poultry industry and other similar industries.

Net revenue generated by these other product lines, except for balanced feed/pet food and pork net revenue, each on an individual basis, do not represent more than 1.0% of our net revenues.

In the United States, we produce and distribute only chicken products.

### *Principal Markets*

We operate mainly in Mexico and the U.S. We estimate that we are the biggest producer of chicken products in Mexico. Based on our internal estimates, we currently account for approximately 35.0% of the Mexican chicken production market and are the second largest producer of eggs with an estimated market share of approximately 5.3%. We currently estimate that we have approximately 3.2% market share in balanced feed products.

As noted previously, in the U.S. we produce and distribute only chicken products. Based on our internal estimates, we currently account for approximately 1.8% of the chicken production market in the U.S.

The following table sets forth, for each of the periods indicated, our net revenues by main product lines as a percentage of total net revenues, as of December 31, 2021, 2020 and 2019:

### NET REVENUES BY OPERATING SEGMENTS

In millions of pesos, for the year ended December 31,	2021		2020		2019	
	\$	%	\$	%	\$	%
<b>Net Revenues</b>	<b>81,699.1</b>	<b>100</b>	<b>68,792.0</b>	<b>100</b>	<b>61,655.2</b>	<b>100</b>
Poultry	71,647.7	87.7	61,323.9	89.1	55,653.0	90.3
Others	10,051.3	12.3	7,468.1	10.9	6,002.2	9.7

Our poultry operating segment is our largest product line in terms of revenue. Within our poultry operating segment, our main product lines are chicken and eggs, which are described in more detail in the following paragraphs. Our “Others” segment corresponds to operations of swine, balanced feed for animal consumption and other by-products that do not meet the quantitative thresholds to be considered as reportable segments.

### *Overview of the Chicken Industry in Mexico*

According to the UNA, chicken products are the main source of protein consumed in Mexico.

According to the UNA, Mexico is among the ten main chicken producers worldwide, with an estimated production of 3,665.0 thousand tons of chicken meat in 2021, and a per capita consumption of 33.5 kilograms a year in 2021, which is an increase of 1.2% in comparison with per capita consumption in 2020.

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Fresh chicken is the most popular meat consumed in Mexico. According to the UNA, more than 90% of chicken is sold fresh, and just a small percentage is sold frozen and with value added (marinated, breaded, partially cooked and fully cooked, among others). These products have found limited acceptance among Mexican consumers due to tradition and historical consumer preferences for fresh chicken.

We estimate that we are Mexico's largest chicken producer with around a 35.0% share of the chicken production market, and, when combined with our largest vertically integrated competitor in Mexico, we account for approximately 60.0% of total Mexican poultry production.

According to the USDA, Mexico is a main destination for U.S. chicken exports. Chicken imports from the U.S. have increased from 204.1 thousand tons in 2008 (when restrictions for leg quarters imports were phased out in January 2008) to approximately 575.1 thousand tons in 2021. According to preliminary numbers, in particular, in 2021 total chicken imports increased 10.0% when compared to 2020.

Chicken products in Mexico are classified into six main categories: live, public market, rotisserie, supermarket broiler, chicken parts and value-added products. Bachoco operates in all of these categories. For a better understanding of the chicken market in Mexico, the following is a brief description of each category of chicken products:

- **Live chicken** is sold live to small independent slaughtering operations or to wholesalers that contract with independent slaughtering operations for processing.
- **Public market chicken** is a whole broiler presented either un-eviscerated or eviscerated, generally sold within 48 hours after slaughter. This product is sold to consumers without any packaging or brand identification.
- **Rotisserie chicken** is a whole broiler presented eviscerated and ready to cook.
- **Supermarket chicken** is a fresh whole broiler presented with the edible viscera packed separately.
- **Chicken cuts** refers to cut-up fresh chicken parts sold wrapped in trays or in bulk principally to supermarket chains, the fast-food industry and other institutional food service providers.
- **Value-added products** refer mainly to cut-up fresh chicken parts with value-added treatment like marinating, breading and individual quantity frozen.

While we operate in all six of these chicken categories, our product mix varies from region to region, reflecting different consumption and distribution patterns.

**NET REVENUE AND VOLUME OF CHICKEN BY CATEGORY**

<b>In 2021</b>	<b>Industry / volume<sup>(1)</sup></b>	<b>Bachoco / volume</b>	<b>Bachoco / net revenue</b>
Live	n/a	39 %	33 %
Public market	n/a	10 %	10 %
Rotisserie	n/a	27 %	27 %
Supermarket	n/a	4 %	4 %
Chicken parts	n/a	15 %	16 %
Value-added products	n/a	5 %	10 %

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<b>In 2020</b>	<b>Industry / volume<sup>(2)</sup></b>	<b>Bachoco / volume</b>	<b>Bachoco / net revenue</b>
Live	40 %	41 %	34 %
Public market	8 %	11 %	11 %
Rotisserie	35 %	26 %	27 %
Supermarket	3 %	4 %	4 %
Chicken parts	10 %	13 %	15 %
Value-added products	4 %	5 %	9 %

<b>In 2019</b>	<b>Industry / volume<sup>(2)</sup></b>	<b>Bachoco / volume</b>	<b>Bachoco / net revenue</b>
Live	38 %	39 %	31 %
Public market	8 %	11 %	11 %
Rotisserie	37 %	28 %	29 %
Supermarket	4 %	4 %	4 %
Chicken parts	10 %	13 %	15 %
Value-added products	3 %	5 %	10 %

(1) Industry information for 2021 is not available as of the date of this Annual Report.

(2) Source: UNA.

*Overview of the Chicken Industry in the U.S.*

According to the USDA and the UNA, chicken is the main protein consumed in the U.S., but, unlike in Mexico, most of the chicken is sold by producers in cuts, and the cuts are mainly sold frozen and with value-added (approximately 90%). This is due to a large increase in demand for the three main components of chicken: the breast, wing, and leg quarters.

According to the National Chicken Council, and the USDA the U.S. is the world's largest producer of chicken. Its annual production is estimated at 20.3 million tons or 44.9 billion pounds in 2021. This represents a 0.7% increase over the 20.2 million tons produced in 2020, with per capita consumption among the highest worldwide, per annum, estimated at 43.8 kilograms (around 96.5 pounds).

The U.S. chicken industry is substantially consolidated and vertically integrated. Most producers of chicken use state-of-the-art technology in their processes. It is estimated that the three main chicken producers account for 53.1% of the total chicken production in the U.S.

Another characteristic of the chicken industry in the U.S. is the use of contract growers, with approximately 95% of chicken produced by contract growers. Such production consists of providing the growers with chickens, balanced feed, vaccines, medicines and training required for the growing of chickens. The grower supplies its facilities and labor required in order to bring the chickens to slaughter-ready weight. The contract grower is then paid based on the productivity and efficiency of its flock.

Brazil and the U.S. are the main exporters of chickens worldwide, and their main destinations are Mexico, Cuba and China, among other countries. We estimate that our market share is around 1.8% in the U.S.

*Overview of the Egg Industry in Mexico*

According to the UNA, Mexico has the largest per capita consumption of eggs (or "table eggs") in the world.

There is an estimated per capita consumption of around 24.1 kilograms for 2021, a 1.7% increase when compared to 23.1 kilograms in 2020.

Mexico's 2021 annual egg production is estimated at 3,008.2 million tons, an increase of 2.9% as compared to 2,923.3 million tons produced in 2020.

When compared to other protein sources, eggs are among the cheapest sources of protein in Mexico. The egg industry is more fragmented than the chicken industry.

Table eggs in Mexico are classified in three main categories: bulk, packaged and processed.

- **Bulk** is distributed in large 360-egg cases.
- **Packaged** is branded packages of mainly 12, 18, 24 or more eggs.
- **Processed** is liquid or powdery eggs used mainly by the bakery industry.

Bachoco participates in the bulk and packaged categories of eggs but does not participate in the processed egg market.

We estimate that we are the second largest producer of table eggs in Mexico. In 2021, we produced approximately 5.3% of the total eggs produced in Mexico measured in tons. We sell both brown and white eggs. We estimate that we are the largest producer of brown eggs in Mexico, and the largest marketer of packaged eggs with brand identification.

In 2021, 2020 and 2019, the volume sold in the table eggs category in the Mexican industry and by the Company was:

**NET REVENUE AND VOLUME OF EGG BY CATEGORY**

<b>In 2021</b>	<b>Industry / volume<sup>(1)</sup></b>	<b>Bachoco / volume</b>	<b>Bachoco / net revenue</b>
Bulk	n/a	24 %	22 %
Packaged	n/a	76 %	78 %
Processed	n/a	0 %	0 %

  

<b>In 2020</b>	<b>Industry / volume<sup>(2)</sup></b>	<b>Bachoco / volume</b>	<b>Bachoco / net revenue</b>
Bulk	77 %	26 %	23 %
Packaged	15 %	74 %	77 %
Processed	8 %	0 %	0 %

  

<b>In 2019</b>	<b>Industry / volume<sup>(2)</sup></b>	<b>Bachoco / volume</b>	<b>Bachoco / net revenue</b>
Bulk	77 %	28 %	24 %
Packaged	15 %	72 %	76 %
Processed	8 %	0 %	0 %

(1) Industry information for 2021 is not available as of the date of this report.

(2) Source: UNA.

*Overview of the Balanced Feed Market in Mexico*

According to CONAFAB, Mexico is among the ten biggest producers of balanced feed worldwide.

According to CONAFAB, it is estimated that 38,857 thousand tons of balanced feed were produced in Mexico in 2021, a 2.5% increase from 37,925 thousand tons of balanced feed produced in 2020.

Producers of balanced feed are classified as either commercial or integrated; commercial manufacturers produce for the market while integrated manufacturers mostly produce for themselves and occasionally for other producers.

Bachoco participates in both integrated and commercial channels, as it produces balanced feed used for internal consumption as well as balanced feed it ultimately sells to third parties.

In 2021, CONAFAB estimated that the production mix between commercial and integrated was about 39.0% and 61.0%, respectively. This mix has not changed much over the last several years.

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The following table sets forth, for each of the periods indicated, our net volume sold of balanced feed:

**BALANCED FEED VOLUME SOLD**

<u>Thousands of tons</u>	<u>Production<sup>(1)</sup></u>	<u>Bachoco's Production</u>	<u>Estimated Market Share</u>
2021	15,173	479	3.2 %
2020	14,712	478	3.2 %
2019	14,327	492	3.4 %

(1) CONAFAB estimates.

***Seasonality Effects***

The poultry industry worldwide is very susceptible to price changes in its main raw materials, such as corn, soybean meal and sorghum. As a result, the industry is characterized by cyclical periods of higher profitability leading to overproduction followed by periods of lower prices and lower profitability.

Our net revenue is moderately seasonal in Mexico. Generally, we experience the highest levels of net revenue in the second and fourth quarters due to higher chicken consumption during the holiday seasons.

As for our net revenue in the U.S., there is slightly less seasonality due to the mix of products offered in the market, but breast meat prices are typically higher in the second and third quarters and wings are more in demand in the first and fourth quarters.

***Pricing for chicken and eggs products***

Chicken and eggs are considered a commodity item. Changes to the supply or demand and changes in raw material prices can directly impact sale prices and, as a result, affect the profitability of main producers. Another factor that impacts chicken pricing, mainly in U.S., is the international demand.

***Main Raw Materials and Sources of Supply***

As a vertically integrated company, our processes start in our main product lines with production of balanced feed, as well as with the buying of grandparent breeder flocks.

Our production of chicken processes starts with the purchasing of one-day birds called "grandparent" birds. These birds are raised to maturity in our farms where fertile eggs are produced to continue through our production processes. Grandparent birds are bought mainly in the U.S. and also in some other countries from genetic bird firms.

The largest single component of our cost of sales is the cost of balanced feed raw materials, mainly grain (corn and sorghum), as well as soybean meal, used to prepare balanced feed. We operate our own feed mills to produce balanced feed for both our individual business consumption as well as to sell to third parties.

The prices of these ingredients are subject to significant volatility resulting from weather, the size of harvests, transportation and storage costs, governmental agricultural policies, currency exchange rates and other factors. The Company engages in hedging of its feed costs in order to assure a more stable cost of grains.

In Mexico, domestic crops are limited, therefore a large percentage of our raw materials are imported from the U.S. In 2021, in terms of volume, we bought approximately 20.7% of our total grain from the domestic market and the remaining 79.3% from the U.S.

### ***Marketing Channels Used by the Company***

#### ***Marketing and Distribution of Chicken Products in Mexico***

We have developed an extensive distribution system to participate in all the existing distribution channels mainly of chicken and egg products. We consider our distribution system one of the Company's strengths, where we have developed extensive expertise and knowledge of the business.

We participate and operate in all the following marketing channels:

- **Live Chicken.** Unlike most other countries, Mexico has a large marketing channel of live chicken, which mainly operates in the central and southern regions of Mexico.
- **Wholesalers.** Large percentages of our chicken net revenue operate via wholesalers. The main products marketed in this channel are live and public market chicken, as well as rotisserie. We do not have exclusive supply agreements with our customers.
- **Institutional.** We sell a large amount of product to institutional customers. We mainly sell chicken cuts and rotisserie chicken in the institutional channel. Success in supplying the institutional channel depends on consistency and good service, and only larger producers with more modern processing facilities and distribution capacity can compete in this market.
- **Supermarket.** We sell cuts and value-added products as well as supermarket chicken types through supermarket channels or convenience stores. In this channel we emphasize our brand image as well as our superior service, reinforced by frequent delivery to ensure freshness, to build consumer's loyalty.
- **Retail.** A wide range of products are sold under this marketing channel that goes from the live chicken to value-added or public market and supermarket chicken type. The Company supplies several points of sale that directly sell these products to the customers.

We use our own fleet to transport the majority of rotisserie chickens, supermarket broilers and other chicken products to our customers in Mexico. We try to cooperate with existing distribution channels and do not compete with wholesale distributors, except in areas where we supply our own distribution capacity where needed for market penetration.

We distribute products from our processing plants to our cold-storage facilities and warehouses, which serve as a midpoint in distribution to wholesalers and local customers. From our cold-storage facilities, we service wholesalers and retailers and transport certain products directly to supermarkets and food-service operations. Our distribution infrastructure includes more than 60 cold-storage warehouses and facilities and a large fleet of vehicles.

#### ***Marketing and Distribution of Chicken Products in the U.S.***

Our U.S. operations, which lie across the River Valley area in Arkansas and Oklahoma, Alabama and Georgia, produce mainly chicken products. Those plants mainly supply grocery retailers, food service distributors, national accounts and commodity customers throughout the U.S. The U.S. complex also services the foreign market and exports to several countries including various Asian countries and Mexico. Our distribution line through our plants is handled mainly through third parties.

#### ***Marketing and Distribution of Eggs Products in Mexico***

Eggs are mostly sold packaged with brand identification. We sell white and brown eggs. Our branded carton of brown eggs is a premium product in the Mexican market because consumers perceive them to be of higher quality.

Our marketing strategy in the egg business is to gradually move from bulk to packaged white eggs. Packaged eggs are less vulnerable to price fluctuation and create brand loyalty.

We have designed our egg distribution system to transport eggs from our laying farms to customers in all sales regions.

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- **Wholesalers.** We sell eggs in bulk; these wholesalers operate mainly in central Mexico. This product is sold to consumers mainly by kilogram and not by unit.
- **Institutional.** We sell eggs in bulk in this institutional marketing channel.
- **Supermarket.** We sell eggs packaged with brand identification and a large number of presentation patterns in packages of 12, 18, 24 or more eggs.
- **Retail.** We distribute eggs directly to customers in packages with brand identification.

### Marketing and Distribution of Balanced Feed in Mexico

Our production of balanced feed to third parties accounts for a wide range of products. We produce balanced feed products mainly in the poultry industry, but we also produce in other markets such as pet food, cattle, swine and fish, among other species.

We sell balanced feed products mainly to small livestock producers and through a network of small distributors located mainly in central and southern Mexico. Currently, we have six feed plants dedicated to producing balanced feed to third parties.

### *Patents, Licenses and Other Contracts*

At the end of 2021, we owned a total of 810 industrial and intellectual intangible assets as described below:

- a) 645 registered brands; from them, 443 are brands registered in Mexico, 99 are brands registered outside of Mexico, and 103 are commercial media communications brands.
- b) 10 patents in Mexico.
- c) 155 copyrights, from them 52 are software copyrights and 103 billboards copyrights.

The Company's operations are not dependent on the existence of patents or licenses or contracts signed with customers or suppliers.

We own the rights to a wide range of brands that we use to market our products. Most of these rights are renewed every ten years.

### *Material Effects of Government Regulations on the Company's Business*

Every region where Bachoco operates is subject to extensive federal, state and foreign laws and regulations, which can have a material effect on the Company. Such laws and regulations include, among others, the following:

#### Import and Export Regulations

Effective January 1, 2008, there is a free chicken market between Mexico and the U.S. This allows U.S. producers to export any amount of chicken (mainly leg quarters) free of tariffs to Mexico.

The U.S. chicken exports to Mexico have substantially increased since applicable restrictions on such imports have recently phased out. However, this development does impact the Mexican market for chicken because neither we, nor any other Mexican chicken producer, are yet able to export similar products to the U.S. Our production complex in the U.S. exports chicken products to several countries such as Mexico Puerto Rico, Guatemala and Bahamas, among others, and therefore it is subject to various laws and regulations that apply in each of these countries.

#### Antitrust Regulations

In Mexico, the Ley Federal de Competencia Económica ("Mexican Economic Competition Law" or "LFCE"), regulates monopolies and monopolistic practices.

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Under this law, Mexican producers, including Bachoco are required to notify the Comisión Federal de Competencia Económica (“Competition Federal Commission” or “COFECE”) of all proposed transactions exceeding specified threshold amounts as set forth in the Mexican Economic Competition Law. The COFECE can impose conditions on, and prevent or unwind, any such transactions by Mexican companies. We have complied with all requirements under this law.

### Anti-dumping Regulations

Since 2003, chicken (excluding leg quarters for which the Mexican government had imposed certain temporary restrictions), eggs and swine import quotas were eliminated by virtue of NAFTA and its successor, the USMCA. Poultry producers in the United States have developed extremely low-cost production methods and have been successful in exporting primarily frozen and value-added poultry to other countries, including Mexico, especially in periods of overcapacity in the United States.

On January 1, 2008, the restrictions previously imposed for leg quarters were phased out. As a result, there are no restrictions on exporting these products to Mexico at this time.

In February 2011, the *Secretaría de Economía* (or “Mexican Ministry of Economy”) initiated an antidumping investigation focusing exclusively on imports of leg quarters to Mexico from the U.S. This investigation was requested by Bachoco and two other Mexican poultry companies.

As a result of this investigation, in January 2012, the Ministry of Economy issued a preliminary ruling on anti-dumping procedures and confirmed dumping conditions on chicken leg quarters imported from the U.S., including margins ranging from 62.90% to 129.77%, stating that such practices damaged the Mexican poultry industry.

The Mexican Ministry of Economy had the authority to impose anti-dumping duties but did not proceed as the interested parties expressed the desire to reach an agreement. The companies involved provided new arguments.

Consequently, on August 7, 2012, after examining all final arguments, the authorities confirmed the existence of dumping conditions that caused harm to the domestic poultry industry. The Mexican Ministry of Economy imposed anti-dumping duties on imports of chicken leg quarters from the U.S., but stated that such penalties would not be applied immediately, as the poultry industry was being affected by the presence of avian flu type H7N3 in the State of Jalisco. It is worth noting that the Company’s facilities were not affected by this outbreak of influenza.

As of the date of this Annual Report, we do not have any further information from the Mexican Ministry of Economy regarding the application of such duties to the chicken industry. We do not believe we will be subject to any anti-dumping fines and thus have not recorded any provisions in our consolidated financial information.

### Environmental and Sanitary Regulation

The chicken industry is subject to government regulation in the health and environmental safety areas, including provisions relating to water, air pollution and noise control. Below is a description of the principal laws and administrative authorities in these areas in Mexico and the U.S.:

- **Mexico.** The *Servicio Nacional de Sanidad Inocuidad y Calidad Alimentaria* (Mexican Sanitary Authority or “SENASICA”), the *Ley General de Equilibrio Ecológico y Protección Ambiental* (General Law of Ecological Balance and Environmental Protection) and the *Secretaría del Medio Ambiente y Recursos Naturales* (Ministry of Environment and Natural Resources or “SEMARNAT”).
- **The United States.** The USDA, the Centers for Disease Control, the Environmental Protection Agency (or “EPA”), the U.S. Department of Homeland Security (or “DHS”) and the U.S. Department of Labor (or “DOL”).

All of these laws or regulations can bring administrative and criminal proceedings against companies that violate environmental and safety laws and regulations, and after certain administrative procedures, such violations can result in the closure of non-complying facilities.

The Company provides information to these authorities on a regular basis or whenever required to assure the Company's compliance thereof. Our Mexican and U.S. subsidiaries are also in compliance with all current regulations and are constantly monitored to ensure compliance in case of any changes in the regulatory environment.

***Material Advances in Environmental, Social and Governance (ESG)***

We have redesigned our code of ethics to encompass a global approach throughout our business lines, in addition to consolidating social measures to raise awareness of these changes among our employees.

We have a team of more than 31,000 talented and committed people who, every day, help us to maintain our leadership within the industry and motivate us to continue achieving milestones in every area. In order to recognize the value that each of our employees brings to the company, we offer them best-in-class working conditions, as well as opportunities for continuing education, helping them grow both professionally and personally. We have bolstered our prevention protocols and measures in conjunction with a team of healthcare professionals to ensure business continuity and guarantee the safe return to work for all our employees. In addition, in connection with the COVID-19 pandemic, we have also created internal communication campaigns dealing with prevention, in addition to rolling out measures to promote and facilitate the vaccination of our employees. By the end of 2021, 74% of our employees were fully vaccinated against COVID-19.

We are responsible for looking after the environment because this is where the vast majority of our resources come from. To do so, we promote strategies to ensure these resources are used properly, in addition to streamlining the environmental performance of our operations. Some measures we have taken include the adoption of materials and technologies that help us to mitigate the environmental impact we have in the areas of waste, water and emissions. We have also reaffirmed our commitment to the "Five Freedoms of Animal Welfare" at all our farms. We have decreased the amount of plastic we use by 20 tons by rolling out a new laminated film for our packaging.

We forge partnerships with a wide range of organizations in order to join forces to create programs that boost nutrition and healthy eating while driving social development and engagement with the communities in which we operate. In particular, the Bachoco Nourishing Together Half Marathon has helped us have a positive impact on a number of areas. Through this race, we raise funds to help tackle food security issues in Mexico, in addition to promoting healthy eating habits and sports.

**C. Organizational Structure**

The Company is a holding company with no operations other than holding the stock of its subsidiaries. Our main operating subsidiaries are BSACV and Bachoco USA (the holding company for OK Foods), which own our main operating assets.

In 2021, our subsidiary BSACV accounted for 70.7% of consolidated total assets and 62.5% of total consolidated net revenue and our subsidiary Bachoco USA, accounted for 14.1% of consolidated total assets and 25.1% of total consolidated net revenue.

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All of our subsidiaries are directly owned by us in the percentages listed below. The following table shows our main subsidiaries as of December 31, 2021, 2020 and 2019:

**PERCENTAGE EQUITY INTEREST**

<u>Subsidiary</u>	<u>Country</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Bachoco, S.A. de C.V.	Mexico	99.99	99.99	99.99
Bachoco USA, LLC. & Subsidiary	U.S.	100.00	100.00	100.00
Campi Alimentos, S.A. de C.V.	Mexico	99.99	99.99	99.99
Induba Pavos, S.A. de C.V.	Mexico	99.99	99.99	99.99
Bachoco Comercial, S.A. de C.V.	Mexico	99.99	99.99	99.99
PEC LAB, S.A. de C.V.	Mexico	64.00	64.00	64.00
Aviser, S.A. de C.V.	Mexico	—	99.99	99.99
Operadora de Servicios de Personal, S.A. de C.V.	Mexico	—	99.99	99.99
Secba, S.A. de C.V.	Mexico	—	99.99	99.99
Servicios de Personal Administrativo, S.A. de C.V.	Mexico	—	99.99	99.99
SePETEC, S.A. de C.V.	Mexico	—	99.99	99.99
Wii kit RE LTD.	Bermuda	100.00	100.00	100.00
Proveedora La Perla S.A. de C.V.	Mexico	100.00	100.00	100.00
Sonora Agropecuaria, S.A. de C.V.	Mexico	54.84	54.80	n.a.

Bachoco USA is a subsidiary incorporated on March 2, 2012 to serve as the holding company for O.K. Industries, Inc., the American poultry company we acquired in November 2011.

At the end of 2016 we set up Wii kit RE LTD, a captive reinsurance company to complement our risk management strategy, as a subsidiary of the Company, in which we own 100% of the shares. Wii kit RE LTD., is a Class I reinsurance company that provides insurance coverage to its affiliates.

In July 2017, we acquired La Perla, a Mexican corporation, as a fully owned subsidiary of the Company. This company is dedicated to the production and sale of pet food.

In June 2020, we completed our acquisition of SASA, a swine processing and distributor company with operations in the Mexican States of Sonora and Jalisco.

Aviser, S.A. de C.V., Operadora de Servicios de Personal, S.A. de C.V., Secba, S.A. de C.V., Servicios de Personal Administrativo, S.A. de C.V. and SePETEC, S.A. de C.V. until July 2021, were engaged in providing administrative and operating services rendered to their related parties. Derived from the requirements of the Labor Reform in Mexico, in July 2021 these companies merged with Bachoco, S.A. de C.V., which subsisted as a merging company, acquiring all the debts and responsibilities of the merged companies, subrogating the merged company in all its commercial, civil, labor, fiscal rights and obligations and of any other nature without exception.

For more detail regarding the Company's subsidiaries, see Note 5 of our Audited Consolidated Financial Statements included herein.

**D. Property, Plant and Equipment**

We have more than a thousand production facilities in Mexico and in the U.S. (most of which are farms) and more than 80 distribution centers that are located throughout Mexico, to ensure freshness and minimize transportation time and costs.

We own most of our facilities, own around 79.4% of our farms and lease a limited number of other farms and sales centers. We also employ a network of contract growers.

The following table indicates Bachoco's production facilities and the number of each type of facility, both in Mexico and the U.S., as of December 31, 2021:

#### BACHOCO'S FACILITIES

Facilities	Number of Facilities:	
	In Mexico	In The U.S.
Chicken breeding farms	127	207
Broiler grow-out farms	501	213
Broiler processing plants	7	2
Hatchery	20	2
Egg production farms	129	—
Feed mills	21	2
Further process plants	4	5
Swine farms	35	—
Swine processing plants	2	—

##### *Bachoco's Facilities in Mexico*

In the past, our facilities in Mexico were grouped in several complexes with main offices in Merida, Coatzacoalcos, Tecamachalco, Celaya, Lagos de Moreno, Monterrey, Gomez Palacios, Culiacan and Hermosillo. In 2014, we implemented a new structure whereby our facilities are now grouped according to "business units" where each business unit is responsible not only for the production process but also for customer service in an assigned region.

We process around 12.1 million chickens per week and our laying farms produce around 13.4 thousand tons of commercial eggs each month.

Six of the twenty one feed mill plants in Mexico, are dedicated to the production of balanced feed for sales to third parties and the remaining fifteen are dedicated mainly to internal consumption. We produce around 40 thousand tons of balanced feed per month for sale to third parties.

In our swine processing plants we process around 13,250 hogs per week.

We own other facilities, including two poultry manure-processing plants. We also own a laboratory that produces vaccines for the poultry industry, which we mainly use for internal purposes, but we also sell some vaccines to third parties.

##### *Expansion, Construction or Issues Related to Our Facilities in Mexico*

On January 24, 2022, the Company acquired 100% of the shares of RYC Alimentos "RYC", a company dedicated to multiprotein processing and marketing with production centers in the state of Puebla, Mexico at a purchase price of \$1,251.5 million. The agreement contemplates the acquisition of 2 plants located in Puebla, Puebla, as well as approximately 21 stores located across four United Mexican States (Puebla, Oaxaca, Veracruz and Tlaxcala).

In June 2020 we acquired 54.8% of SASA capital stock, a swine processing and distributor company with operations in the states of Sonora and Jalisco, which gives us the capacity to serve both the domestic and export markets.

In 2019, we continued with our organic growth plans and productivity projects to improve our efficiency and to alleviate bottlenecks, thereby increasing production, in some of our production centers. For instance, we increased our grow-out capacity, improved our productivity and increased our hatchery capacity, and made several improvements in our processing plants. We also replaced part of our fleet in all of our business units.

See Note 4 of our Audited Consolidated Financial Statements for more detail.

***Bachoco's Facilities in the U.S.***

We have facilities across the River Valley area in Arkansas, Oklahoma, Alabama and Georgia. We process around 2.6 million chickens per week in those facilities. Our offices are in Fort Smith, Arkansas. Our slaughter and deboning plants and feed mills are located in Fort Smith, Arkansas and in Heavener, Oklahoma. We have further-processing plants to produce value-added chicken products in Fort Smith, Oklahoma City, Muldrow, Oklahoma and in Alabama; hatcheries in Heavener and Stigler, Oklahoma; broiler research farms, in Greenwood, Arkansas and Hartford, Arkansas; and our cooler storage and distribution center in Muldrow, Oklahoma.

***Expansion, Construction or Issues Related to Our Facilities in the U.S.***

In July 2013, the Company reached an agreement to acquire the Arkansas breeding assets of Morris Hatchery Inc., a U.S. company. These assets are comprised mainly of equipment and bird inventory (laying hens that produce hatching eggs), with a capacity of approximately 350 thousand laying hens.

In July 2015, the Company reached an agreement to acquire the Georgia breeding assets of Morris Hatchery Inc. These assets are comprised mainly of equipment and bird inventory (laying hens that produce hatching eggs), with a capacity of approximately one million laying hens.

In December 2015, the Company reached an agreement to acquire the Oklahoma City Fully Cooked facility from American Foods Group, a U.S. Company. This acquisition is comprised of all of American Foods Group's chicken assets located in Oklahoma City, with a capacity to produce over 700 thousand pounds per week of fully cooked chicken products. The Company closed the transaction in February 2016 through its subsidiary, OK Foods.

In July 2017, we acquired AQF a company that produces and sells value-added further processed products.

The Company plans to continue with several projects, primarily in Mexico, gradually increasing our chicken and egg production in the next few years.

**ITEM 4.A. Unresolved Staff Comments**

None.

**ITEM 5. Operating and Financial Review and Prospects**

**A. Operating Results**

In January 2009, the CNBV published certain amendments to the Rules for Public Companies and other participants in the Mexican Securities Market that require public companies to report financial information in accordance with IFRS as issued by the IASB, effective as of January 1, 2012.

Following these amendments, for the year ended December 31, 2012, we adopted IFRS, with January 1, 2011 as our transition date. Thus, we timely issue our periodic reports under IFRS, meeting all of the CNBV requirements.

The rules and regulations of the SEC do not require foreign private issuers that prepare their financial statements on the basis of IFRS (as issued by the IASB) to reconcile such financial statements to U.S. GAAP. As such, while the Company has in the past reconciled its consolidated financial statements prepared in accordance with MFRS to U.S. GAAP, those reconciliations are no longer presented in Bachoco's filings with the SEC.

***Year 2021 Overview***

The outbreak of COVID-19 was first reported on December 31, 2019 in Wuhan, Hubei Province, China. From Wuhan, the disease spread rapidly to other parts of China, as well as other countries, including Mexico and the United States, growing into a global pandemic, as declared by the World Health Organization. Since the outbreak began, the world has faced an unprecedented situation with social and macroeconomic dynamics being drastically and negatively affected. At Bachoco, we observed impacts related to our operations, customers and our people. However, we believe that we worked very diligently in adapting to the requirements of the new environment and in 2020 established a COVID-19 Executive Committee, both in Mexico and the U.S., which coordinated our response to the COVID-19 pandemic in order to mitigate risks as much as possible. This allowed us to put in place timely actions to keep running our operations in a safe manner.

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On a global level, we are continuing to experience the impacts of the COVID-19 pandemic. In particular, variants and their peak waves of contagion have challenged economies across the world. During 2021, the start of the global vaccination campaign and the better knowledge about COVID-19 allowed countries to manage the disease better and enabled the reactivation of some economic and social activities and, in general, generated an increased expectation of an eventual return to life as it was known before the outbreak of COVID-19. Nonetheless, authorities in Mexico and the United States have continued to impose restrictive measures on mobility and economic reopening, although greater flexibility was undoubtedly observed in the past year or so. This has led to greater economic activity even in non-essential sectors.

During 2021 and 2020, our management performed an analysis to measure the financial impact on the Company derived from the possible effects of COVID-19, which included the following:

- *Review of potential impairment of non-financial assets (including goodwill, right-of-use assets and property, plant and equipment):* Based on medium and long-term projections, a possible impairment in goodwill has not been identified in the Company's long-lived assets, except for intangible assets where an impairment of \$5.5 million was recognized in its U.S. subsidiary in 2021.
- *Inventory valuation:* The Company has not observed a deterioration in the price of its chicken and egg products. Furthermore, the Company's business qualified as an essential activity and thus has kept operations working normally, reinforcing sanitary measures in all work centers, and fulfilling its commitments to its customers. During 2020, the hotel sector was the most affected in sales volume due to the fact that it was not possible to reach pre-COVID-19 pandemic occupancy levels. However, the Company was able to largely divert sales volumes that had been destined to the hotel sector to other industries, such as self-services, rotisserie chains, public market and live chicken. During 2021, the hotel sector improved, but without yet reaching pre-COVID-19 pandemic levels.
- *Acquisition of raw materials:* Even when there was volatility in the U.S. dollar vs. Mexican peso exchange rate, the prices of the main raw materials the Company requires to operate, such as corn and soybean paste, were not affected in terms of cost and supply as a result of the COVID-19 pandemic. With respect to some other raw materials, the Company did experience delays in shipments mainly due to logistical problems of ships in China's ports. However, this did not significantly affect the Company's production activities.
- *Provision for expected losses:* In both 2021 and 2020, the Company's management determined that the allowance for doubtful accounts was sufficient to support an increase in credit risk for certain clients. Nonetheless, during certain months of 2021 and 2020, the level of the Company's accounts receivable portfolio increased based on agreed terms and continues to be recovered according to payment plans.
- *Measurement at fair value:* The Company continued its policy that investments recognized at fair value considered all relevant market factors for their proper valuation.
- *Breaches of agreements:* The Company fulfilled its commitments to suppliers and customers due to the fact that, as mentioned above, as its operations qualify as an essential activity, it has maintained its operations working normally, complying with the health protocols established by the competent authorities.
- *Going concern:* The Company's business operations qualified as an essential activity in the markets it operates in, thus allowing it to continue to operate normally with full operations in its farms, plants, distribution centers, logistics, supply chain and offices, despite working remotely partially in some of its corporate locations. The Company's management has also implemented strict additional measures to guarantee the well-being of its clients, suppliers and workers, as well as the quality and safety of its products, working in coordination with the health authorities and attending to all the recommendations issued by them.
- *Labor relations:* The Company's labor relations have not been affected and no changes were made to contractual agreements with employees, given that the Company continues to operate normally.
- *Liquidity risk management:* The Company has sufficient liquidity to continue meeting its current and long-term commitments.
- *Insurance recoveries related to business interruptions:* The Company has insurance policies to cover business continuity. However, these policies have not been used to date, and are not expected to be used, because the Company has continued to operate normally as it is considered to be an essential activity.

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- *Income tax considerations:* So far, no adverse tax impact has been taken, and none is anticipated, as a result of the COVID-19 pandemic.

As the products that the Company produces and its industry is considered essential, there have been no significant adverse effects on the Company's consolidated position and financial performance resulting from the COVID-19 pandemic thus far.

As the date of issuance of this Annual Report, the Company does not consider that it should substantially modify its budgets and/or financial projections or recognize significant losses in the valuation of its monetary and non-monetary assets. However, there is no guarantee that in the future the Company's financial situation could not be affected if the negative effects of the COVID-19 pandemic to the national and global economy are significantly altered.

Moreover, 2021 was a challenging year for our industry in terms of raw material cost. For the full year we observed an approximate 40% increase in grain prices and an approximate 30% increase soybean meal prices, both as compared to 2020. These increases led to higher feed cost and higher cost of sales.

*Macroeconomic Conditions in Mexico*

In 2021 Mexican macroeconomic conditions showed some improvements as compared to 2020, as the COVID-19 pandemic seemed to be under control, massive lockdowns were gradually lifted, individuals and companies returned to normal activities and the vaccination process advanced around the globe. GDP in 2021 grew 4.8% after the negative 8.2% growth of 2020 in the first year of the COVID-19 pandemic. In addition, the Mexican peso appreciated 5.6% on average against the U.S. dollar. On the other hand, however, reported inflation rate was high, 7.36%, when compared to the 3.15% of 2020.

According to UNA estimates, in 2021, the volume of chicken in Mexico grew by approximately 2.0%, which is in line with normalized levels, while the production of eggs is estimated to increase by approximately 2.9%.

*Operating Performance*

All figures discussed below are information for 2021, with comparative figures of 2020 and 2019 prepared in accordance with IFRS and presented in millions of pesos unless otherwise indicated. This information should be read in conjunction with our Audited Consolidated Financial Statements.

The following table sets forth selected components of our results of operations for each of the periods indicated:

**PRINCIPAL STATEMENT OF PROFIT OR LOSS DATA AND OTHER COMPREHENSIVE ITEMS**

<b>In millions of pesos, except per share and share amounts for the years ended December 31,</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$
<b>Net revenues</b>	<b>81,699.1</b>	<b>68,792.0</b>	<b>61,655.2</b>
Cost of sales	68,356.7	57,707.6	51,557.4
Gross profit	13,342.4	11,084.4	10,097.9
General, selling and administrative expenses	7,127.8	6,420.4	6,116.6
Other income (expenses), net	(322.8)	(362.5)	(4.7)
Operating income	5,891.9	4,301.5	3,976.5
Net finance income	849.9	882.2	381.3
Income tax	1,807.6	1,211.6	1,125.0
Profit attributable to controlling interest	5,065.6	3,935.7	3,219.9
Profit attributable to non-controlling interest	(131.5)	36.4	12.9
Profit for the year	4,934.1	3,972.1	3,232.8
Basic and diluted earnings per share <sup>(1)</sup>	8.45	6.56	5.37
Basic and diluted earnings per ADR <sup>(2)</sup>	101.36	78.74	64.40
Dividends per share <sup>(3)</sup>	1.420	1.320	1.400
Weighted average shares outstanding <sup>(4)</sup>	599,730	599,818	599,972

(1) Basic and diluted earnings per share are calculated based on the weighted average number of basic and diluted shares and presented in pesos. No potentially dilutive shares exist in any of the years presented, for which reason, basic and diluted earnings per share are the same.

(2) Each ADR represents twelve shares. Earnings per ADR are presented in pesos.

(3) Dividends per share have been computed by dividing the total amount of dividends paid by the weighted average shares outstanding and are presented in pesos.

(4) In thousands of shares.

**Operating Results 2021 vs 2020**

The following table sets forth, for each of the periods indicated, our net revenues by main product lines as a percentage of total net revenues, in each period:

**NET REVENUES BY OPERATING SEGMENTS**

<b>In millions of pesos</b>	<b>2021</b>		<b>2020</b>		<b>Change</b>	
	\$	% net revenue	\$	% net revenue	\$	% net revenue
<b>Net Revenues</b>	<b>81,699.1</b>	<b>100.0</b>	<b>68,792.0</b>	<b>100.0</b>	<b>12,907.1</b>	<b>18.8</b>
Poultry	71,647.7	87.7	61,323.9	89.1	10,323.9	16.8
Others	10,051.3	12.3	7,468.1	10.9	2,583.2	34.6

<b>In millions of pesos</b>	<b>2021</b>		<b>2020</b>		<b>Change</b>	
	\$	% net revenue	\$	% net revenue	\$	% net revenue
<b>Net Revenues</b>	<b>81,699.1</b>	<b>100.0</b>	<b>68,792.0</b>	<b>100.0</b>	<b>12,907.1</b>	<b>18.8</b>
In Mexico	61,338.5	75.1	49,303.2	71.7	12,035.3	24.4
In the U.S.	20,360.6	24.9	19,488.8	28.3	871.8	4.5

**NET REVENUES BY GEOGRAPHY**

*Net Revenues*

In 2021, net revenue totaled \$81,699.1 million, \$12,907.1 million or 18.8% more than the \$68,792.0 million reported in the same period in 2020. The net revenue increase is mainly attributed to:

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- an increase net revenue of poultry products of 16.8% in 2021 as compared to 2020, mainly as a result of an 17.0% increase in poultry prices, which was partially offset by a decrease of 0.2% in volume sold. The increase in prices was observed both in Mexico and the U.S.
- an increase in net revenue of the “others” segment of 34.6% in 2021 as compared to 2020, mainly as a result of a 29.8% increase in price and a 4.8% increase in volume sold.

In 2021, net revenue of our U.S. operations represented 24.9% of our net revenue, compared with 28.3% in 2020.

The following table sets forth a breakdown of our cost of sales for each of the periods indicated:

**COST OF SALES**

In millions of pesos	2021		2020		Change	
	\$	% net revenue	\$	% net revenue	\$	%
<b>Cost of sales</b>	<b>68,356.7</b>	<b>83.7</b>	<b>57,707.6</b>	<b>83.9</b>	<b>10,649.1</b>	<b>18.5</b>
Poultry	59,195.3	72.5	51,165.7	74.4	8,029.6	15.7
Others	9,161.4	11.2	6,541.9	9.5	2,619.5	40.0

Our total cost of sales increased \$10,649.1 million or 18.5% in 2021, when compared to 2020. This increase was mainly attributable to higher unit cost related to higher raw material prices in peso terms given the significant increase in corn and soybean meal prices in U.S. dollar terms.

The largest single component of our cost of sales is the cost related to our balanced feed raw materials, which has accounted for approximately 67% of our total cost of sales in the last three years. The main components of our balanced feed raw materials are corn, sorghum and soybean meal and all of the components of raw materials are subject to high volatility caused by supply, weather conditions and exchange rates, among others.

Besides balanced feed costs, the cost of sales includes other factors such as salaries and wages and energy costs. These two factors represented approximately 9% and 4% of our total cost of sales, respectively.

There are many other factors with much smaller contributions to the overall cost of sales. All of these secondary factors individually registered immaterial changes from 2021 to 2020.

**GENERAL, SELLING AND ADMINISTRATIVE EXPENSES**

In millions of pesos	2021		2020		Change	
	\$	% net revenue	\$	% net revenue	\$	%
<b>Total SG&amp;A</b>	<b>7,127.8</b>	<b>8.7</b>	<b>6,420.4</b>	<b>9.3</b>	<b>707.4</b>	<b>11.0</b>

In 2021, general, selling and administrative expenses totaled \$7,127.8 million, compared to the \$6,420.4 million reported in 2020, representing an increase of \$707.4 million or 11.0%. Approximately 1% of this increase was attributable to more volume sold in our Others segment and the remaining due to a higher unit expense. This increase was mainly related to higher cost of fuel and labor and traveling expenses.

In 2021 and 2020, our general, selling and administrative expenses represented 8.7% and 9.3% of net revenue, respectively. The main components that comprised our general, selling and administrative expenses in the past three years are the following: freight and transportation equipment expenses (about 40%), labor (about 35%) and publicity (about 2%), with no significant variation in these percentages.

**OTHER (EXPENSE) INCOME NET**

In millions of pesos	2021		2020		Change	
	\$	% net revenue	\$	% net revenue	\$	%
<b>Other (expense) income net</b>	<b>(322.8)</b>	<b>(0.4)</b>	<b>(362.5)</b>	<b>(0.5)</b>	<b>39.7</b>	<b>(11.0)</b>

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Other (expense) income includes mainly the gains and losses on sales of by-products, sales of hens, asset disposal and sales of unused fixed assets.

Other (expense) income net in 2021 is comprised of \$1,076.6 million of other income, which was more than was offset by other expenses of \$1,399.4 million, as compared to other income of \$956.9 million and other expense of \$1,319.4 million in 2020. These results were primarily driven by an increase in cost of disposal of biological assets, raw materials, by-products and other, which was partially offset by an increase in our sales of biological asset scraps, raw materials and by-products.

**OPERATING INCOME**

In millions of pesos	2021		2020		Change	
	\$	%/net revenue	\$	%/net revenue	\$	%
<b>Operating income</b>	<b>5,891.9</b>	<b>7.2</b>	<b>4,301.5</b>	<b>6.3</b>	<b>1,590.3</b>	<b>37.0</b>

Operating income in 2021 totaled \$5,891.9 million, an increase compared to the operating income of \$4,301.5 million reached in 2020. The increase in operating income was mainly due to higher prices in all of our operating segments and higher volume sold in Others, as described above.

The operating margin in 2021 and 2020 was 7.2% and 6.3%, respectively.

**NET FINANCE INCOME**

In millions of pesos	For the year ended December 31,				Change	
	2021		2020		\$	%
	\$	% over net revenue	\$	% over net revenue		
<b>Net finance income</b>	<b>849.9</b>	<b>1.0 %</b>	<b>882.2</b>	<b>1.3 %</b>	<b>(32.3)</b>	<b>(3.7)</b>
Financial income	1,117.4	—	1,173.5	—	(56.1)	(4.8)
Financial expense	267.5	—	291.3	—	(23.8)	(8.2)

In 2021, we reported net financial income of \$849.9, a 3.7% decrease compared to net financial income of \$882.2 million in 2020. The relatively small year-to-year variation was a result of a fairly stable exchange rate during 2021.

Financial income of \$1,117.4 million in 2021 was mainly attributable to a \$591.0 million of interest income and \$519.8 million in foreign currency exchange gain. This financial income was partially offset by a financial expense of \$267.5 million, which was mainly driven by \$136.0 million in interest expense and interest paid on leases and \$130.0 million in other financial expenses.

For more details, see Note 29 to our Audited Consolidated Financial Statements.

**TOTAL INCOME TAX**

The following table sets forth our tax position for each of the periods indicated and is described in more detail in Note 21 to our Audited Consolidated Financial Statements included herein:

In millions of pesos	For the year ended December 31,				Change	
	2021	2020	\$	%	\$	%
	\$	\$				
<b>Total income taxes (benefit) expense</b>	<b>1,807.6</b>	<b>1,211.6</b>	<b>596.0</b>	<b>49.2</b>		
Current income tax	1,790.6	1,321.0	469.6	35.5		
Deferred income tax	17.0	(109.4)	126.5	n/a		

In 2021, total income tax expense was \$1,807.6 million, compared to income tax expense of \$1,211.6 million in 2020. This increase was mainly attributable to a \$469.6 million increase in current income tax, which in turn was primarily due to an increase in our operating income in 2021. On the other hand, deferred income taxes increased by \$126.5 million, primarily due to increases in deferred tax liabilities related to prepaid expenses and inventories respectively; partially offset by a decrease on deferred tax assets related to accounts payable.

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The effective income tax rate was 27.0% in 2021 and 23.0% in 2020.

**PROFIT FOR THE YEAR**

The following table sets forth our profit for the year for each of the periods indicated:

In millions of pesos, except per share amounts	For the years ended		Change	
	December 31,		\$	%
	2021	2020		
<b>Profit for the year:</b>	<b>4,934.1</b>	<b>3,972.1</b>	<b>962.0</b>	<b>24.2</b>
Profit attributable to Controlling interest	5,065.6	3,935.7	1,129.9	28.7
Profit attributable to Non-controlling interest	(131.5)	36.4	(167.9)	(460.9)
Basic and diluted earnings per share <sup>(1)</sup>	8.45	6.56	1.88	28.73
Net income per ADR <sup>(1)</sup>	101.36	78.74	22.62	28.73

(1) In pesos.

As a result of the factors detailed above, our profit for the year 2021 totaled \$4,934.1 million, or \$8.45 per basic and diluted share (\$101.36 per ADR), which represents a \$962.0 million or 24.2% increase compared to the \$3,972.1 in profit of the year or \$6.56 per basic and diluted share (\$78.74 per ADR) reported in 2020.

Our consolidated net margin in 2021 was 6.0% compared to a consolidated net margin of 5.8% in 2020.

**EBITDA RESULT**

The following table shows reconciliation of EBITDA and EBITDA margin to consolidated net income for each of the periods indicated.

In millions of pesos	For the years ended		Change	
	December 31,		\$	%
	2021	2020		
<b>Profit of the year</b>	<b>4,934.1</b>	<b>3,972.1</b>	<b>962.0</b>	<b>24.2</b>
Income taxes	1,807.6	1,211.6	596.0	49.2
Net finance income	(849.9)	(882.2)	32.3	(3.7)
Depreciation and amortization	1,463.8	1,735.1	(271.3)	(15.6)
<b>EBITDA result</b>	<b>7,355.7</b>	<b>6,036.7</b>	<b>1,319.0</b>	<b>21.8</b>
<b>EBITDA margin (%)</b>	<b>9.0 %</b>	<b>8.8 %</b>	—	—

EBITDA result in 2021 and 2020 reached \$7,355.7 and \$6,036.7 million, respectively, representing an EBITDA margin of 9.0% and 8.8%, respectively.

**Operating Results 2020 vs 2019**

Information about our operating results for the fiscal year ended December 31, 2020 compared with the fiscal year ended December 31, 2019 is included in Item 5 of our 2020 Annual Report on Form 20-F, which is available via the SEC's website at [www.sec.gov](http://www.sec.gov) and our website at <https://corporativo.bachoco.com.mx/inversionistas/>

**Critical Tax and Accounting Policies**

The following information is a summary of the fiscal and accounting policies that could materially affect the Company's operations or investments.

*Income Tax Year 2021*

The Company and each of its subsidiaries file separate income tax returns. Through December 31, 2013, BSACV, the Company's main subsidiary, was subject to the simplified regime, with a tax rate of 21%. Beginning in January 1, 2014, BSACV is now subject to a new regime for agriculture, livestock, forestry and fisheries, which applies to companies exclusively dedicated to these activities, and in our case it applies a 30% tax rate.

Our subsidiary Bachoco, US LLC, is located in the U.S. and it has the same fiscal period as the rest of the subsidiaries located in Mexico.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted in the United States. The most significant provisions of the CARES Act that will materially affect the Company's accounting for income taxes include a five-year carryback allowance for taxable net operating losses generated in tax year 2018 through 2020 and a technical correction to the Tax Cuts and Jobs Act, enacted on December 22, 2017, that disallowed the carrying back of taxable net operating losses to offset prior years' taxable income. The deadline to request this refund is October 2022, and it is expected that the Company will request it before such date.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation, which revises the ongoing U.S. corporate income tax law by lowering the U.S. federal corporate income tax rate from 35.0% to 21.0%

For more information, please see Note 21 of the Audited Consolidated Financial Statements.

*Use of Estimates and Judgments in Certain Accounting Policies*

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

***Business combinations or acquisition of assets***

Management uses its professional judgment to determine whether the acquisition of a group of assets constitutes a business combination. This determination may have a significant impact in how the acquired assets and assumed liabilities are accounted for, both at the initial recognition and subsequently.

***Fair value of biological assets***

The Company estimates the fair value of biological assets as the price that would be received or paid in an orderly transaction between market participants at the measurement date. As part of the estimate, the Company considers the maturity periods of such assets, the necessary time span for the biological assets to reach a productive stage, as well as future economic benefits obtained.

The balance of current biological assets is integrated by hatching eggs, growing pigs and growing poultry, while the balance of non-current biological assets is integrated by poultry in its different production stages and breeder pigs.

Non-current biological assets are valued at their production cost less accumulated depreciation or accumulated impairment losses, because the Company believes that there is no observable or reliable market for such assets. Also, the Company believes that there is no reliable method for measuring the fair value of non-current biological assets. Current biological assets are valued at fair value when there is an observable market, less sale expenses.

***Aggregation of operating segments***

The Company's chicken and egg operating segments are aggregated to present one reportable segment (Poultry) as they have similar products and services, production processes, classes of customers, methods used for distribution, regulatory environments in which they operate, and similar economic characteristics as evidenced by similar five-year trends in gross profit margins. These factors are evaluated at least annually.

***Discount rate estimation to calculate the present value of future minimum rent payments***

The Company estimates the discount rate to be used in determining the lease liability, based on the incremental borrowing rate (“IBR”).

The Company uses a two-level model, with which it determines the elements that make up the discount rate: (i) reference rate, and (ii) credit risk component. In this model, Management also considers its policies and practices to obtain financing, distinguishing between borrowings obtained at the corporate level (that is, by the holding company), or at the level of each subsidiary. Finally, for real estate leases, or in leases where there is significant and observable evidence of their residual value, the Company estimates and evaluates an adjustment for the characteristics of the underlying asset, taking into account the possibility that such asset may be granted as collateral or guarantee against the risk of default.

***Estimate of the term of the lease contracts***

The Company defines the term of the leases as the period for which there is a contractual payment commitment, considering the non-cancellable period of the contract, as well as the renewal and early termination options that are likely to be exercised. The Company is party to lease agreements that do not have a defined mandatory term, a defined renewal period (if it contains a renewal clause), or annual automatic renewals. Accordingly, to measure the lease liability, the Company estimates the term of the contracts, considering their contractual rights and limitations and the business plan, as well as Management’s intentions for the use of the underlying asset. Additionally, the Company considers the early termination clauses of its contracts and the probability of exercising them as part of its estimation of the lease term.

***Key sources of estimation uncertainty:***

Below are critical estimates and assumptions in the application of accounting policies with significant effects on the amounts recognized in the consolidated financial statements, as well as information on assumptions and uncertainty of estimates that have a significant risk of resulting in a material adjustment in future years.

***Expected credit losses on accounts receivable***

The expected credit losses on financial assets are estimated using a provision matrix based on the Company’s historical experience of credit losses, adjusted for factors that are specific to each of the Company’s customer and debtor groups, general economic conditions and an assessment of both current and forecast conditions at each reporting date.

***Assessments to determine the recoverability of deferred tax assets***

On an annual basis, the Company prepares financial projections to determine if it will generate sufficient taxable income to utilize its deferred tax assets associated with deductible temporary differences, including tax losses and other tax credits.

***Useful lives and residual values of property, plant and equipment***

Useful lives and residual values of property, plant and equipment are used to determine depreciation expense of such assets and are defined according to the analysis by internal and external specialists. Useful lives and residual values are reviewed periodically at least once a year, based on the current conditions of the assets and the estimate of the period during which they will continue to generate economic benefits to the Company. If there are changes in the estimate, measurement of the net carrying amount of assets and the corresponding depreciation expense are prospectively affected.

***Measurements and disclosures at fair value***

Fair value is a measurement based on the price a market participant would be willing to receive to sell an asset or pay to transfer a liability, and is not a measure specific to the Company. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information may not be available. However, the purpose of a measurement at fair value in both cases is to estimate the price at which an orderly transaction to sell the asset or to transfer the liabilities would be carried out among the market participants at the date of measurement under current market conditions.

When the price of an identical asset or liability is not observable, the Company determines the fair value using another valuation technique that maximizes the use of relevant observable information and minimizes the use of unobservable information. As the fair value is a measurement based on the market, it is measured using the assumptions that market participants would use when they fix a price to an asset or liability, including assumptions about risk.

#### ***Impairment of long-lived assets and goodwill***

The carrying amount of long-lived assets is reviewed for impairment when situations or changes in circumstances indicate that it is not recoverable, except for goodwill, which is reviewed on an annual basis, at a minimum. If there are indicators of impairment, a review is carried out to determine whether the carrying amount exceeds its recoverable value and whether it is impaired. The recoverable value is the highest of the asset's fair value, less selling costs, and its value in use, which is the present value of the future estimated cash flows generated by the asset. The value in use calculation requires the Company's management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

#### ***Employee retirement benefits***

The Company uses various assumptions to determine the best estimate for its employee retirement benefits. Assumptions and estimates are established in conjunction with independent actuaries. These assumptions include demographic hypotheses, discount rates and expected increases in remunerations and future employee service periods, among others. Although the assumptions are deemed appropriate, a change in such assumptions could affect the value of employee benefit liabilities and the results of the period in which such a change occurs.

#### ***Contingencies***

A contingent liability is defined as:

- a possible obligation that arises from past events and whose existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or
- a present obligation that arises from past events but is not recognized because:
  - a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - b. the amount of the obligation cannot be measured with sufficient reliability.

The assessment of such contingencies requires the exercise of significant judgments and estimates on the possible outcomes of those future events. The Company assesses the probability of loss arising from lawsuits and other contingencies with the assistance of its legal advisors. These estimates are reconsidered periodically at each reporting period.

#### ***Recently Adopted and New Accounting Pronouncements***

In the current year, the Company adopted a series of new and amended IFRS issued by the IASB which went into effect on January 1, 2021, as it relates to its consolidated financial statements

##### *Phase 2 of the interest rate benchmark reform (IBOR- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*

Interbank rates benchmark such as LIBOR, EURIBOR, and TIBOR, which represent the cost of obtaining unsecured funds, have been questioned about their viability as long-term funding benchmarks. The changes in the reform of the interest rates benchmark in its phase 2, refer to the modifications of financial assets, financial liabilities and lease liabilities, requirements for hedge accounting and disclosure of financial instruments. These improvements are effective as of January 1, 2021 with retrospective application, without it required to redo the comparative periods.

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With respect to disclosures, entities must disclose how they are managing the transition to alternative benchmark rates and the risks that may arise from the transition; in addition, they must include quantitative information on financial assets and non-derivative financial liabilities, as well as non-derivative financial instruments, that continue under the reference rates subject to the reform and the changes that have arisen to the risk management strategy.

Its adoption had not material impact on the disclosures or the amounts reported in these consolidated financial statements.

### *Initial impact of concessions applied to Income under IFRS 16 due to issues related to COVID-19 after June 30, 2021, amendment to IFRS 16*

In March 2021, the IASB issued COVID-19 Related Rent Concessions beyond June 30, 2021 (amendment to IFRS 16). When the IASB published the amendments to IFRS 16 in May 2020, the lessor was allowed to apply the practical expedient of the rental concessions for any reduction in the payment of leases affecting the original payments before or as of June 30, 2021. Due to the nature of the COVID-19 pandemic, the amendment extended a practical expedient to apply those original payments before or on June 30, 2022.

The practical expedient allows a tenant to decide not to assess whether a COVID-19 related rent is a lease modification. A lessee who makes this election should account for any change in rent payments resulting from the granting of rents related to COVID-19 applying IFRS 16 as if the change were not a modification to the lease.

The practical expedient applies only to rental concessions that occur as a direct consequence related to COVID-19 and only if the following conditions are met:

- The change in lease payments results in consideration that is substantially the same as, or less than, the lease consideration immediately prior to the change.
- Any reduction in lease payments only affects payments due on or before June 30, 2022 (a rental concession meets this condition if it results in a reduction in payments before June 30, 2022 increases lease payments that extend beyond June 30, 2022); and
- There is no substantive change in any other clause or condition of the lease.

The Company has not had any material impact for these amendments to IFRS 16 because it did not have any applicable rental concessions.

### *New IFRS issued but not yet effective*

As of the date of these consolidated financial statements, the Company has not applied the following new and revised IFRS that have been issued but are not yet effective.

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to IAS 1	Classification of liabilities as current or non-current.
Amendments to IFRS 3	Definition of a business
Amendments to IAS 16	Property, Plant and Equipment - before being used
Amendments to IAS 37	Onerous contracts - costs of fulfilling a contract
Annual improvements to IFRS 2018-2020 cycle	Amendments to IFRS 1 First adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture
Amendments to IAS 1 and the IFRS practice statements 2	Disclosure of accounting policies
Amendments to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred taxes related to assets and liabilities arising from a single transaction.

See Note 2(g) of our Audited Consolidated Financial Statements for more details.

**B. Liquidity and Capital Resources**

We are a holding company with no significant operations of our own, and we receive dividends from our operating subsidiaries from time to time. Our principal sources of liquidity are:

- The net revenue of our products through our subsidiaries in the Mexican and U.S. markets;
- Credit lines we use from time to time; as of December 31, 2021 and 2020, the unused credit lines of the Company totaled \$9,935.4 million and \$6,919.6 million, respectively. The Company did not pay any commission or charge for the unused credits.
- The current Mexican bond issuance program available until August 2022. For more details, please refer to Item 12 (“Description of Securities Other than Equity Securities”) of this Annual Report.

*Liquidity and Capital Resources 2021 vs 2020*

**TOTAL CASH, CASH EQUIVALENTS, INVESTMENT IN SECURITIES AND DERIVATIVES FINANCIAL INSTRUMENTS**

In millions of pesos	As of December 31,		Change	
	2021	2020	\$	%
<b>Total cash, cash equivalents, and investment in securities and derivative financial instruments</b>	<b>20,776.8</b>	<b>19,242.3</b>	<b>1,534.5</b>	<b>7.9</b>
Cash and cash equivalents	19,136.4	17,286.3	1,850.1	10.7
Investment in securities at fair value through profit or loss	10.8	1,018.3	(1,007.5)	(98.9)
Investment in securities at fair value through other comprehensive income	1,559.8	937.7	622.1	66.3
Derivative financial instruments	69.8	0.0	69.8	n/a

In 2021, cash and cash equivalents, investments in securities at fair value through profit or loss and through other comprehensive income totaled \$20,776.8 million, \$1,534.5 million or 7.9% more than the \$19,242.3 million recorded in 2020, the increase was related to our improved operating results in 2021 as compared to 2020 and our strategy of having a mix of U.S. dollars and Mexican pesos in our portfolio (so that we are less susceptible to movements in the U.S. dollar/Mexican peso exchange rate). Of this total amount, \$174.0 million corresponded to cash and cash equivalents from our U.S. operations.

**ACCOUNTS RECEIVABLE, NET**

In millions of pesos	As of December 31,		Change	
	2021	2020	\$	%
<b>Total accounts receivable, net</b>	<b>5,108.2</b>	<b>4,366.0</b>	<b>742.1</b>	<b>16.9</b>

In 2021 accounts receivable, net increased \$742.1 million, or 16.9%, when compared to 2020. This is mainly due to increases of \$412.8 million in recoverable value-added tax and \$390.5 million in trade receivables as a result of higher net revenue in 2021.

For more detail, please see Note 9 of the Audited Consolidated Financial Statements.

**TRADE PAYABLE AND OTHER ACCOUNTS PAYABLE**

In millions of pesos	As of December 31,		Change	
	2021	2020	\$	%
<b>Trade payable and other accounts payable</b>	<b>10,015.3</b>	<b>5,753.1</b>	<b>4,262.1</b>	<b>74.0</b>

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In 2021, trade payable and other accounts payable increased \$4,262.1 million or 74.0% when compared to 2020. This increase is mainly due to a \$3,606.1 million in trade payables, an increase of \$321.9 million in sundry creditors and expenses payable and an increase of \$229.7 million in statutory employee profit sharing. These increases are largely related to the higher cost of raw materials, such as corn and soybean meal.

For more detail, please see Note 19 of the Audited Consolidated Financial Statements.

**TOTAL DEBT**

In millions of pesos	As of December 31,		Change	
	2021	2020	\$	%
<b>Total debt</b>	<b>1,993.9</b>	<b>2,518.0</b>	<b>(524.1)</b>	<b>(20.8)</b>
Short-term debt and current portion of long-term debt	1,993.9	1,057.6	936.4	88.5
Long-term debt <sup>(1)</sup>	—	—		
Short-term debt (Local bond issue)				
Long-term debt (Local bond issue)	—	1,460.4	(1,460.4)	(100.0)

Includes notes payable to banks and current portion of long-term debt.

(1) Does not include current installments of long-term debt.

As of December 31, 2021, total debt was \$1,993.9 million, a decrease of \$524.1 million or 20.8% when compared to \$2,518.0 million of total debt as of December 31, 2020. This decrease was mainly due to a \$39.0 million dollar loan becoming due in 2021.

As of December 31, 2021 and 2020, we had \$0.0 million and \$209.5 million in current portion of long-term debt, respectively.

Long-term debt to banks, excluding the current installments of long-term debt, as of December 31, 2021 and 2020 were \$0.0 million and \$1,460.4 million, respectively.

The weighted average interest rates on long-term debt, for years 2021 and 2020 were 4.90% and 6.49%, respectively.

Our long-term debt consists of a Mexican bond issuance of \$1,500.0 million in the third quarter of 2017, due in 2022. This bond accrues interest at the reference rate of 28-day TIIE ("Equilibrium Interbank Interest Rate"), plus accruing interest at TIIE + 0.31%. The funds obtained were primarily used for liability management purposes as we used the proceeds to repay the bonds we issued in 2012, due in 2017.

For details of maturity of our debt and the prevailing interest rates, see Note 18 of our Audited Consolidated Financial Statements.

**WORKING CAPITAL**

In millions of pesos	2021	2020	Change	
	\$	\$	\$	%
<b>Working Capital</b>	<b>25,010.3</b>	<b>24,406.2</b>	<b>604.1</b>	<b>2.6</b>
<b>Total current assets</b>	<b>37,845.6</b>	<b>32,586.0</b>	<b>5,259.6</b>	<b>16.1</b>
<b>Total current liabilities</b>	<b>12,835.3</b>	<b>8,179.8</b>	<b>4,655.5</b>	<b>56.9</b>

The working capital in the table above was calculated as current assets minus current liabilities.

In 2021, our working capital increased \$604.1 million or 2.6% when compared to year 2020, due primarily to increases in our inventories and accounts receivable, net.

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We believe our current level of working capital is sufficient for the regular course of our operations. Nevertheless, our working capital needs may be susceptible to change, as they depend mainly on the cost of our main raw materials, which affect our inventory cost, and on the amount of trade payable and other accounts payable. Our working capital can also change from one quarter to another as the cost of buying domestic raw material depends of the given harvest season.

**Liquidity and Capital Resources 2020 vs 2019**

Information about our liquidity and capital resources for the fiscal year ended December 31, 2020 compared with the fiscal year ended December 31, 2019 is included in Item 5 of our 2020 Annual Report on Form 20-F, which is available via the SEC's website at [www.sec.gov](http://www.sec.gov) and our website at <https://corporativo.bachoco.com.mx/inversionistas>.

**PURCHASES OF PROPERTY, PLANT AND EQUIPMENT**

<b>In millions of pesos, for the years ended December 31,</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$
Purchases of property, plant and equipment	3,479.5	2,752.3	2,069.3

Most of the purchases of property, plant and equipment in the past years were financed with cash flows generated from our own operations.

In 2021, we made purchases of property, plant and equipment of \$3,479.5 million, an increase when compared to the \$2,752.3 million spent in 2020. Purchases of property, plant and equipment made in 2021 were mainly allocated towards organic growth and productivity projects and maintenance.

In 2020, we made purchases of property, plant and equipment of \$2,752.3 million, an increase when compared to the \$2,069.3 million spent in 2019. Purchases of property, plant and equipment made in 2020 were mainly allocated towards productivity projects, the replacement of part of our transportation fleet and other equipment across our facilities, as well as our organic growth plans.

In 2019, we made purchases of property, plant and equipment of \$2,069.3 million, an increase when compared to the \$1,982.6 million spent in 2018. Purchases of property, plant and equipment made in 2019 were mainly allocated to our organic growth strategies and productivity projects to improve our performance in both our Mexico and U.S. operations.

The Company plans to carry out several projects, primarily in Mexico, to gradually increase our poultry production over the course of the next few years.

See Note 14 of our Audited Consolidated Financial Statements for more details.

**LEASES**

<b>In millions of pesos, for the years ended December 31,</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$
Lease expense	156.6	119.1	96.8

Lease expense in 2021 and 2020 includes contracts classified as low value or those with terms of less than twelve months.

During 2021, 2020 and 2019, we entered into leases for certain offices, production sites, computer equipment and vehicles. These agreements have terms ranging between one and five years and some of them contain renewal options.

As of December 31, 2021, under IFRS 16, total lease liabilities were \$651.5 million; comprised of current lease liabilities of \$279.8 million and long term lease liabilities of \$371.7 million.

See Note 24 (b) to our Audited Consolidated Financial Statements for more information.

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The Company has certain leases related to operating assets, including farms and administrative offices. The following table summarizes the Company's contractual obligations as of December 31, 2021. The table does not include current installments of long-term debt, accounts payable or pension liabilities.

**CONTRACTUAL OBLIGATIONS**

<u>In millions of pesos</u>	<u>Total</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Subsequent</u>
		\$	\$	\$	\$	\$	
Long-term debt <sup>(1)</sup>	—	—	—	—	—	—	—
Leases <sup>(2)</sup>	371.7	—	—	213.1	78.9	32.6	47.0

(1) See Note 18(c) of the Audited Consolidated Financial Statements for more detail.

(2) See Note 24 of the Audited Consolidated Financial Statements for more detail.

The following table sets forth the maturity amounts of interest to be paid in connection with the long-term debt described above. These figures do not include lease interest expense.

**INTEREST**

<u>In millions of pesos</u>	<u>Total</u>	<u>Less than 1 year</u>	<u>From 1 To 3 years</u>	<u>From 3 to 5 years</u>
Interest	\$ 85.9	\$ 85.9	\$ —	\$ —

***Financial Instruments***

In the normal course of our business, we use various financial instruments to hedge exposure to financial risks involving fluctuations in currency exchange rates and commodity price risk in connection with fluctuations in the prices for our feed ingredients.

The main risk that the Company faces is the volatility in the Mexican peso-U.S. dollar exchange rate.

A large variation in Mexican peso-U.S. dollar exchange rate could affect our financial results, as a greater percentage of our net revenue are made in pesos, and a large percentage of our purchases of raw material are made in U.S. dollars.

As part of our normal operations, we purchase financial derivative instruments in order to ensure greater certainty for our purchases in U.S. dollars. We plan based on a six-month period into the future and, depending on the expected uncertainty for that period, decide if it is economically advisable to purchase or sell any hedging instrument.

We have followed different strategies with respect to derivatives that involved call and put options in U.S. dollars. Our risk committee approves any change in policies and reviews the application of current policies.

See Note 8 to our Audited Consolidated Financial Statements for more information.

**DEBT IN FOREIGN CURRENCY 2021 vs 2020**

<u>In millions of pesos</u>	<u>As of December 31,</u>		<u>Change</u>	
	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>
Short-term financial debt liabilities in foreign currency <sup>(1)</sup>	\$ —	\$ 778.1	(778.1)	(100.0)

(1) The foreign currency is U.S. dollars.

The Company's risk committee approves any change in policies and reviews the application of current policies.

For more details, see Note 8 and Note 18 to our Audited Consolidated Financial Statements.

## **DEBT IN FOREIGN CURRENCY 2020 vs 2019**

Information about our debt in foreign currency for the fiscal year ended December 31, 2020 compared with the fiscal year ended December 31, 2019 is included in Item 5 of our 2020 Annual Report on Form 20-F, which is available via the SEC's website at [www.sec.gov](http://www.sec.gov) and our website at <https://corporativo.bachoco.com.mx/inversionistas>.

### **C. Research and Development, Patents and Licenses, etc.**

At the end of 2021, we owned a total of 810 industrial and intellectual intangible assets as described below:

- 645 registered brands; from them, 443 are brands registered in Mexico, 99 are brands registered outside of Mexico, and 103 are commercial media communications brands.
- 10 patents in Mexico.
- 155 copyrights, from them 52 are software copyrights and 103 billboards copyrights.

The Company's operations are not dependent on the existence of patents or licenses or contracts signed with customers or suppliers.

We own the rights to a wide range of brands that we use to market our products. These rights are renewed every ten years.

### **D. Trend Information**

The most significant trends that might have a negative impact on the Company's operating performance are the following:

- We may see future volatility in raw material prices as a result of external factors such as the large-scale military invasion of Ukraine launched by Russia on February 24, 2022. News of the Russian military invasion has and continues to negatively impact stock prices and cause many commodities and raw material prices to rally, particularly given that Russia is an important exporter of fertilizer. To the extent the conflict is prolonged, raw material prices are expected to continue to increase, further exacerbating supply chain risks of companies with higher sensitivities to rising prices and related costs. In addition, although international commodities and raw material prices and global demand and supply dynamics are significant factors affecting our business and financial condition, Mexico's and the United States' domestic economic factors have also influenced and will continue to affect our performance, given that we conduct most of our business in Mexico and the United States.
- We might be affected by more aggressive competition from our peers in the markets in which we operate.
- We may also be negatively affected by any poultry sanitary issues that may arise in regions where our production centers are located, which may affect our production volumes and production costs.

- In addition, concerns related to COVID-19 negatively impacted the global financial markets, resulting in, among others, exchange rate volatility (including the Mexican peso to U.S. dollar exchange rate) and the fall of stock prices (including the price of our stock), trends which may continue. There are other broad and continuing concerns related to the potential effects of COVID-19 on international trade (including shipping and transportation channels, supply chains and export levels), travel, employee health and productivity, securities markets, and other economic activities that may have a destabilizing effect on financial markets and economic activity. There have been and may continue to be changes in domestic and international governmental policies in response to the COVID-19 pandemic that could negatively affect our daily operations and our ability to supply our products. In 2021, we analyzed the financial impact derived from the effects of COVID-19 on us. Because the products that we produce and the markets that we serve are considered essential, there were no significant adverse effects on our financial position and consolidated financial performance. As of the date of this annual report, we do not believe that we should substantially modify our budgets and/or financial projections or recognize significant losses in the valuation of our monetary and non-monetary assets. However, there is no guarantee that the COVID-19 pandemic will not have an adverse effect on our financial position, results of operations or cash flows if significant disruptions to the national and global economy continue into future periods. In addition, in the case of a shutdown involving Bachoco, any of our subsidiaries or our customers, we may be unable to meet the needs of our customers for an unknown period of time, which could adversely affect our business, financial condition and results of operations.

**E. Critical Accounting Estimates**

Our Audited Consolidated Financial Statements included elsewhere in this Annual Report have been prepared in accordance with IFRS, as issued by the IASB.

**ITEM 6. Directors, Senior Management and Employees**

**A. Directors and Senior Management**

We produce and sell our products throughout Mexico and in parts of the United States. As described further below, our operations are closely controlled by our majority shareholder, which directs our business strategy and operations through various committees that are made up of members of our Board of Directors (“BOD”). The principal BOD committees include the Executive Committee (“EC”), the Investments Committee (“IC”) and the Audit and Corporate Practices Committee (“ACPC”) (collectively, the “BOD Committees”). The BOD Committees, in turn, rely on the Chief Executive Officer (“CEO”) who oversees a group of managers, comprised of regional operating managers and executive managers, to execute the Company’s operating plan.

The Chief Operating Decision Maker (CODM) role is carried out by our BOD. The BOD is integrated by eight Proprietary Shareholder Directors, four Independent Directors and four Alternate Directors.

We are controlled by the Robinson Bours family, who collectively own 73.25% of our outstanding voting shares. The Robinson Bours family plays an active role in managing the Company through its participation in our BOD, where it holds a majority vote thereby granting it control over all of the BOD’s committees, activities and decisions.

In addition to carrying out the traditional roles of a typical board of directors, such as authorizing annual budgets, major investments and the hiring and compensation of executive management, the activities of our BOD also encompass managing certain key aspects of the Company’s operations, such as assuring the production of the Company’s products, exploiting growth opportunities and maximizing profitability. The BOD relies on its committees to carry out such management functions.

The EC is an intermediate management body, comprised entirely by Robinson Bours family members, that meets at least 10 times a year with the Company’s CEO. During such meetings, the following matters, among others, are addressed:

- General business strategy for the Company, including growth strategy and initiatives.
- Analysis and approval of the Company’s organizational structure.
- Discussion of relevant matters of the Company’s operations, including, among others, the identification and follow up on both opportunities as well as significant adverse events.

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- Analysis and follow up on the financial performance of the Company.
- Approval and appointment of management.

The IC is comprised of the same members as the EC, is responsible for analyzing all investment and capital expenditure proposals and meets at least six times a year with the CEO. Based on their analysis, the IC and the CEO identify which investment and capital expenditure proposals to submit to the BOD for approval.

The ACPC is comprised mainly by independent directors. The mandate of the ACPC is to establish and monitor controls and procedures in order to ensure that the financial information we distribute is useful, appropriate and reliable and accurately reflects our financial position. On November 3, 2015, during our shareholders' ordinary meeting, Mr. Guillermo Ochoa Maciel was elected chairman of the ACPC. Mr. Ochoa Maciel possesses all the characteristics included in the definition of an "audit committee financial expert" within the meaning of Item 16A. He was appointed as an independent member of the BOD and as an independent director financial expert.

Our CEO is the only management team member who reports directly to the BOD, and is responsible for executing the operating plans for all product lines that are developed jointly between the BOD's committees and the CEO, and approved by the BOD. Given the CEO's responsibilities in overseeing the Company's operating managers, which are discussed in more detail below, we have considered whether the CEO plays the role of CODM for the Company. However, in our judgment, the BOD is the CODM, by virtue of the BOD's close involvement in the CEO's activities, the resulting overlap in the respective functions of the CEO and the BOD and the BOD's ability to override decisions taken by the CEO.

The individual responsible for reporting to the BOD and executing the Company's operating plan is our CEO.

The BOD, through the EC, meets with the CEO generally on a monthly basis.

The financial information that is reviewed by the CODM in preparation for the meetings and the financial information that is discussed during those meetings is comprised of the following:

- A discrete monthly statement of profit and loss for our operating segments, up to net income attributable to controlling interest level;
- Further detail regarding assets and liabilities
- Updates regarding raw materials price conditions;
- Certain key performance measures such as volume, prices and estimated cost on a discrete basis for our operating segments;
- Consolidated entity-wide earnings before interest, income taxes, depreciation and amortization (EBITDA);
- A consolidated entity-wide statement of profit and loss;
- A consolidated entity-wide statement of financial position; and
- A consolidated entity-wide statement of cash flow.

The CODM normally makes additional requests for supplemental financial information, which vary depending on the circumstances. Examples of such supplemental financial information, which is disaggregated by product, include:

- Enhanced discussion and analysis of significant period to period changes in operating results,
- Further detail regarding gross profit and cost, and
- Net revenue analysis explaining differences from prior period net revenue and deviations from our budget.

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The CEO formally meets with the full BOD four times a year, usually in January, April, August and October of each year.

The financial information that is reviewed by the CODM in preparation for the meetings and the financial information that is discussed during those meetings is comprised of the following:

- A discrete monthly statement of profit and loss for our operating segments, up to gross profit level;
- A consolidated entity-wide statement of profit and loss;
- A consolidated entity-wide statement of financial position; and
- A consolidated entity-wide statement of cash flow.

**Directors**

The Board of Directors is responsible for the management of our business. The Board of Directors consists of an odd number of directors, never fewer than five, and corresponding alternate directors, each of whom is elected for a term of one year.

Alternate directors are authorized to serve on the Board of Directors in place of directors who are unable to attend meetings or otherwise participate in the activities of the Board of Directors.

At our stockholders' meeting held on September 22, 2021, we ratified the membership of our Board of Directors.

Currently our board of directors is composed of the following members:

<b>MEMBERS OF THE BOARD</b>	<b>Year of Birth</b>	<b>Member since</b>
<b>Chairman of the Board and Proprietary Shareholder Director:</b>		
Javier R. Bours Castelo	1953	1982
<b>Proprietary Shareholder Directors:</b>		
Jose Gerardo Robinson Bours Castelo	1958	2008
Jesus Enrique Robinson Bours Muñoz	1951	1994
Jesus Rodolfo Robinson Bours Muñoz	1957	2002
Arturo Bours Griffith	1955	1994
Octavio Robinson Bours	1952	1997
Ricardo Aguirre Borboa	1954	1994
Juan Salvador Robinson Bours Martinez	1965	1994
<b>Alternate Directors:</b>		
Jose Eduardo Robinson Bours Castelo	1956	1994
Jose Francisco Bours Griffith	1950	1994
Guillermo Pineda Cruz	1948	1994
Gustavo Luders Becerril	1953	2011
<b>Independent Directors:</b>		
Avelino Fernandez Salido	1938	2003
Humberto Schwarzbeck Noriega	1954	2003
Guillermo Ochoa Maciel	1955	2015
David Gastelum Cazares	1951	2016
<b>Secretary of the Board:</b>		
Daniel Salazar Ferrer	1964	2021

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The following table identifies the relationships among members of each of the four Bours families:

Cousins	In-law related
<u>Brothers:</u>	
● Arturo Bours Griffith	
● Octavio Robinson Bours	
● Jose Francisco Bours Griffith	
<u>Brothers:</u>	
● Jesus Enrique Robinson Bours Muñoz	● Guillermo Pineda Cruz
● Jesus Rodolfo Robinson Bours Muñoz	
<u>Brothers:</u>	
● Francisco Javier R. Bours Castelo	
● Jose Gerardo Robinson Bours Castelo	
● Jose Eduardo Robinson Bours Castelo	● Ricardo Aguirre Borboa
● Juan Salvador Robinson Bours Martinez	● Gustavo Luders Becerril

Our bylaws provide for the creation of an executive committee of the Board of Directors, which may exercise certain of the Board's powers in full, subject to certain limitations.

**Javier R. Bours Castelo**, Chairman of the Board of Directors since 2002. Before his election as Chairman, he was Vice-Chairman for several years. Mr. Bours holds a degree in Civil Engineering from the Instituto Tecnológico y de Estudios Superiores Monterrey ("ITESM"). He currently serves as Chairman of the Boards of Directors of the following companies: Megacable Holdings, S.A.B. de C.V., Inmobiliaria Trento S.A. de C.V., Agriexport S.A. de C.V., Acuicola Boca, S.A. de C.V., and Centro de Servicios Empresariales del Noroeste, S.A. de C.V.

**Jose Gerardo Robinson Bours Castelo**, Proprietary Shareholder Director since 2008. He previously served as Director of Planning and Projects. Mr. Bours holds a degree in Computer Systems Engineering from the ITESM. He currently serves as member of the Board of the following companies: Megacable Holdings, S.A.B. de C.V., Congeladora Horticola, S.A. de C.V., Ocean Garden S.A., Industrias Boca, S.A. de C.V. and Fertilizantes Tepeyac S.A. de C.V, Vimifos S.A de C.V. and member of the regional board of Citi Banamex and Banorte. He is also Chairman of Fundación Mexicana para el Desarrollo Rural del Valle del Yaqui and the ITESM in Oregón.

**Jesus Enrique Robinson Bours Muñoz**, Proprietary Shareholder Director since 1994. He has previously worked in Bachoco as Production Director and Divisional Manager. Mr. Robinson Bours holds a degree in Engineering from the University of Arizona. He is also a member of the Board of Directors of Rassini S.A de C.V. and Megacable Holdings, S.A.B. de C.V.

**Jesus Rodolfo Robinson Bours Muñoz**, Proprietary Shareholder Director since 2002. Mr. Robinson Bours previously served in the Company as Production Manager in the Northwest and Bajío divisions, Commercial Manager in Northwest Division and Purchasing Manager at the Bajío Division. Mr. Robinson Bours holds a degree in Agricultural Engineering from the University of Arizona. He has business experience in agriculture and raising livestock with Ganadera Cocoreña S.P.R. de R.L., and Chairman of the Board of the Cultural Center of Cocorit, A.C. He is currently partner and Director of Productos Orgánicos la Cocoreña S.P.R. de R.L and Cervecera Komunila S.A. de C.V.

**Arturo Bours Griffith**, Proprietary Shareholder Director since 1994. He is also Chairman of the board of Qualyplast, S.A. de C.V., and a member of the board of Megacable Holdings, S.A.B. de C.V., Centro de Servicios Empresariales del Noreste, S.A. de C.V., and Taxis Aereos del Noroeste, S.A. de C.V.

**Octavio Robinson Bours**, Proprietary Shareholder Director since 1997. Mr. Robinson Bours holds a degree in Agricultural Engineering from the ITESM. He has experience in swine production, agriculture and aquaculture. He is a board member of several companies such as Productos Agropecuarios La Choya, S.A. de C.V., Agropecuaria Bomanz S.A. de C.V., Gasbo S.A. de C.V., Kowi S.A. de C.V., INDEPROM, S.A. de C.V., SOFOM ENR.

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**Ricardo Aguirre Borboa**, Proprietary Shareholder Director since 1994. He is also a member of the Audit Committee and Corporate Practices of Bachoco. Mr. Aguirre holds a degree in Agricultural Engineering from the ITESM. He is member of the Board of Directors of: the newspaper El Debate, Tepeyac Produce, Inc., Servicios del Valle del Fuerte, S.A. de C.V., Agrobo, S.A. de C.V., Agrícola Santa Veneranda, S.P.R. de R.L., Colegio Mochis, Grupo Financiero Banamex, in Sinaloa, and Director of Granja Rab, S.A. de C.V.

**Juan Salvador Robinson Bours Martinez**, Proprietary Shareholder Director since 1994. He has served Bachoco as Purchasing Manager. Mr. Robinson Bours holds a degree in Industrial Engineering from the ITESM. His other appointments include Chairman of the board of Llantas y Accesorios, S.A. de C.V. and member of the Board of Megacable Holdings, S.A.B. de C.V.

**Jose Eduardo Robinson Bours Castelo**, member of the Board since 1994. Mr. Robinson is an alternate Director for Mr. Francisco Javier R. Bours Castelo and Mr. Jose Gerardo Robinson Bours Castelo. Mr. Robinson Bours holds a degree in Industrial Engineering from the ITESM. He was previously Commercial Director of Industrias Bachoco, a Senator of the Mexican Congress and was governor of the state of Sonora. In addition, Mr. Robinson was Chairman of the Board of National Agribusiness Council (Consejo Nacional Agropecuario), Chairman of the Board of Umbrella Organization of the Private Sector Mexico (Consejo Coordinador Empresarial), and Member of the Board of Nafinsa, Bancomext and Focir, and was Chairman of the board and Chief Executive Officer of Del Monte Foods.

**Jose Francisco Bours Griffith**, Alternate Director of Mr. Octavio Robinson Bours and Mr. Arturo Bours Griffith, since 1994. Mr. Bours Griffith holds a degree in Civil Engineering from the Universidad Autónoma de Guadalajara. Mr. Bours Griffith has worked at Bachoco as Engineering Manager. He is currently dedicated to agricultural operations and has run two aquaculture farms for 17 years.

**Guillermo Pineda Cruz**, Alternate Director of Jesus Enrique Robinson Bours and Mr. Arturo Bours Griffith since 1994. Mr. Pineda holds a degree in Civil Engineering from the ITESM and a master's degree in Business Administration from the Instituto Tecnológico de Sonora. He was also a member of the Board of Directors of Citibanamex and was a regional member of the Board of Directors of Grupo Financiero Serfin, Inverlat and InverMexico. He co-founded Edificadora PiBo, S.A. de C.V. since 1983 and is currently the Chairman of its Board of Directors.

**Gustavo Luders Becerril**, Alternate Director of Juan Salvador Robinson Bours Martinez and Mr. Ricardo Aguirre Borboa, was named Alternate Director during the annual general meeting held in April 2011. Mr. Luders holds an Accounting degree from ITESM. He is a vegetable and fruit grower.

**Avelino Fernandez Salido**, Independent Director, has been a member of the board since 2003. He is also a member of the board of Banamex and BBVA Bancomer. He is also Chairman of the Board of the following companies: Grupo Cajeme Motors, S.A. de C.V., Navojoa Motors, S.A. de C.V., Turymayo S.A. de C.V., Gasolinas Turymayo S.A. de C.V. and Agroempaques Turymayo S.A. de C.V. His business experience is in the marketing of grains.

**Guillermo Ochoa Maciel**, Independent Director and has been a member of the board since November 2015. Mr. Ochoa Maciel holds a degree in public accounting from the Universidad de Guadalajara, México. Mr. Ochoa Maciel was employed at KPMG Cardenas Dosal, S.C., for over 36 years (the last 26 as firm partner). Since 2015, he has been the chairman of the board and director of his own consulting and real estate development firm. Mr. Ochoa Maciel has significant experience in financial audits, corporate governance matters (including Sarbanes-Oxley compliance) and equity and debt transactions both locally in Mexico as well as internationally (both private and SEC-registered) as well as IFRS and U.S. GAAP accounting matters. Mr. Ochoa Maciel was elected chairman of the Audit and Corporate Practices Committee during the ordinary stockholders' meeting that took place on November 3, 2015.

**David Gastelum Cazares**, Independent Director and has been a member of the board since the annual general meeting held on April 27, 2016. Mr. Gastelum holds a degree in Veterinary Medicine from the school of Veterinary Medicine of the Universidad Nacional Autónoma de Mexico (“UNAM”) and is also a graduate of the Instituto Panamericano de Alta Dirección de Empresas (“IPADE”). He joined our company in 1979 and served as a pullet sales manager in the states of Sonora and Sinaloa, national sales manager of live animals and eggs, manager of the Northwest Division, manager of the Mexico City Division and National Sales Manager. He assumed the Director of Sales position from 1992 to 2013. For several years, he was the vice-president of poultry meat at the Mexican Poultry Association and a member of the Latin American Poultry Association (ALA). From 2014 to 2016 he was the General Director of Monteblanco, a company that produces and sells mushrooms. In 2016, he took the course of Directors in Action in IPADE in Mexico City. Mr. Gastelum is also member of the board of directors of the Unión Nacional de Avicultores (UNA). In 2017, he was recognized at the Annual convention of the National Association of Poultry Science Specialists (ANECA). From 2017 to 2020, he was named as an Independent Director and Chairman of the Administration and Planning Committee of the Group “Frío” in Guadalajara, Mexico. In April of 2018 he joined the board of directors of Universal Wipes, dedicated to the production and commercialization of wet wipes. From 2019 to 2020, he joined the board of directors of “Podologia Integral,” a company dedicated to foot health. In 2020 he joined the board of directors of “Grupo Rubio”, a cattle company.

**Humberto Schwarzbeck Noriega**, Independent Director, has been a member of the board since 2003. He holds a degree in economics from ITESM. He is currently CEO of Yeso Industrial de Navojoa S.A. de C.V.

**Daniel Salazar Ferrer**, Secretary of the Board. He joined us in 2000 and assumed as Chief Financial Officer of Bachoco, his current position, in January 2003. Previously, Mr. Salazar worked for four years as Chief Financial Officer at Grupo Covarrubias and as Comptroller at Negromex, a company of Grupo Desc. Mr. Salazar holds an accounting degree from Universidad Tecnológica de Mexico, a master’s degree in Business Administration from ITESM, and a Diploma from the IPADE (A-D2). In 2021, was named Secretary of the Board of Directors.

*Executive Officers*

**EXECUTIVE OFFICERS**

<b>Name</b>	<b>Position</b>	<b>Year of Birth</b>
Rodolfo Ramos Arvizu	Chief Executive Officer	1957
Drew McGee	Chief Executive Officer, U.S. Operations	1962
Ernesto Salmon Castelo	Director of Mexico Operations	1962
Daniel Salazar Ferrer	Chief Financial Officer	1964
Alejandro Elias Calles Gutierrez	Director of Purchasing	1956
Arturo Garcia Sanchez	Director of Human Resources	1975

**EXECUTIVE OFFICERS THAT HAVE LEFT THE COMPANY, OR CHANGED POSITIONS IN THE LAST 12 MONTHS**

Andres Morales Astiazaran, Sales Director, left the company in 2021. The responsibilities of this position currently are being carried out by the Director of Mexico Operations.

A biography of the Executive Officers is set forth below:

**Rodolfo Ramos Arvizu**, Chief Executive Officer. Mr. Ramos joined us in 1980 and he was named as Chief Executive Officer in November 2010. Previously, Mr. Ramos had served Bachoco as its Technical Director since 1992 and also held positions in the Egg Quality Control Training Program and in Poultry Management. He also served as Supervisor of the Commercial Egg Production Training Program, Manager of Raw Material Purchasing and as a Director of Production. Mr. Ramos holds a degree in Agricultural Engineering from ITESM and a Diploma from the IPADE (D1).

**Drew McGee** joined OK Foods in February 2021 as Chief Executive Officer, U.S. Operations. Mr. McGee is a 40-year veteran in the poultry industry and has worked in Sales/Marketing and Plant/Live Operations. He started his career with Hudson Foods in 1980 for over 18 years and has worked for Conagra Poultry, Pilgrim’s Pride and Ozark Mountain Poultry. He was Senior Vice President of fresh Poultry for Tyson Foods for over 10 years and President of Poultry/Prepared Foods for Simmons foods.

**Daniel Salazar Ferrer**, Chief Financial Officer. He joined us in 2000 and assumed his current position in January 2003. Previously, Mr. Salazar worked for four years as Chief Financial Officer at Grupo Covarrubias and as Comptroller at Negromex, a company of Grupo Desc. Mr. Salazar holds an accounting degree from Universidad Tecnológica de Mexico, a master's degree in Business Administration from ITESM, and a Diploma from the IPADE (A-D2). In 2021, was named Secretary of the Board of Directors.

**Ernesto Salmon Castelo**, Director of Mexico Operations, joined us in 1991 and assumed his current position in 2018. Previously, Mr. Salmon worked for Gamesa, S.A. de C.V. and for us as Sales Manager in Sonora, Northwestern Distribution Manager, Manager of the Processing Plant in Celaya, Corporate Industrial and Engineering Director from 1998 to 2004, Southeastern Division Manager, Bajío Division Manager and Director of Operations from 2004 to 2018. Mr. Salmon holds a degree in Chemical Engineering and a master's degree in Business Administration from the Instituto Tecnológico de Sonora and a Diploma from the IPADE.

**Alejandro Elias Calles Gutierrez**, was named purchasing Director in 2010. Mr. Calles joined Bachoco in January 2010 as Manager of Purchasing. Previously, Mr. Calles worked as the CEO of "Agroinsumos Cajeme," Chairman of the Board of the "Distrito de Riego" in the Yaqui River, Secretary of the SAGARPA in the state of Sonora, and Leader of the Secretaries of SAGARPA in Mexico and Manager of the leasing department of Inverlat. Mr. Calles holds a degree in Agronomy from the ITESM.

**Arturo Garcia Sanchez**, Director of Human Resources, joined Bachoco and assumed his current position in October 2020. Previously, Mr. Garcia worked for HEINEKEN México as HR Director, as VP Talent, Technology and Sustainability in Afore InverCap and as diverse corporate Manager of Human Resources in CEMEX. Mr. García has a degree in Electronic Systems Engineering from ITESM and a master's degree in Business Leadership Management from DUXX.

## B. Compensation

The table below sets forth the aggregate compensation paid to our directors and executive officers, for services they rendered in their respective capacities, for the years ended December 31, 2021, 2020 and 2019.

### TOTAL COMPENSATION

In millions of pesos	As of December 31,		
	2021	2020	2019
Compensation, net (in million pesos)	\$ 73.7	\$ 57.4	\$ 52.6

## C. Board Practices

We do not have any special agreements or contracts with any member of our board. All of our board members are subject to the specific expiration dates of their current terms of office.

### *Audit and Corporate Practices Committee*

The mandate of the Audit and Corporate Practices Committee is to establish and monitor procedures and controls in order to ensure that the financial information we distribute is useful, appropriate and reliable and accurately reflects our financial position. In particular, pursuant to our bylaws and Mexican law, among others, the Audit and Corporate Practices Committee must do the following:

- Submit an annual report to the Board of Directors;
- Inform the Board of Directors of the current condition of the internal controls and internal auditing system of the Company or of the entities it controls, including any irregularities detected;
- Require the relevant directors and other employees of the Company, or of the entities it controls, to provide reports relative to the preparation of the financial information or any other kind of reports or information it deems appropriate to perform its duties;
- Receive observations formulated by shareholders, Board members, relevant officers, employees and, in general, any third party with regard to the matters under the Audit Committee duties, as well as carry out the actions that, in its judgment, may be appropriate in connection with such observations;

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- Inform the Board of Directors of any material irregularities detected as a result of the performance of its duties and, as applicable, inform the Board of Directors of the corrective actions taken, or otherwise propose the actions that should be taken;
- Call Shareholders' Meetings and cause the items it deems pertinent to be inserted into the agendas of such Shareholders' Meetings; and
- Assist the Board of Directors in selecting candidates for audit and reviewing the scope and terms of the auditor's engagement, as well as evaluate the performance of the entity that provides the external auditing services and analyze the report, opinions, statements and other information prepared and signed by the external auditor.

On November 3, 2015, during the shareholders ordinary meeting, Mr. Guillermo Ochoa Maciel was elected chairman of the Audit and Corporate Practices Committee, which is composed of the following members:

**AUDIT AND CORPORATE PRACTICES COMMITTEE**

<u>Name</u>	<u>Position</u>	<u>Member since</u>
Guillermo Ochoa Maciel	Chairman	2015
Humberto Schwarzbeck Noriega	Member	2003
Ricardo Aguirre Borboa	Member	2003
Avelino Fernandez Salido	Member	2003

Currently, Guillermo Ochoa Maciel, member of our audit committee, possesses all the characteristics included in the definition of an "audit committee financial expert" within the meaning of Item 16A.

Mr. Ricardo Aguirre Borboa represents the controlling shareholders and has no voting rights in the audit committee.

**D. Employees**

The Company has employees in Mexico and the United States.

In 2021, around 57.3% of our employees in Mexico were members of labor unions in our operations. As of March 2022 and the date of this Annual Report, labor relations with our employees in Mexico are governed by 66 separate collective labor agreements, each relating to a different group of employees and negotiated on behalf of each such group by a different labor union.

In general, we believe that we have good relations with our employees. We have not experienced significant work stoppages as a result of labor problems.

As is typical in Mexico, wages are renegotiated every year while other terms and conditions of employment are renegotiated every two years. We seek to attract dependable and responsible employees to train at each of our plants and facilities. We offer our employees attractive salary and benefit packages, including, in some cases, a pension and savings plan.

In our U.S. operations the only employees represented by a labor union are the bargaining unit employees at our Oklahoma City facility and, as of the date of this Annual Report, there is a collective bargaining agreement governing the terms and conditions of their employment.

As is typical in the U.S., wages and other terms and conditions of employment are renegotiated periodically. We seek to attract dependable and responsible employees to train at each of our plants and facilities. We offer our employees attractive salary and benefit packages, including a health insurance and a retirement savings plan.

**WORKFORCE**

	2021	2020	2019	2018	2017
<b>Total employees:</b>	<b>32,058</b>	<b>29,780</b>	<b>28,218</b>	<b>27,597</b>	<b>27,397</b>
In Mexico	27,658	25,777	23,861	23,315	23,305
In the U.S.	4,400	4,003	4,357	4,282	4,092

**E. Share Ownership**

To the best of our knowledge, no individual director or manager holds shares of the Company. At this time, we have not developed a share options plan for our employees.

**ITEM 7. Major Stockholders and Related Party Transactions**

Before September 2006, our common stocks consisted of 450,000,000 Series B shares and 150,000,000 Series L shares. Holders of Series B shares were entitled to one vote at any general meeting of our stockholders for each Series B Share held. Holders of Series L shares were entitled to one vote for each Series L Share held, but only with respect to certain matters. We had UBL Units consisting of one Series B Share and one Series L Share and B Units consisting in two Series B shares.

During the extraordinary meeting held on April 26, 2006, Shareholders approved the Company’s plan to convert the Series L shares into Series B Shares, with full voting rights, as well as the dissolution of UBL and UBB Units into their components shares.

This process was completed in September 2006, and included two steps: separating the UBL and UBB Units trading on the Mexican Exchange into their component Shares and converting the Series L Shares into Series B Shares, thereby creating a single share class, the Series B Shares. These Shares are trading on the Mexican stock market. The ADRs which trade on the NYSE still consist of twelve underlying Shares, but they are all Series B Shares, with full voting rights.

Currently, the Company’s common stock consists of 600,000,000 Shares with full voting rights.

**A. Major Shareholders**

The Robinson Bours family owned 82.75% of the total shares outstanding of the Company. Their position was established through two Mexican trusts; the Control Trust and the Underwriting Trust (or “Family Trust”) that together held 496,500,000 Shares outstanding. The remaining 17.25% of shares were the free float of the Company.

On December 9, 2013, the Company announced that the Underwriting Trust had sold 9.5% of its shares. This transaction was carried out through the Mexican Stock Exchange at the market price. As a result of this transaction, the Company’s free float increased from 17.25% to 26.75% over the total shares outstanding.

As a result of this transaction, our Capital Stock is currently distributed as follows:

	<u>Before the transaction</u>		<u>After the transaction</u>	
	Shares <sup>(1)</sup>	Position	Shares <sup>(1)</sup>	Position
<b>Family Trusts</b>	<b>496,500,000</b>	<b>82.75 %</b>	<b>439,500,000</b>	<b>73.25 %</b>
Control Trust	312,000,000	52.00 %	312,000,000	52.00 %
Underwriting Trust	184,500,000	30.75 %	127,500,000	21.25 %
<b>Float<sup>(2)</sup></b>	<b>103,500,000</b>	<b>17.25 %</b>	<b>160,500,000</b>	<b>26.75 %</b>

(1) All shares B Class with full voting rights.

(2) Trading on the BMV and at the NYSE.

According to our Depository Bank, as of March 31, 2022, we had 3,133,118 ADRs outstanding on the NYSE, which represent 6.3% over the total shares and 23.4% over the free float.

**ADRs Outstanding**

As of December 31,	2021	2020	2019
<b>Total ADRs Outstanding</b>	<b>2,979,162</b>	<b>3,208,945</b>	<b>3,678,845</b>
Percentage Over Total Shares	6.0	6.4	7.4

We estimate that the difference between total shares outstanding at the NYSE and the total free float represents the shares trading at the Mexican Stock Exchange.

According to information providing by BNY Mellon, as of December 31, 2021 and March 31, 2022, from the 100.0% of the total Shares of the Company, there were approximately 40 and 45 shareholders in the NYSE respectively.

According to the most recent information provided by broker dealers at the date of our September's 2021 Bachoco's stockholders meeting, we estimated that there are 392 Shareholders on the BMV.

The following table sets forth the Company's main shareholders, which held 1.0% or more of the total shares of the Company, as of December 31, 2021.

	Shares <sup>(1)</sup>	Position	Country
Control Trust	312,000,000	52.00 %	Mexico
Underwriting Trust	127,500,000	21.25 %	Mexico
GBM Fondo de Inversión Total, S.A. de C.V.	12,908,807	2.15 %	Mexico
Norges Bank Investment Management (Norway)	8,488,994	1.41 %	Norway
Renaissance Technologies LLC	7,749,588	1.29 %	EEUU
Tweedy, Browne Company LLC	6,736,874	1.12 %	EEUU

(1) All shares B Class with full voting rights.

As of March 31, 2022 there have been no significant changes in the composition of the Company's main shareholders.

**B. Related Party Transactions**

It is our policy not to engage in any transaction with or for the benefit of any stockholder or member of the Board of Directors, or any entity controlled by such a person or in which such a person has a substantial economic interest, unless (i) the transaction is related to our business and (ii) the price and other terms are at least as favorable to us as those that could be obtained on an arm's-length basis from a third party.

We have engaged in a variety of transactions with entities owned by members of the Robinson Bours family, all of which we believe were consistent with this policy and not material to our business and results of operations.

We expect to engage in similar transactions in the future. All of these transactions are described below:

- We regularly purchase vehicles and related equipment from distributors owned by various members of the Robinson Bours family. The distribution of vehicles and related equipment is a highly competitive aspect of business in the areas in which we operate. We are not dependent on affiliated distributors and are able to ensure that the pricing and service we obtain from affiliated distributors are competitive with those available from other suppliers.
- The Robinson Bours Stockholders also own Taxis Aéreos del Noroeste, S.A. de C.V., an air transport company that provides transportation for members of the Board of Directors to and from meetings at our headquarters in Celaya, Guanajuato in Mexico.
- We purchased feed and packaging materials from enterprises owned by Robinson Bours Stockholders, the family of Enrique Robinson Bours and the family of Juan Bautista Robinson Bours.
- We also have accounts payable to related parties. These transactions took place among companies owned by the same set of stockholders.

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In 2021, neither we nor our subsidiaries have loaned any money to any of our directors or officers, controlling shareholders or entities controlled by these parties.

**REVENUES FROM RELATED PARTY TRANSACTIONS**

In millions of Pesos	As of December 31,		
	2021	2020	2019
	\$	\$	\$
Feed and packaging materials	6.6	128.7	188.9

**EXPENSES INCURRED IN RELATED PARTY TRANSACTIONS**

In millions of Pesos	As of December 31,		
	2021	2020	2019
	\$	\$	\$
Feed and packaging materials	1,088.8	582.0	755.9
Vehicles and related equipment	284.6	227.6	333.5
Air transportation services	1.4	0.0	25.0

**BALANCES WITH RELATED PARTIES**

*Balance of Revenues with Related Parties*

In millions of Pesos	As of December 31,		
	2021	2020	2019
	\$	\$	\$
Feed and packaging materials	0.3	0.7	13.7

*Balance of Accounts Payable with Related Parties*

In millions of Pesos	As of December 31,		
	2021	2020	2019
	\$	\$	\$
Feed and packaging materials	116.3	71.0	71.6
Vehicles and related equipment	69.1	9.8	4.8
Air transportation services	0.1	0.0	0.3

As of December 31, 2021, 2020 and 2019, the balances due to related parties are the balances owed denominated in pesos, which do not accrue interest, payable in cash in the short-term, for which there are no guarantees.

See Note 20 to our Audited Consolidated Financial Statements for more detail regarding income and expenses incurred in connection with related party transactions.

**C. Interests of Experts and Counsel**

Not applicable.

**ITEM 8. Financial Information**

**A. Consolidated Statements and Other Financial Information**

Our Audited Consolidated Financial Statements are included in Item 18 of this Annual Report. The Audited Consolidated Financial Statements were audited by independent registered public accounting firms and are accompanied by their audit reports.

### ***The Auditors***

On September 3, 2013, we announced that the Company's Board of Directors, as per the Audit Committee's recommendation, approved the selection of Galaz, Yamazaki, Ruiz Urquiza, S.C., Member of Deloitte Touche Tohmatsu Limited ("Deloitte") as the Company's independent registered public accounting firm, effective as of September 30, 2013. Deloitte was ratified as the Company's external auditor for the 2021, 2020, 2019, 2018, 2017 and 2016 fiscal years and remains our external auditor as of the date of this Annual Report.

As of the date of this Annual Report, and pursuant to the evaluation process described in the above paragraph, the Audit Committee had no objections to the designation of Deloitte as our external auditors of the financial statements for the year ended December 31, 2022.

### ***Legal Proceedings***

We are a party to certain legal proceedings in the ordinary course of our business.

We believe that none of these proceedings, individually or in the aggregate, is likely to have a material adverse effect on the Company's Audited Consolidated Financial positions and consolidated results of operations.

### ***Dividends Policy***

Pursuant to Mexican law and our bylaws, the declaration, amount and payment of annual dividends are determined by a majority vote of the shareholders, generally but not necessarily on the recommendation of the Board of Directors.

## **DIVIDENDS**

	As of December 31,		
	2021	2020	2019
<b>Total dividends declared (in million pesos)</b>	<b>852.0</b>	<b>791.7</b>	<b>840.0</b>
Dividend declared per share (in pesos)	1.42	1.32	1.40
Dividends declared per ADR (in pesos)	17.04	15.84	16.8

Although there can be no assurance as to the amount or timing of future dividends, we expect to pay an annual dividend pro rata to holders of outstanding shares in an amount of approximately 20.0% of the prior year's net income. The declaration and payment of dividends will depend on our results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors and the shareholders, including debt instruments that may limit our ability to pay dividends.

Because we are a holding company with no significant operations of our own, we will have distributable profits and cash to pay dividends only to the extent that we receive dividends from our subsidiaries, principally BSACV. Accordingly, there can be no assurance that we will pay dividends or of the amount of any such dividends. BSACV, our principal operating subsidiary, could, in the future, enter into loan agreements containing covenants whose terms limit its ability to pay dividends under certain circumstances.

Mexican law requires that 5.0% of our net income each year be allocated to a legal reserve fund until such fund reaches an amount equal to at least 20.0% of our capital stock. Mexican corporations may pay dividends only out of earnings (including retained earnings after all losses have been absorbed or paid up) and only after such allocation to the legal reserve fund. The Company complies with this requirement and it is able to distribute dividends.

## **B. Significant Changes**

None

**ITEM 9. The Offer and Listing**

**A. Offer and Listing Details**

We have traded with fully registered shares since 1997. The Company trades on the NYSE and the BMV with one single class of shares, with full rights.

On the NYSE, we trade through ADRs, with full registration, level 3, and each of our ADRs represents twelve shares. Our Depositary Bank is BNY Mellon.

**Market Maker**

Currently the Company does not have any market maker program.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

On September 19, 1997, Bachoco commenced trading on the BMV and on the NYSE.

As of March 31, 2022, there were 3,133,118 ADRs outstanding at the NYSE. They represented 6.3% of the total shares of the Company or 23.4% of the free float.

Based on these figures, we can assume that the remaining 76.6% of the free float is trading at the Mexican Stock Exchange.

<u>Exchange</u>	<u>Country</u>	<u>Ticker Symbol</u>	<u>Securities</u>
BMV	Mexico	Bachoco	Shares
BMV	Mexico	Bachoco22	Bonds
NYSE	U.S.	IBA	ADR

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. Additional Information**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

Information regarding the memorandum and articles of association are included in our F-1 Form, and an English translation of our bylaws is attached in this Annual Report incorporated by reference herein and also available on our web page at [www.bachoco.com.mx](http://www.bachoco.com.mx).

The discussion set forth below contains information concerning our capital stock and a brief summary of the material provisions of the bylaws and applicable Mexican law. This summary does not purport to be complete and is qualified in its entirety by reference to the bylaws and the applicable provisions of Mexican law.

**General**

The Company was incorporated on April 17, 1980 as a variable capital corporation under the laws of Mexico. To fully comply with Mexican laws, the Company modified its name to Industrias Bachoco, S.A.B. de C.V. in April 2007.

In 1995, our stockholders authorized the issuance of up to 15,525,000 additional Series B Shares and 15,525,000 additional Series L Shares, all constituting fixed capital, to be issued in connection with the global offering of Shares that took place on September 19, 1997 (the “Global Offering”).

On April 21, 1997, we restructured our capital by (i) declaring a four-to-one stock split of the 106,678,125 Series B Shares and 35,559,375 Series L Shares outstanding, (ii) converting 7,762,500 Series L Shares (on a post-split basis) into Series B Shares and (iii) combining all of the 434,475,000 Series B Shares and 134,475,000 Series L Shares outstanding (in each case, on a post-split basis) into 134,475,000 Units and 150,000,000 B Units. Holders of Units were entitled to exercise all the rights of holders of the Series B Shares and Series L Shares underlying their Units. Each B Unit consisted of two Series B Shares. B Units entitle the holders thereof to exercise all the rights of holders of the Series B Shares underlying such B Units. Immediately prior to the Global Offering, our outstanding capital stock consisted of 434,475,000 Series B Shares and 134,475,000 Series L Shares, all of which were duly authorized, validly issued and are fully paid and non-assessable.

During the annual shareholders meeting held on April 26, 2006, shareholders approved to proceed with the anticipated conversion of the Series L Shares into Series B Shares, which have full voting rights. This conversion was effective in September 2006 and included two steps: separating the UBL and UBB Units currently trading on the Mexican Stock Exchange into their component Shares, and converting the Series L Shares into Series B Shares (on a one-to-one basis), thereby created a single share class, the Series B Shares, which represents all of our Common Stock.

The Robinson Bours Stockholders have advised us that they intend to ensure that the Control Trust will hold at least 51.0% of the Series B Shares at any time outstanding. See “—Foreign Investment Legislation” in this Item.

On April 27, 2011 during the extraordinary Stockholders meeting the Article Two - XII of our bylaws was modified as follows:

<u>Prior language</u>	<u>Current language</u>
Produce, transform, adapt, import, export, purchase and sell, under any title, machinery, parts, materials, raw materials, industrial products, goods and merchandise of any kind	“Produce, transform, adapt or manufacturing of processed food in package and/or canned and/or in flask, as well as import, export, purchase and sell, under any title, machinery, parts, materials, raw materials, industrial products, goods and merchandise of any kind”

Note: An English translation of our complete bylaws is incorporated by reference in this Annual Report.

**Registration and Transfer**

Shares are evidenced by certificates in registered form, which may have dividend coupons attached. We maintain a registry and, in accordance with Mexican law, we recognize as stockholders only those holders listed in the stock registry. Stockholders may hold their Shares in the form of physical certificates (which, together with notations made in our stock registry, evidence ownership of the Shares) or through book entries with institutions that have accounts with S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V. (“Indeval”).

Indeval is the holder of record in respect of Shares held through it. Accounts may be maintained at Indeval by brokerage houses, banks and other entities approved by the CNBV. Ownership of Shares maintained at Indeval is evidenced through Indeval’s records and through lists kept by Indeval participants.

In accordance with Article 130 of the Ley General de Sociedades Mercantiles (“Mexican Corporations Law”), the Board of Directors must authorize any transfer of stock, or any securities based on such stock, when the number of Shares sought to be transferred in one act or a succession of acts, without limit of time or from one group of interrelated stockholders or stockholders who act in concert, constitutes 10.0% or more of the voting stock issued by the Company. If the Board of Directors refuses to authorize such a transfer, the Board must designate one or more purchasers of the stock, who must pay the interested party the prevailing price on the Mexican Stock Exchange. The Board must issue its resolution within three months of the date on which it receives the relevant request for authorization and, in any case, must consider: (i) the criteria that are in the best interests of the Company, the Company’s operations and the long-term vision of the activities of the Company and its Subsidiaries; (ii) that no shareholder of the Company is excluded, other than the person that intends to acquire control of the financial benefits that may result from the application of the terms of this clause; (iii) that the taking of the Control of the Company is not restricted in an absolute manner; (iv) that the provisions of the Securities Market Law, with respect to acquisition public offerings, are not contravened; and (v) that the exercise of the patrimonial rights of the acquirer are not rendered without effect.

If any person participates in a transaction that would have resulted in the acquisition of 10.0% or more voting stock of the Company without having obtained the board’s prior approval, they must pay the Company a fine equal to the market value of the Shares.

Any person who participates in an act that violates the terms of Article 130 discussed in the preceding paragraph will be obligated to pay the Company a fine in an amount equal to the value of the Shares owned directly or indirectly by the stockholder, or the value of the Shares involved in the prohibited transaction, if such person does not own Shares issued by the Company. In the case of a prohibited transaction that would have resulted in the acquisition of 10.0% or more of the voting stock of the Company, the fine will be equal to the market value of those Shares, provided that board authorization was not obtained in advance.

According to our bylaws, a majority of the members of the Board of Directors must authorize in writing, by a resolution made at a Board of Directors’ meeting, any change in the control of the Company. Our Board of Directors has the right to decide if a person or a group of persons is acting for the purpose of acquiring control of the Company.

“Control” or “Controlled” means (i) to directly or indirectly impose decisions at the general meetings of shareholders, stockholders or equivalent bodies or to appoint or remove the majority of the directors, managers or equivalent officers; (ii) to hold title to the rights that directly or indirectly allow the exercise of votes with respect to more than fifty percent of the capital stock; or (iii) to directly or indirectly direct the management, the strategy or the principal policies of the Company, whether through the ownership of securities, by contract or otherwise.

#### ***Voting Rights and Stockholders’ Meetings***

Each share entitles the holder thereof to one vote at any general meeting of the stockholders. Holders are currently entitled to elect all members of the Board of Directors.

Our bylaws provide that the Board of Directors shall consist of at least five members and no more than twenty one. The stockholders also appointed four alternate Shareholder Directors to the Board of Directors.

General stockholders’ meetings may be ordinary or extraordinary meetings. Extraordinary general meetings are meetings called to consider the matters specified in Article 182 of the Mexican Corporations Law and the bylaws, including changes in the fixed portion of the capital stock and other amendments to the bylaws, liquidation, merger, transformation from one type of corporate form to another, change in nationality and changes of corporate purposes.

General meetings called to consider all other matters, including election of the directors, are ordinary meetings. An ordinary general meeting of the Company must be held at least annually during the four months following the end of the preceding fiscal year to consider certain matters specified in Article 181 and 182 of the Mexican Corporations Law, including, principally, the election of directors, the approval of the report of the Board of Directors regarding their company’s performance, the Company’s financial statements for the preceding fiscal year and the allocation of the profits and losses of the preceding year, and to approve the transactions that the Company or the entities that the Company controls intend to carry out, in terms of Article 47 of the Securities Market Law, in one fiscal year, when such transactions represent 20.0% (twenty percent) or more of the consolidated assets of the Company, based on the figures corresponding to the closing of the immediately preceding quarter, independently of the manner in which such transactions are carried out, whether simultaneously or successively, but which due to their characteristics, may be considered as a single transaction. Holders of Shares may vote at such meetings.

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Under our bylaws, the quorum on first call for a general ordinary meeting is at least 50%. If a quorum is not available on first call, a second meeting may be called at which action may be taken by a majority of those present, regardless of the number of Shares represented at the meeting. On a second call, Ordinary General Shareholders' Meetings will be considered validly held regardless of the number of common or ordinary Shares represented therein and the resolutions of such meetings will be valid when passed by majority vote of the Common Stock therein.

The quorum on first call for a general extraordinary meeting or a special meeting is 75% of the outstanding Shares with voting rights on the matters to be addressed in that meeting. If a quorum is not available on first call, a second meeting may be called, provided that at least 50% of the outstanding Shares with voting rights on the matters to be addressed in that meeting are represented.

Our bylaws require the approval of holders of at least 95% of the outstanding Shares and the approval of the CNBV for the amendment of the controlling stockholders' obligation under the bylaws to repurchase Shares and certain other provisions in the event of delisting. See "—Other Provisions—Repurchase in the Event of Delisting." For more detail, see our bylaws on our webpage at [www.bachoco.com.mx](http://www.bachoco.com.mx). Holders of ADRs are entitled to instruct the Depository as to the exercise of the voting rights.

According to our bylaws, stockholders with a right to vote may ask to postpone a vote on any matters on which they believe they do not have enough information as defined by Article 199 of the Mexican Corporation Law. Stockholders with a right to vote, including a limited right to vote, and who hold at least 20% of the capital stock, may legally object to the decisions of a general stockholders' meeting, with respect to matters in which they have rights, without the percentage established under article 201 of the General Law of Business Entities being applicable in such case.

Moreover, holders of shares having voting rights, including limited or restricted voting rights or holders of Shares without voting rights that jointly or individually represent 5% or more of the capital stock, may directly exercise the action of liability against the members and secretary of the Board of Directors, as well as against the relevant directors or executive officers. The exercise of such action will not be subject to the compliance with the requirements set forth under articles 161 and 163 of the General Law of Business Entities.

The Board of Directors, or its President or Secretary or the judicial authority, as applicable, must issue notices of calls of Shareholders' Meetings. In addition, shareholders that jointly or separately represent at least 10% of the capital of the Company may request the President of the Board of Directors or the President of the Audit Committee to call a General Shareholder's Meeting, without the percentage indicated under article 184 of the General Law of Business Entities being applicable for such purpose. If the notice of meeting is not issued within fifteen days after the date of the corresponding request, a Civil or District Judge of the Company's domicile will issue such notice at the request of the interested parties that represent the requesting 10% of the capital, who must present their stock certificates for such purpose.

At least 15 days prior to the meeting, notice of the meeting must be published in the *Diario Oficial de la Federacion* ("Official Gazette") or in a newspaper of general circulation in Mexico City. Stockholders' meetings may be held without such publication provided that 100% of the outstanding Shares with voting rights on the matters to be addressed by such meeting are represented.

From the moment that a call for a stockholders' meeting is made public, all the information related to the meeting must be available to the stockholders. In order to attend a stockholders' meeting, a stockholder must request and obtain an admission card by furnishing, at least 24 hours before the time set for holding the stockholders' meeting, appropriate evidence of ownership of Shares in us and depositing such Shares with our corporate secretary or with an institution authorized to accept such deposit. If so entitled to attend the meeting, a stockholder may be represented by proxy signed before two witnesses. Additionally, the stockholder may be represented at the stockholders' meetings by a person named by proxy, on a printed form that we issue, which, under Mexican law, must identify our Company and indicate clearly the matters to be addressed in the meeting, with enough space for the instructions that the stockholder specifies. We are obliged to make information on the upcoming meeting available to the intermediaries in the stock market, for the time specified in Article 173 of the Mexican Law, in order to give the intermediaries time to send it to the stockholders they represent. The Secretary of the Board of Directors must verify that this requirement is met and report on this matter at the stockholders' meeting. See "—Registration and Transfer."

### ***Members of the Board***

Under the Mexican Corporations Law, a Board of Directors must conform to the following requirements:

- The Board of Directors will be integrated by a minimum of five and a maximum of twenty-one principal members.

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- At least twenty-five percent of the members of the Board of Directors must be independent, in accordance with the terms of Article 24 of the Securities Market Law.
- For each principal member, a substitute will be appointed, in the understanding that the substitutes of independent Board members must also be independent.

Besides satisfying all of the requirements mentioned above, failure to meet these standards for any reason will not constitute grounds for judicial action challenging any act, contract, or agreement undertaken by the board, an intermediate committee or other delegated authority. Furthermore, such standards will not be mandatory for the validity or existence of such acts.

The Board of Directors must meet at least every three months at our address or any other place in Mexico and on the dates that the board determines. Meetings previously scheduled in accordance with a schedule pre-approved by the board do not need to be called. Meetings must be called by at least 25% of the members of the Board of Directors, the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors, the Secretary or the Alternate Secretary of the Board or the President of the Audit Committee. Members of the board must be notified via e-mail or in writing at least five calendar days in advance of a meeting.

***Dividends and Distributions***

At the annual ordinary general stockholders' meeting, the Board of Directors submits our financial statements for the previous fiscal year, together with a report thereon by the board, to the holders of Shares for their consideration. The holders of Shares, once they have approved the financial statements, determine the allocation of our net profits, if any, for the preceding year. As of December 31, 2019, our legal reserve fund was equal to at least 20% of our paid-in capital stock. Amounts in excess of those allocated to the legal reserve fund may be allocated to other reserve funds as the stockholders determine, including a reserve for the repurchase of our Shares. The remaining balance of net profits, if any, is available for distribution as dividends. No dividends may be paid, however, unless losses for prior fiscal years have been paid or absorbed.

Holders of shares and, accordingly, holders of ADRs will have equal rights, on a per Share basis, to dividends and other distributions, including any distributions we make upon liquidation. Partially paid Shares participate in any distribution to the extent that such Shares have been paid at the time of the distribution or, if not paid, only with respect to the proportion paid.

***Changes in Capital Stock***

An increase of capital stock may generally be affected through the issuance of new shares for payment in cash or in kind, by capitalization of indebtedness or by capitalization of certain items of stockholders' equity. An increase of capital stock generally may not be realized until all previously issued and subscribed Shares of capital stock have been fully paid. Generally, a reduction of capital stock may be effected to absorb losses, to redeem Shares, or to release stockholders from payments not made. A reduction of capital stock to redeem Shares is effected by reimbursing holders of Shares pro rata or by lot. Stockholders may also approve the redemption of fully paid Shares with retained earnings. Such redemption would be affected by a repurchase of Shares on the Mexican Stock Exchange (in the case of Shares listed thereon).

Except under limited circumstances, the bylaws require that any capital increase affected pursuant to a capital contribution be represented Shares.

The fixed portion of our capital stock may only be increased or decreased by resolution of a general extraordinary meeting and an amendment to the bylaws, whereas the variable portion of our capital stock may be increased or decreased by resolution of a general ordinary meeting. See "Other Provisions—Fixed and Variable Capital."

No resolution by the stockholders is required for decreases in capital stock resulting from exercise of our right to withdraw variable Shares or from our repurchase of our own Shares or for increases in capital stock resulting from our sale of Shares we previously purchased. See "Other Provisions—Repurchase of our own Shares" and "Other Provisions—Appraisal Rights."

### ***Preemptive Rights***

Except in certain limited circumstances, in the event of a capital increase through the issuance of new Shares for payment in cash or in kind, a holder of existing Shares of a given Series at the time of the capital increase has a preferential right to subscribe for a sufficient number of new Shares of the same Series to maintain the holder's existing proportionate holdings of Shares of that Series or, in the event of a capital increase through the issuance of limited-voting or non-voting stock only, to subscribe for a sufficient number of the Shares to be issued to maintain the holder's existing proportionate holdings of our capital stock. Preemptive rights must be exercised within 15 days following the publication of notice of the capital increase in the Diario Oficial de la Federacion (Official Gazette) or following the date of the stockholders' meeting at which the capital increase was approved if all stockholders were represented at such meeting; otherwise, such rights will lapse. Under Mexican law, preemptive rights cannot be waived in advance by a stockholder, except under limited circumstances, and cannot be represented by an instrument that is negotiable separately from the corresponding share. Holders of ADRs who are U.S. citizens or are located in the United States may be restricted in their ability to participate in the exercise of preemptive rights.

### ***Foreign Investment Legislation***

Ownership by foreigners of Shares of Mexican companies is regulated by the Ley de Inversion Extranjera ("Foreign Investment Law") and by the Reglamento de la Ley para Promover la Inversion Mexicana y Regular la Inversion Extranjera ("Foreign Investment Regulations"). The Ministry of Commerce and Industrial Development and the Foreign Investment Commission are responsible for the administration of the Foreign Investment Law.

The Foreign Investment Law reserves certain economic activities exclusively for the Mexican state and certain other activities exclusively for Mexican individuals or Mexican corporations, and limits the participation of foreign investors to certain percentages in regard to enterprises engaged in activities specified therein. Foreign investors may own up to 100.0% of the capital stock of Mexican companies or entities, except for companies (i) engaged in reserved activities as referred to above; or (ii) with assets exceeding an amount to be established annually by the Foreign Investment Commission, in which case an approval from the Foreign Investment Commission will be necessary in order for foreign investment to exceed 49.0% of the capital stock. Mexican and non-Mexican nationals will be entitled to hold and to exercise the rights of holders. The Robinson Bours Stockholders have advised us that they intend to maintain a control position. Pursuant to our bylaws, foreigners may only own up to 49.0% of our Shares.

### ***Other Provisions***

#### ***Fixed and variable capital***

As a "sociedad anónima de capital variable", we are permitted to issue Shares constituting fixed capital and Shares constituting variable capital. The issuance of variable capital Shares, unlike the issuance of fixed capital Shares, does not require an amendment of the bylaws, although it does require approval at a general ordinary stockholders' meeting. In no case may the capital of the Company be decreased to less than the minimum required by law and any decrease in the shareholders' equity must be registered in the Equity Variations Book that the Company will keep for such purpose.

#### ***Repurchase in the event of delisting***

In the event of cancellation of the registration of the Company's Shares in such Registry, whether at the request of the Company or by a resolution of the National Securities and Banking Commission under applicable law, the Company agrees to make a public offering for the acquisition of the total number of the Shares registered prior to the cancellation. The Company must, for at least six months, contribute to a trust the necessary resources to purchase at the same price of the public offering the Shares of the investors that did not attend or did not accept such offer, in case that after the public offering for purchase has been made and prior to the cancellation of the registration of the Shares that represent the capital stock of the Company or of other securities issued based on such Shares in the National Securities Registry, the Company had been unable to acquire 100.0% of the paid in capital stock.

*Forfeiture of Shares*

As required by Mexican law, our bylaws provide that our current and future foreign stockholders are formally bound to the Mexican Secretaria de Relaciones Exteriores (“Ministry of Foreign Relations”) to consider themselves as Mexican nationals with respect to our Shares that they may acquire or of which they may be owners, and with respect to the property, rights, concessions, participations or interests that we may own or rights and obligations that are based on contracts to which we are party with the Mexican authorities, and not to invoke the protection of their government under penalty, should they do so, of forfeiting to the Mexican State the corporate participation that they may have acquired. In the opinion of Galicia & Robles, S.C., our special Mexican counsel, under this provision a non-Mexican stockholder (including a non-Mexican holder of ADRs) is deemed to have agreed not to invoke the protection of his own government by requesting such government to interpose a diplomatic claim against the Mexican government with respect to the stockholder’s rights as a stockholder, but is not deemed to have waived any other rights it may have with respect to its investment in us, including any rights under U.S. securities laws. If the stockholder should invoke such governmental protection in violation of this agreement, its Shares could be forfeited to the Mexican State. Mexican law requires that such a provision be included in the bylaws of all Mexican corporations unless such bylaws prohibit ownership of capital stock by foreign investors.

*Exclusive Jurisdiction*

Our bylaws provide that legal actions relating to any conflict between our stockholders and us, or among the stockholders in connection with matters related to us, may be brought only in courts in Mexico City. Therefore, our stockholders are restricted to the courts of Mexico City.

*Duration*

The duration of our existence under our bylaws is indefinite.

*Repurchase of our own Shares*

We may repurchase our Shares on the Mexican Stock Exchange at any time at the then prevailing market price. Any repurchases will be charged to the Stockholders’ Equity as long as these Shares belong to the same Company or to the Capital Stock in the event that we convert these Shares to treasury stock, and in this last case no resolution of the stockholders’ meeting is required. At each annual ordinary Stockholder’s Meeting, the maximum amount of resources that may be used to repurchase Shares will be expressly defined. The Board of Directors will name the persons responsible for the operation of the repurchase process. The Shares that belong to the Treasury Stock or us can be resold among the public stockholders; in the latter case, no resolution of a stockholders’ meeting is necessary for an increase in capital. The economic and voting rights corresponding to such repurchased Shares may not be exercised during the period in which such Shares are owned by us, and such Shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any stockholders’ meeting during such period.

*Non-Subscribed Shares*

With prior authorization of the CNBV, we may issue non-subscribed Shares provided that such Shares will be held by a depository institution and that there is compliance with the conditions of Article 53 of the Ley del Mercado de Valores (“Mexican Securities Law”). In any extraordinary stockholders’ meeting at which this issuance of non-subscribed Shares is approved, the preference rights established by Article 132 of the Mexican Corporations Law must be respected. With a quorum at the meeting, the approval of the issuance will take effect, even with respect to stockholders that were not present at the meeting, such that we will be free to issue these Shares with no prior publication. When a minority of stockholders representing at least 25.0% of the voting capital stock vote against the issuance of these Shares, such issuance cannot be made. Any stockholder that votes against this issuance at the stockholders’ meeting will have the right to request that we sell its Shares before issuing the new non-subscribed Shares. In such event, we will have the obligation to first sell the Shares belonging to such stockholders, at the same price that the non-subscribed Shares are to be offered to the public.

*Stockholder Conflicts of Interest*

Under Mexican law, any stockholder that has a conflict of interest with respect to any transaction must abstain from voting thereon at the relevant stockholders’ meeting. A stockholder that votes on a business transaction in which its interest conflicts with that of ours may be liable for damages if the transaction would not have been approved without such stockholder’s vote.

*Board Member Conflicts of Interest*

Under Mexican law, any member of the Board of Directors who has a conflict of interest with us in any transaction must disclose such fact to the other members of the Board of Directors and abstain from voting. Any member of the Board of Directors who violates such provision may be liable for damages caused to us. Additionally, members of the Board of Directors and statutory auditors may not represent other stockholders at any stockholders' meeting.

*Appraisal Rights*

Whenever the stockholders approve a change of corporate purpose, a change in our nationality or transformation from one type of corporation form to another, any stockholder entitled to vote on such change or transformation who has voted against it has the right to withdraw from us and receive the amount calculated as specified under Mexican law attributable to its Shares, provided such stockholder exercises its right to withdraw within 15 days following the adjournment of the meeting at which the change or transformation was approved. Under Mexican law, the amount that a withdrawing stockholder is entitled to receive is equal to its proportionate interest in our capital stock according to the most recent balance sheet that has been approved by an ordinary general meeting of stockholders.

*Actions against Directors*

Under Mexican law, holders of Shares having voting rights, including limited or restricted voting rights or holders of Shares without voting rights that jointly or individually represent 5.0% (five percent) or more of the capital stock, may directly exercise the action of liability against the members and secretary of the Board of Directors, as well as against the relevant directors or executive officers. The exercise of such action, among others, will be subject to the compliance with the requirements set forth under the Mexican Law.

*Audit Committee and Corporate Practices*

Under our bylaws, the Board of Directors is required to create an Audit Committee and Corporate Practices under the terms and conditions outlined below:

- The Audit Committee and Corporate Practices will consist of members of the Board of Directors. The chairman of the Audit Committee and Corporate Practices and a majority of the committee members must be independent, as independence is defined under the Mexican Securities Market Law.
- The mandate of the audit committee and corporate practices is to establish and monitor procedures and controls in order to ensure that the financial information we distribute is useful, appropriate and reliable, and accurately reflects our financial position.

For more detail or to read more about the Committee's activities please refer to "Audit Committee and Corporate Practices" section in Item 6 to this Annual Report. For additional information, also see Article 35 of the Mexican Securities Market Law.

*Related Party Transactions*

See "Related Party Transactions" included in Item 7 to this Annual Report.

**C. Material Contracts**

None.

**D. Exchange Controls**

Ownership by foreigners of Mexican companies is regulated by the Foreign Investment Law and by the Foreign Investment Regulations. The Ministry of Commerce and Industrial Development and the Foreign Investment Commission are responsible for the administration of the Foreign Investment Law.

The Foreign Investment Law reserves certain economic activities exclusively for the Mexican Government and certain other activities exclusively for Mexican individuals or Mexican corporations and limits the participation of foreign investors to certain percentages in regard to enterprises engaged in activities specified therein. Foreign investors may own 100% of the capital stock of Mexican companies or entities, except for companies (i) engaged in reserved activities as referred to above or (ii) with assets exceeding an amount to be established annually by the Foreign Investment Commission in which case an approval from the Foreign Investment Commission shall be necessary in order for foreign investment to exceed 49.0% of the capital stock. Mexican and non-Mexican nationals will be entitled to hold and to exercise the rights of holders. The Robinson Bours Stockholders have advised us that they intend to maintain a control position of his shares. Pursuant to our bylaws, foreigners may only own Shares up to 49% of shares.

#### **E. Taxation**

The following discussion is a general summary of certain principal U.S. federal income tax consequences and the principal Mexican federal tax consequences of the acquisition, ownership and disposition of Shares or ADRs. This summary does not purport to address all material tax consequences that may be relevant to holders of Shares or ADRs, and does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks, insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, partnerships and other pass-through entities or arrangements, investors liable for the U.S. alternative minimum tax, investors that own or are treated as owning 10% or more of our stock (by vote or value), investors that hold Shares or ADRs as part of a straddle, hedge, conversion transaction or other integrated transaction and U.S. Holders (as defined below) whose functional currency is not the U.S. dollar) may be subject to special tax rules. In addition, this summary is based in part upon the representations of the Depository and the assumption that each obligation in the deposit agreement, and in any related agreement, will be performed in accordance with its terms.

For purposes of this discussion, a “U.S. Holder” is any beneficial owner of Shares or ADRs that, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax without regard to its source; or
- a trust that is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons, or that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Shares or ADRs, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. A partner of a partnership considering the purchase of Shares or ADRs should consult its own independent tax advisor regarding the U.S. federal income tax consequences of investing in Shares or ADRs through a partnership.

Except where specifically described below, this discussion assumes that we are not a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. See “U.S. Federal Income Taxation—Passive Foreign Investment Company Rules” below. This discussion is based on the federal income tax laws and regulations of the United States (including the U.S. Internal Revenue Code of 1986, as amended, or the “Code”) and Mexico, judicial decisions, published rulings and administrative pronouncements, all as of the date hereof, and all of which are subject to change (possibly with retroactive effect) and different interpretations. Further, this discussion does not address U.S. federal estate and gift tax, U.S. Medicare tax on net investment income or the alternative minimum tax consequences of holding Shares or ADRs or the indirect consequences to holders or equity interests in partnerships (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) that own Shares or ADRs. In addition, this discussion does not address the non-U.S., non-Mexican, state or local tax consequences of holding Shares or ADRs. Prospective purchasers of Shares or ADRs should consult their own tax advisors as to the U.S., Mexican or other tax consequences of the purchase, ownership and disposition of Shares or ADRs, including, in particular, the effect of any non-U.S., non-Mexican, state or local tax laws.

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A Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and a Protocol thereto, between the United States and Mexico (the "Tax Treaty") took effect on January 1, 1994. The Tax Treaty was amended by a second Protocol signed September 8, 1994. The second Protocol entered into force on October 2, 2005. The Tax Treaty was amended by a third Protocol signed November 26, 2002, the provisions of which took effect in part on September 1, 2003, and in part on January 1, 2004. The United States and Mexico have also entered into an agreement concerning the exchange of information with respect to tax matters.

In general, for U.S. federal income tax purposes, holders of ADRs evidencing ADSs will be treated as the beneficial owners of the Shares represented by those ADRs. However, see the discussion below under "Taxation of Dividends" regarding certain statements made by the U.S. Treasury concerning depository arrangements.

***U.S. Federal Income Taxation***

*U.S. Holders*

The following discussion is a summary of certain material U.S. federal income tax consequences to holders of Shares or ADRs that are U.S. Holders and that hold those Shares or ADRs as capital assets (generally, for investment purposes).

*Taxation of Dividends*

Cash distributions paid with respect to the Shares or ADRs to the extent paid out of our earnings and profits (as determined under U.S. federal income tax principles) will be included in the gross income of a U.S. Holder as ordinary income on the day on which the dividends are received by the U.S. Holder, in the case of Shares, or the Depository, in the case of ADRs. We do not currently maintain calculations of our earnings and profits under U.S. federal income tax principles. Because these calculations are not made, distributions should be presumed to be taxable dividends for U.S. federal income tax purposes.

A U.S. Holder will be entitled, subject to a number of complex limitations and conditions (including a minimum holding period requirement), to claim a U.S. foreign tax credit in respect of any Mexican income taxes withheld on dividends received on Shares or ADRs. U.S. Holders who do not elect to claim a credit for any foreign income taxes paid during the taxable year may instead claim a deduction in respect of such Mexican income taxes, provided the U.S. Holder elects to deduct (rather than credit) all foreign income taxes for that year. Dividends received with respect to Shares or ADRs will be treated as foreign source income, subject to various classifications and other limitations. For purposes of the U.S. foreign tax credit limitation dividends paid with respect to Shares or ADRs generally will constitute "passive category income" for most of U.S. Holders. The U.S. Treasury Department has expressed concerns that parties to whom depository shares such as the ADRs are released may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of such ADRs. Accordingly, the analysis of the creditability of Mexican income taxes described above could be affected by future actions that may be taken by the U.S. Treasury Department. The rules relating to computing foreign tax credits or deducting foreign taxes are extremely complex, and U.S. Holders are urged to consult their own independent tax advisors regarding the availability of foreign tax credits with respect to any Mexican income taxes withheld.

Dividends paid in pesos will be included in the gross income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day they are received by the U.S. Holder, in the case of Shares, or by the Depository, in the case of ADRs (regardless of whether such pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt by the U.S. Holder or the Depository, as the case may be, the U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. U.S. Holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received which are converted into U.S. dollars on a date subsequent to receipt.

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Cash dividends paid to corporate U.S. Holders will not be eligible for the dividends-received deduction allowed to corporations under the Code. Subject to certain exceptions for short term and hedged positions, and provided that we are not a PFIC (as discussed below), dividends received by certain non-corporate U.S. Holders (including individuals) with respect to the Shares or ADRs will be subject to U.S. federal income taxation at preferential rates if such dividends represent “qualified dividend income.” Dividends paid on the Shares or ADRs will be treated as qualified dividend income if (i) we are eligible for the benefits of the Tax Treaty or the Shares or ADRs are readily tradable on an established securities market in the United States and (ii) we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. We expect to be eligible for the benefits of the Tax Treaty. In addition, under current guidance issued by the Internal Revenue Service (“IRS”), the ADRs should qualify as readily tradable on an established securities market in the United States so long as they are listed on the New York Stock Exchange, but no assurances can be given that the ADRs will be or remain readily tradable under future guidance.

The U.S. Treasury Department has announced its intention to promulgate rules pursuant to which shareholders (and intermediaries) will be permitted to rely on certifications from issuers to establish that dividends qualify for the reduced rate of U.S. federal income taxation. Because such procedures have not yet been issued, we are not certain that we will be able to comply with them. U.S. Holders of Shares or ADRs should consult their own tax advisors regarding the availability of the reduced rate in the light of their own particular circumstances.

Distributions to U.S. Holders of additional Shares with respect to their Shares or ADRs that are made as part of a pro rata distribution to all of our stockholders generally will not be subject to U.S. federal income tax. If holders of the ADRs are restricted in their ability to participate in the exercise of preemptive rights, the preemptive rights may give rise to a deemed distribution to holders of the Shares under Section 305 of the Code. Any deemed distributions will be taxable as a dividend in accordance with the general rules of the income tax treatment of dividends discussed above.

### *Taxation of Capital Gains*

Gain or loss recognized by a U.S. Holder on the sale or other taxable disposition of Shares or ADRs generally will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between such U.S. Holder’s adjusted tax basis in the Shares or ADRs and the amount realized on the disposition. A U.S. Holder generally will have an adjusted tax basis in its Shares or ADRs equal to its U.S. dollar cost for such Shares or ADRs. If the Shares or ADRs are treated as traded on an “established securities market,” a cash basis U.S. Holder, and, if it elects, an accrual basis U.S. Holder, will determine the dollar cost of such Shares or ADRs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. If dollars are converted to pesos and immediately used to purchase Shares or ADRs, such conversion generally will not result in taxable gain or loss.

If the consideration that a U.S. Holder receives for the Shares or ADRs is paid in a currency other than the dollar, the amount realized generally will be the dollar value of the payment received determined on (1) the date of receipt of payment in the case of a cash basis U.S. Holder and (2) the date of disposition in the case of an accrual basis U.S. Holder. If the Shares or ADRs are treated as traded on an “established securities market,” a cash basis taxpayer, or, if it elects, an accrual basis taxpayer, will determine the dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

Gain or loss recognized by a U.S. Holder on the sale or other disposition of Shares or ADRs generally will be long-term gain or loss if, at the time of disposition, the U.S. Holder has held the Shares or ADRs for more than one year.

Certain non-corporate U.S. Holders, including individuals, are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deduction of a capital loss is subject to limitations under the Code.

Gain realized by a U.S. Holder on a sale or other disposition of Shares or ADRs generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Pursuant to recently issued U.S. Treasury regulations, if any Mexican withholding tax is imposed on the sale or disposition of the Shares, a U.S. Holder generally would not be eligible for a foreign tax credit in respect of these Mexican taxes unless the U.S. Holder elects benefits under the income tax treaty between the United States and Mexico. Alternatively, a U.S. Holder may deduct any otherwise creditable Mexican taxes withheld from its gross income, provided such U.S. Holder does not claim a foreign tax credit for any foreign income taxes paid or accrued during the taxable year. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, the Shares or ADRs.

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In some cases, gain may be treated as foreign source income by holders eligible for the benefits of the Tax Treaty. U.S. Holders should consult their own tax advisors regarding the application of the Tax Treaty to gain or loss recognized on the sale or other taxable disposition of Shares or ADRs.

Deposits and withdrawals of Shares by U.S. Holders in exchange for ADRs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules

A non-U.S. corporation generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying look-through rules, either (1) at least 75.0% of its gross income is passive income, or (2) on average at least 50.0% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions. The determination as to whether a non-U.S. corporation is a PFIC is based on the application of complex U.S. federal income tax rules, which are subject to different interpretations. In addition, the PFIC determination is made annually and generally is based on the value of a non-U.S. corporation's assets (including goodwill) and composition of its income. In determining whether we are a PFIC, a pro rata portion of the income and assets of each subsidiary in which we own, directly or indirectly, at least a 25.0% interest by value is taken into account.

Based on current estimates of our income and assets, we do not believe that we were classified for our most recently-ended taxable year, or will be classified for our current taxable year, as a PFIC for U.S. federal income tax purposes, and we intend to continue our operations in such a manner that we will not become a PFIC in the future, although no assurances can be made regarding determination of our PFIC status in the current or any future taxable year. If we are treated as a PFIC for any taxable year, a U.S. Holder would be subject to special rules (and may be subject to increased tax liability and form filing requirements) with respect to (a) any gain realized on the sale or other disposition of Shares or ADRs, and (b) any "excess distribution" made by us to the U.S. Holder (generally, any distribution during a taxable year in which distributions to the U.S. Holder on the Shares or ADRs exceed 125.0% of the average annual distributions the U.S. Holder received on the Shares or ADRs during the preceding three taxable years or, if shorter, the U.S. Holder's holding period for the Shares or ADRs). Under those rules, (a) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the Shares or ADRs, (b) the amount allocated to the taxable year in which the gain or excess distribution is realized and to taxable years before the first day on which we became a PFIC would be taxable as ordinary income, (c) the amount allocated to each prior year in which the Issuer was a PFIC would be subject to U.S. federal income tax at the highest tax rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which we were treated as a PFIC.

In addition, a U.S. Holder generally must file IRS Form 8621 periodically to disclose ownership of an equity interest in a PFIC during any taxable year.

Prospective investors should consult their own tax advisors regarding the potential application of the PFIC rules to Shares or ADRs and the application of recently enacted legislation to their particular situation.

Non-U.S. Holders

The following discussion is a summary of certain principal U.S. federal income tax consequences to beneficial holders of Shares or ADRs that are neither U.S. Holders nor partnerships for U.S. federal income tax purposes ("Non-U.S. Holders").

Subject to the discussion below under "U.S. Backup Withholding and Information Reporting," a Non-U.S. Holder of Shares or ADRs will not be subject to U.S. federal income or withholding tax on a dividend paid by us or gain realized on the sale of Shares or ADRs, unless (i) such dividend or gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, if an applicable tax treaty requires, is attributable to a U.S. permanent establishment or fixed base of such Non-U.S. Holder) or (ii) in the case of gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

### ***U.S. Backup Withholding and Information Reporting***

In general, dividends on Shares or ADRs, and payments of the proceeds of a sale or other taxable disposition of Shares or ADRs, paid within the United States, by the U.S. payor or through certain U.S.-related financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to backup withholding at a current rate of 24%, unless the U.S. Holder (i) establishes that it is an exempt recipient or (ii) with respect to backup withholding, provides an accurate taxpayer identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred. Payments made within the United States, by a U.S. payor or through certain U.S.-related financial intermediaries to a Non-U.S. Holder will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the Non-U.S. Holder to the payor or intermediary and the payor or intermediary does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. The amount of any backup withholding withheld from a payment will be allowed as a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. A holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed its U.S. federal income tax liability by filing a timely refund claim with the IRS.

In addition, U.S. Holders should be aware of annual reporting requirements with respect to the holding of foreign financial assets, including stock of foreign issuers that are not held in an account maintained by certain types of financial institutions, if the aggregate value of all of such assets exceeds \$50,000, subject to certain exceptions. U.S. Holders should consult their own tax advisors regarding the application of the information reporting rules to our common Shares and the application of these reporting requirements to their particular situation.

### ***Mexican Taxation***

#### ***Taxation of Dividends***

Through December 31, 2013, dividends, either in cash or in any other form, paid with respect to the Shares constituting the Shares or the ADRs were not subject to Mexican withholding tax. However, as a result of changes to the income tax law described in note 20(a) of our Audited Consolidated Financial Statements, beginning on January 1, 2014, a new withholding tax of 10% was established for Mexican individuals resident in Mexico and for all residents in foreign countries who receive dividends from entities. Such tax is considered a withholding tax by the entity that pays the dividends.

#### ***Taxation of Capital Gains***

Gain on the sale or other disposition of ADRs by holders who are not Mexican Residents (as defined below) will not be subject to Mexican income tax. Deposits of Shares in exchange for ADRs and withdrawals of Shares in exchange for ADRs will not give rise to Mexican income tax.

Gain on the sale of Shares by a holder who is not a Mexican Resident (as defined below) will not be subject to Mexican tax if the transaction is carried out through the Mexican Stock Exchange or other securities markets approved by the Mexican Ministry of Finance, and provided certain requirements set forth by the Mexican Income Tax Law are complied with. Sales or other dispositions of Shares made in other circumstances generally would be subject to Mexican tax, except to the extent that a holder is eligible for benefits under an income tax treaty to which Mexico is a party. Under the Tax Treaty, gain on the sale or other disposition of Shares by a U.S. resident (if eligible for benefits under the Tax Treaty) who is a holder of less than 25% of our capital stock during the twelve-month period preceding such sale or disposition will not be subject to Mexican tax, unless (i) 50% or more of the fair market value of our assets consist of "immovable property" (as defined in the Tax Treaty) situated in Mexico, or (ii) such gains are attributable to a permanent establishment or fixed base of such U.S. resident in Mexico.

For a holder that is not a Mexican Resident and that does not meet the requirements referred to above, gross income realized on the sale of Shares will be subject to a 5% Mexican withholding tax if the transaction is carried out through the Mexican Stock Exchange. Alternatively, a holder that is not a Mexican Resident can choose to be subject to a 20% withholding rate on the net gain obtained, as calculated pursuant to Mexican Income Tax Law provisions.

The Mexican tax rules governing the taxation of gains of holders who are not Mexican Residents on dispositions of their Shares or ADRs were amended during 2002. Holders who are not Mexican Residents who disposed of their Shares or ADRs during 2003 should consult their own Mexican tax advisors on the Mexican tax treatment of such dispositions.

For purposes of Mexican taxation (Ley del Impuesto sobre la Renta), an individual is a resident of Mexico (a “Mexican Resident”) if he or she has established his or her home in Mexico, unless he or she has resided in another country for more than 183 days, whether consecutive or not, during a calendar year and can demonstrate that he or she has become a resident of that country for tax purposes. A legal entity is a Mexican Resident if it has been incorporated under Mexican law. A company is also considered to be a Mexican Resident if its headquarters are located in Mexico. A Mexican citizen is presumed to be a resident of Mexico for tax purposes unless such person can demonstrate otherwise. If a person is deemed to have a permanent establishment or fixed base in Mexico for tax purposes, such permanent person shall be required to pay taxes in Mexico on income attributable to such permanent establishment or fixed base, in accordance with applicable tax laws.

*Other Mexican Taxes*

There are no Mexican inheritance, succession or similar taxes applicable to the ownership, transfer or disposition of ADRs or Shares by holders that are not Mexican Residents; provided, however, that gratuitous transfers of Shares may in certain circumstances cause a Mexican federal tax to be imposed on the recipient. There is no Mexican stamp, issue, registration or similar taxes or duties payable by holders of ADRs or Shares. Brokerage fees on securities transactions carried out through the Mexican Stock Exchange are subject to a 16% value added tax.

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

The documents concerning us which are referred to in this document are available in our company headquarters, located at Avenida Tecnológico No. 401, Ciudad Industrial, Celaya, Guanajuato, zip code 38010, Mexico, for any inspection required. Part of this information is available on our website, at <https://corporativo.bachoco.com.mx/inversionistas>.

**I. Subsidiary Information**

Not applicable.

**ITEM 11. Quantitative and Qualitative Disclosures about Market Risk**

In the normal course of our business, we hold or issue various financial instruments that expose us to financial risks involving fluctuations in currency exchange rates and interest rates. Also, we are exposed to commodity price risk in connection with fluctuations in the prices for our feed ingredients.

The Company is exposed to several risks related to the use of financial instruments to which risk management is applied, including credit risk, liquidity risk, market risk, and operational risk.

Note 8 of our Audited Consolidated Financial Statements presents information on the Company’s exposure to each of the aforementioned risks, and the Company’s objectives, policies and procedures for risk measurement and management. Further quantitative disclosures are included in various sections of these Audited Consolidated Financial Statements included in this Annual Report.

***Risk management framework***

The risk philosophy adopted by the Company seeks to minimize the risk and, therefore, to enhance its business stability, by opting for a sound relationship between the levels of risk assumed and its operating capabilities, for ensuring better decision-making.

Risk Management means the “Set of objectives, policies, procedures and actions implemented to identify measure, monitor, limit, control, report and disclose the various types of risks to which the entity is exposed.”

### ***Currency Fluctuation***

Our exposure to market risk associated with changes in foreign currency exchange rates relates primarily to cost and expenses that are denominated in U.S. dollars. See Risk Factors under Item 3.

In 2021 we recognized net foreign exchange gains of \$519.8 million and \$467.5 million in 2020; while in 2019 we recognized net foreign exchange loss of \$272.2 million.

As of December 31, 2021, a hypothetical increase of 15% in the exchange rate would have resulted in an increase in the foreign currency position of \$34.4 million, which represents a gain from foreign currency exchange rates. On the other hand, a decrease of 15% in the exchange rate would have resulted in a decrease in our foreign currency position of \$34.7 million, which represents a loss from foreign currency exchange rates.

We manage our exchange rate exposure primarily through management of our financial structure. As part of our normal operations, we plan over a six-month period into the future and, depending on the expected uncertainty for that period, decide if it is economically advisable to purchase or sell any hedging instrument. We purchase financial derivative instruments in order to ensure greater certainty in our purchases of U.S. dollars.

The main risk that the Company faces with the use of these derivative instruments is the volatility in the exchange rate of the peso against the U.S. dollar. Our risk committee approves any change in policies and reviews the application of current policies.

No assurance can be given as to the future valuation of the Mexican peso and how further movements in the peso could affect our future earnings. In order to mitigate our foreign exchange risk, we have established a Risk Committee which meets at least once a quarter and approves the guidelines and policies for entering into these operations. We also work with independent consultants who make evaluations of our positions and provide us with consulting services. Said companies do not sell any financial instruments to us.

### ***Interest Rates***

Our earnings may also be affected by changes in interest rates due to the impact those changes have on our variable rate debt instruments.

As of December 31, 2021, we had borrowings of approximately \$1,993.9 million pursuant to variable rate debt instruments, representing approximately 3.0% of our total assets.

Based on our debt position on December 31, 2021, we estimate that a hypothetical increase in the interest rate of 50 basis points would increase our interest expense by \$8.3 million, negatively impacting our net income by the same. Whereas, we estimate that a hypothetical decrease in the interest rate of 50 basis points would decrease our interest expense by \$8.3 million, positively impacting our net income by the same.

Any such increase would likely be partially offset by an increase in interest income due to our strong cash and cash equivalent position.

### ***Feed Ingredients***

The price of sorghum, soy meal, and corn is subject to significant volatility resulting from many external factors like weather conditions, the size of harvests, transportation and storage costs, among others. In order to reduce the potential adverse effect of grain price fluctuations, we vary the composition of our feed to take advantage of current market prices for the various types of ingredients used.

Based on our results for 2021, we estimate that a hypothetical increase in the price of corn bushel and short-ton of soybean meal of 15% would decrease the loss in our overall derivative position instruments to \$37.8 million, positively affecting our results. Whereas, we estimate that a hypothetical decrease in the price of corn bushel and short-ton soybean meal of 15% would increase the loss in our overall derivative position instruments to \$20.9 million, negatively affecting our results.

## ITEM 12. Description of Securities Other Than Equity Securities

### A. Debt Securities

On August 29, 2012, we issued bonds for \$1,500 million through a public issuance of local bonds (“Certificados Bursátiles” or “CBs”) in the local debt capital markets for a tenor of 5 years, maturing in 2017.

The bonds issued had a 28-day TIE interest rate plus + 0.60%. The principal of the bonds will be amortized at face value, in one payment, on the date of maturity.

This represented our first bond offering, which was distributed among a wide range of local investors. The funds obtained were utilized in accordance with the Company’s financial requirements.

This first \$1,500 million bonds issuance is part of a bond issuance program for up to \$5,000 million that the Company has available for issuance within the next five years, in accordance with its financial needs. These bonds were repaid in their entirety at maturity in 2017.

The CBs do not provide restrictions of payment of cash dividends.

On August 2017, we issued a second series of bonds for \$1,500 million through the same program in the local debt capital markets for a tenor of 5 years, maturing in 2022.

The new bonds issued had a 28-day TIE interest rate plus + 0.31%. The principal of the bonds will be amortized at face value in one payment on the date of maturity.

For more detail, see Note 18 of our Audited Consolidated Financial Statements

### B. Warrants and Rights

Not applicable.

### C. Other Securities

Not applicable.

### D. American Depositary Receipts

BNY Mellon has been our Depositary Bank since the day of our initial public offering of shares and continues to act in that capacity as of the date of this document. BNY Mellon is located at 240 Greenwich Street, in New York, N.Y. 10286. Below is their contact information for shareholder and proxy services:

#### Shareholder Services

Regular Mail

P.O. Box 505000

Louisville, KY 40233-5000

Overnight/ certified/ registered delivery:

462 South 4<sup>th</sup> Street, Suite 1600

Louisville KY 40202

T.: 888 269 2377/ 201 680 6825

E: [sharerelations@cpushareownerservices.com](mailto:sharerelations@cpushareownerservices.com)

W: [www.mybnymdr.com](http://www.mybnymdr.com)

#### Proxy Services

P.O. Box 43102

Providence RI 02940-5068

Toll free: 888 269 2377

T. 212 815 3700

E: [shareowner@bankofny.com](mailto:shareowner@bankofny.com)

***Fees and charges that a Holder of our ADRs may have to pay, either directly or indirectly***

Our Depositary may charge each person to whom ADRs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADRs or deposited securities, and each person surrendering ADRs for withdrawal of deposited securities in any manner permitted by the deposit agreement or whose ADRs are cancelled or reduced for any other reason, USD5.00 for each 100 ADRs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, the case may be. The Depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The Depositary collects its fees for delivery and surrender of ADRs directly from investors depositing shares or surrendering ADRs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADRs or to whom ADRs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADRs or the deposited securities or a distribution of ADRs), whichever is applicable:

<b>Persons depositing or withdrawing shares must pay:</b>	<b>For:</b>
\$5.00 (or less) per 100 ADRs (or portion of 100 ADRs)	<ul style="list-style-type: none"> <li>• Issuance of ADRs, including issuances resulting from a distribution of shares or rights or other property</li> <li>• Cancellation of ADRs for the purpose of withdrawal, including if the deposit agreement terminates</li> </ul>
\$.02 (or less) per ADR	<ul style="list-style-type: none"> <li>• Any cash distribution to ADR registered holders</li> </ul>
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADRs	<ul style="list-style-type: none"> <li>• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADR registered holders</li> </ul>
Registration or transfer fees	<ul style="list-style-type: none"> <li>• Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares</li> </ul>
Expenses of the depositary	<ul style="list-style-type: none"> <li>• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)</li> <li>• Converting foreign currency to U.S. dollars</li> </ul>
Taxes and other governmental charges the depositary or the custodian have to pay on any ADR or share underlying an ADR, for example, stock transfer taxes, stamp duty or withholding taxes	<ul style="list-style-type: none"> <li>• As necessary</li> </ul>
Any charges incurred by the depositary or its agents for servicing the deposited securities	<ul style="list-style-type: none"> <li>• As necessary</li> </ul>

We will pay all other charges and expenses of the Depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the Depositary. The fees described above may be amended from time to time.

***Fees and other direct and indirect payments made by the Depositary and us***

The Depositary has agreed to reimburse us for expenses we incur that are related to establishment and maintenance expenses of the ADR program. The Depositary has agreed to reimburse us for our continuing annual stock exchange listing fees. The Depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. It has also agreed to reimburse us annually for certain investor relationship programs or special investor relations promotional activities. In certain instances, the Depositary has agreed to provide additional payments to the Company based on any applicable performance indicators relating to the ADR facility. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depositary collects from investors.

Pursuant to our letter agreement with our Depositary, in 2014 we did not receive any such payment because we renegotiated our contract with BNY Mellon in August 2014 and were not be able to request this benefit until one year from the contract renewal date. In 2021 we did not receive payment for expenses we incurred related to the maintenance of our ADR program, including investor relations expenses and exchange application and listing fees.

Please refer to Exhibit 2.1 to this Annual Report for the remaining information relating to our American Depositary Shares required by Item 12 of Form 20-F.

**PART II**

**ITEM 13. Default, Dividend Arrearages and Delinquencies**

None.

**ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None.

**ITEM 15. Controls and Procedures**

***Disclosure Controls and Procedures***

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2021. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, as of December 31, 2021, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to provide reasonable assurance, that information required to be disclosed in the reports we file and submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

***Management's Annual Report on Internal Control over Financial Reporting***

The Company's management is responsible for establishing and maintaining internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, and:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Effective control over financial reporting cannot, and does not, provide absolute assurance of achieving our control objectives. Also, any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management including our current Principal Executive Officer and Principal Financial Officer assessed the design and effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making this assessment, management uses the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its 2013 Internal Control—Integrated Framework.

Based on this assessment, management concluded that, as of December 31, 2021, the Company's internal control over financial reporting is effective based on such criteria.

***Changes in Internal Control Over Financial Reporting***

There were no changes in our internal control over financial reporting during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control financial reporting.

***Attestation Report of the Independent Registered Public Accounting Firm***

**Report of Independent Registered Public Accounting Firm to the Stockholders and the Board of Directors of Industrias Bachoco, S.A.B. de C.V.**

***Opinion on Internal Control over Financial Reporting***

We have audited the internal control over financial reporting of Industrias Bachoco, S.A.B. de C.V. and subsidiaries (the “Company”) as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated April 29, 2022, expressed an unqualified opinion on those financial statements.

***Basis for Opinion***

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying “Management’s Annual Report on Internal Control Over Financial Reporting” appearing in Item 15. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

***Definition and Limitations of Internal Control over Financial Reporting***

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”). A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as issued by the IASB, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Galaz, Yamazaki, Ruiz Urquiza, S.C.

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Member of Deloitte Touche Tohmatsu Limited

/s/ L.C.C. Alberto Del Castillo Velasco Vilchis  
L.C.C. Alberto Del Castillo Velasco Vilchis  
Mexico City, Mexico  
April 29, 2022

**ITEM 16. [Reserved]**

**ITEM 16.A. Audit Committee Financial Expert**

During our ordinary stockholders' meeting that took place on November 3, 2015, Guillermo Ochoa Maciel was elected as President of the Audit and Corporate Practices Committee. Mr. Ochoa Maciel possesses all the characteristics included in the definition of an "audit committee financial expert" within the meaning of this Item 16A.

**ITEM 16.B. Code of Ethics**

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our Chief Executive Officer, Chief Financial Officer, controller and persons performing similar functions, as well as to other officers and employees. Our code of ethics is available free of charge upon request through our investor relations website at [www.bachoco.com.mx](http://www.bachoco.com.mx). If we amend the provisions of our code of ethics that apply to our Chief Executive Officer, Chief Financial Officer, controller and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver upon request on our website at the same address.

**ITEM 16.C. Principal Accountant Fees and Services**

On September 3, 2013, we announced that the Company's Board of Directors, as per the Audit Committee's recommendation, approved the selection of Deloitte as the Company's independent registered public accountant, effective as of September 30, 2013. Deloitte was ratified as the Company's external auditor for the 2021, 2020, 2019, 2018, 2017 and 2016 fiscal years and remains our external auditor as of the date of this Annual Report.

*Audit and Non-Audit Fees*

The following table sets forth the fees billed by Deloitte, our independent registered public accounting firm, and paid by us. All amounts are in nominal millions of pesos, no taxes are included.

**AUDIT FEES OF DELOITTE**

In millions of pesos	As of December 31,	
	2021	2020
<b>Total Fees:</b>	<b>\$ 8.7</b>	<b>\$ 9.8</b>
Audit fees	8.7	9.8

In addition to the fees for professional services paid listed in the table above, we reimbursed Deloitte for out-of-pocket expenses they incurred in connection with the performance of their audit, such as lodging and other travel related expenses of \$0.1 million and \$1.0 million in 2021 and 2020, respectively.

*Audit Committee Approval Policies and Procedures*

Our audit committee has not established pre-approval policies and procedures for the engagement of our independent auditors for services. Our audit committee expressly approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us.

**ITEM 16.D. Exemptions from the Listing Standards for Audit Committees**

According to the New York Stock Exchange’s Listing Standards for Audit Committees of a Foreign Private Issuer, Ricardo Aguirre, a member of our audit committee, currently does not meet the independence standards set forth in Rule 10A-3(b)(1)(ii)(B) of the Exchange Act. Therefore, with respect to Mr. Aguirre, we rely on the exemption provided in Rule 10A-3(b)(1)(iv)(D) of the Exchange Act because Mr. Aguirre (i) represents the Company’s controlling shareholders, (ii) only has observer status on, and is not a voting member or the chair of, the Company’s audit committee and (iii) is not an executive officer of the Company. Our reliance on such exemption does not materially adversely affect the ability of our audit committee to act independently and to satisfy the other requirements of Rule 10A-3(b).

**ITEM 16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Every year during the annual ordinary stockholder meeting, the Board proposes the approval of an amount to be used in a repurchase plan of our shares. The repurchase plan is approved for a period of one year. All the shares set in the table below were repurchased pursuant to the repurchase plan in force at the date of the purchase.

The table set below sets forth the information regarding the purchase plan approved by the Board of Directors in the three recent fiscal years.

**REPURCHASE PLAN APPROVED**

Year	Announced date	Expiration date	Amount	Estimate number of shares that may be purchased under the plan
2021	April 28, 2021	April 26, 2022	\$ 1,224,000,000	18,000,000 <sup>(1)</sup>
2020	April 22, 2020	April 27, 2021	\$ 1,260,000,000	18,000,000
2019	April 24, 2019	April 21, 2020	\$ 1,316,340,000	18,000,000

(1) The amount includes current shares in the repurchase plan.

The table below sets forth information about the repurchase of our shares on the BMV:

Monthly operation of the repurchase plan in 2021	Total number of shares purchased	Average price paid per share (in pesos)	Total number of shares purchase as part of the publicly announced plan	Estimate maximum number of shares that may yet be purchased under the plan
Opening balance	152,768	\$ 68.13	152,768	17,847,232
January	11,204	69.14	11,204	17,836,028
February	—	—	—	17,836,028
March	195,613	68.80	195,613	17,640,415
April	—	—	—	17,640,415
May	—	—	—	17,640,415
June	—	—	—	17,640,415
July	—	—	—	17,640,415
August	—	—	—	17,640,415
September	75,000	74.74	75,000	17,565,415
October	—	—	—	17,565,415
November	100,000	71.75	100,000	17,465,415
December	267,726	69.25	267,726	17,197,689
<b>Total 2021</b>	<b>649,543</b>	<b>70.13</b>	<b>649,543</b>	<b>17,197,689</b>

**REPURCHASE OF SHARES IN 2022**

	Total number of shares purchased	Average price paid per share (in pesos)	Total number of shares purchased as part of the publicly announced plan	Estimate maximum number of shares that may yet be purchased under the plan
<b>Monthly operation of the repurchase plan in 2022</b>				
Opening balance	619,543	\$ 69.79	619,543	17,380,457
January 2022	—	—	—	17,380,457
February 2022	—	—	—	17,380,457
March 2022	—	—	—	17,380,457
<b>Total as of March 31, 2022:</b>	<b>619,543</b>	<b>69.79</b>	<b>619,543</b>	<b>17,380,457</b>

**REPURCHASE PLAN BALANCE**

	Number of Shares
<b>Total shares in the repurchase plan as of December 31, 2020</b>	<b>152,768</b>
(+) Total shares purchased in 2021	649,543
(-) Total shares sold in 2021	182,768
<b>Total shares in the repurchase plan as of December 31, 2021</b>	<b>619,543</b>
(+) Total shares purchased as of March 31, 2022	—
(-) Total shares sold as of March 31, 2022	—
<b>Total shares in the repurchase plan as of March 31, 2022</b>	<b>619,543</b>

**ITEM 16.F. Changes in Registrant’s Certifying Accountant**

Not applicable.

**ITEM 16.G. Corporate Governance**

Comparison of our Corporate Governance Rules and the Rules of the NYSE Applicable to U.S. Registered Companies

On November 4, 2003, the SEC approved final corporate governance standards for companies listed on the NYSE (“NYSE Corporate Governance Standards”). According to such standards, foreign private issuers are subject to a more limited set of requirements regarding corporate governance than those imposed on U.S. domestic issuers. As a foreign private issuer, we must comply with four NYSE Corporate Governance Standards:

- prior to July 31, 2005, we must comply with the requirements set forth by the SEC concerning audit committees;
- we must submit an annual Written Affirmation to the NYSE and an Interim Written Annual Affirmation each time a change occurs in the Board of Directors or the Audit Committee;
- our CEO must promptly notify the NYSE in writing after any executive officer becomes aware of any material non-compliance with any of the applicable NYSE corporate governance rules; and
- we must provide a brief description disclosing any significant ways in which our corporate governance practices differ from those followed by U.S. companies under NYSE listing standards.

Pursuant to Section 303A.11 of the NYSE Corporate Governance Standards, we are required to disclose any significant ways in which our corporate governance practices differ from those required to be followed by domestic companies under NYSE listing standards. A brief description disclosing the significant ways in which our corporate governance practices differ from those followed by U.S. companies under the NYSE listing standards is set forth below:

**NYSE Corporate Governance Rules for Domestic Issuers**

**Director Independence.** Majority of board of directors must be independent.” Controlled companies,” which would include our company if it were a U.S. issuer, are exempt from this requirement.

A director is not independent if such director is:

- (i) a person who the board determines has a material direct or indirect relationship with the company, its parent or a consolidated subsidiary;
- (ii) an employee, or an immediate family member of an executive officer, of the company, its parent or a consolidated subsidiary, other than employment as interim chairman or CEO;
- (iii) a person who receives, or whose immediate family member receives, more than \$100,000 per year in direct compensation from the company, its parent or a consolidated subsidiary, other than director and committee fees or deferred compensation for prior services only (and other than compensation for service as interim chairman or CEO or received by an immediate family member for service as a non-executive employee);
- (iv) a person who is affiliated with or employed, or whose immediate family member is affiliated with or employed in a professional capacity, by a present or former internal or external auditor of the company, its parent or a consolidated subsidiary;
- (v) an executive officer, or an immediate family member of an executive officer, of another company whose compensation committee’s membership includes an executive officer of the listed company, its parent or a consolidated subsidiary; or
- (vi) an executive officer or employee of a company, or an immediate family member of an executive officer of a company, that makes payments to, or receives payments from, the listed company, its parent or a consolidated subsidiary for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company’s consolidated gross revenues (charities are not included, but any such payments must be disclosed in the company’s proxy (or, if no proxy is prepared, its Form 10-K / Annual Report)).

**Our Corporate Governance Practices**

Pursuant to the Mexican Securities Market Law and our bylaws, our stockholders are required to appoint a board of directors of between five and 21 members, 25% of whom must be independent. Our board of directors is not required to make a determination as to the independence of our directors.

Under Article 26 of the Mexican Securities Market Law, a director is not independent if such director is:

- (i) an employee or officer of the company (one-year cooling off period);
- (ii) a stockholder that, without being an employee or officer of the company, has influence or authority over the company’s officers;
- (iii) a consultant, or partner or employee of a consultant, to the company or its affiliates, where the income from the company represents 10% or more of the overall income of such consultant;
- (iv) an important client, supplier, debtor or creditor (or a partner, director or employee thereof). A client and supplier is considered important where its sales to or purchases from the company represent more than 10% of the client’s or supplier’s total sales or purchases. A debtor or creditor is considered important whenever its sales to or purchases from to the company represent more than 15% of the debtor’s or creditor’s total sales or purchases;
- (v) an employee of a non-profit entity that receives contributions from the company that represent more than 15% of the total contributions received;
- (vi) a CEO or other high ranking officer of another company in which the issuer’s CEO or other high ranking officer is a member of the board of directors; or

**NYSE Corporate Governance Rules for Domestic Issuers**

(vii) "Immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law and anyone (other than domestic employees) who shares the person's home. Individuals who are no longer immediate family members due to legal separation, divorce or death (or incapacity) are excluded. §303A.02(b)

**Executive Sessions.** Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03

**Audit committee.** Audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the more stringent requirements under the NYSE standards is required. §§303A.06, 303A.07

**Nominating/corporate governance committee.** Nominating/corporate governance committee of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. "Controlled companies," which would include our company if it were a U.S. issuer, are exempt from these requirements. §303A.04

**Compensation committee.** Compensation committee of independent directors is required, which must approve executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. "Controlled companies," which would include our company if it were a U.S. issuer, are exempt from this requirement. §303A.05

**Our Corporate Governance Practices**

(vii) a "family member" related to any of the persons mentioned above in (i) through (vi). "Family member" includes a person's spouse, concubine or other relative of up to three degrees of consanguinity and affinity, in the case of (i) and (ii) above, and a spouse, concubine or other relative of up to one degree of consanguinity or affinity in the case of (iii) through (vi) above.

There is no similar requirement under our bylaws or applicable Mexican law.

The members of our audit committee are independent as independence is defined by Rule 10A-3.

Our audit committee complies with the requirements of the Mexican Securities Market Law and has the following attributes:

- We have a three-member audit committee, which is composed of one proprietary director and two proprietary independent directors.
- The president of the audit committee and one additional member are independent. Under the Mexican Securities Market Law, the president and the majority of the members of the audit committee must be independent.
- Our audit committee operates pursuant to a written charter adopted by our board of directors. See Item 6 for a detailed description of the duties of our audit committee.
- Pursuant to our bylaws and Mexican law, our audit committee submits an annual report regarding its activities to our board of directors.

We are not required to have a nominating/corporate governance committee, and it is not expressly recommended by the Mexican Code of Best Corporate Practices.

We are not required to have a compensation committee. As recommended by the Mexican Code of Best Corporate Practices, we have an evaluation mechanism for assisting the board of directors in approving executive officer compensation.

**NYSE Corporate Governance Rules for Domestic Issuers**

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**Equity compensation plans.** Equity compensation plans require stockholder approval, subject to limited exemptions. §303A.08

**Code of Ethics.** Corporate governance guidelines and a code of business conduct and ethics is required, with disclosure of any waiver for directors or executive officers. §303A.10

**ITEM 16.H. Mine Safety Disclosure**

Not applicable.

**ITEM 16.I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

**Our Corporate Governance Practices**

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Stockholder approval is not expressly required under Mexican law or our bylaws for the adoption and amendment of an equity-compensation plan. However, regulations of the Mexican Banking and Securities Commission require stockholder approval under certain circumstances. We currently do not have any equity-compensation plans in place.

We have adopted a code of ethics, which has been accepted by to our chief executive officer, chief financial officer, controller and persons performing similar functions, as well as to other officers and employees. We are required by Item 16B of Form 20-F to disclose any waivers granted to our chief executive officer, chief financial officer, principal accounting officer and persons performing similar functions. We have no such waivers in place.

**PART III**

**ITEM 17. Financial Statements**

Not applicable.

**ITEM 18. Financial Statements**

See the Audited Consolidated Financial Statements including Notes, included in this Annual Report.

**ITEM 19. Exhibits**

Index of Exhibits

Documents filed as exhibits to this Annual Report:

<b>Exhibit No.</b>	<b>Description</b>
1.1	<a href="#">An English translation of the Bylaws (<i>estatutos sociales</i>) of Industrias Bachoco, S.A. de C.V. dated June 29, 2007 (incorporated by reference to Exhibit 1.1 on Form 20-F filed with the U.S. Securities and Exchange Commission on June 29, 2007 (File No. 333-07950)).</a>
2.1	<a href="#">Form of Amended and Restated Deposit Agreement, among Industrias Bachoco, S.A. de C.V., the Depositary and each Owner and Beneficial Owner from time to time of American Depositary Receipts issued thereunder, including the form of American Depositary Receipt (incorporated by reference to Exhibit 1.1 on Form F-6 filed with the U.S. Securities and Exchange Commission on August 18, 2006 (File No. 333-07480)).</a>
2.2	Trust Agreement, dated April 1, 1995, among Banco Internacional, S.A., Institución de Banca Multiple, Grupo Financiero Prime Internacional, as trustee, and the stockholders of the Company named therein, together with an English translation, (incorporated by reference on our registration statement on Form F-1 filed with the U.S. Securities and Exchange Commission on August 22, 1997 (File No. 333-7472)).
2.3	Trust Agreement, dated August 20, 1997, among Banco Internacional, S.A., Institución de Banca Multiple, Grupo Financiero Bital, as trustee, and the stockholders of the Company named therein, together with an English translation, (incorporated by reference on our registration statement on Form F-1 filed with the U.S. Securities and Exchange Commission on August 22, 1997 (File No. 333-7472)).
8.1*	<a href="#">Subsidiaries of Industrias Bachoco S.A. de C.V.</a>
12.1*	<a href="#">Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
12.2*	<a href="#">Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
13.1*	<a href="#">Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101*	INS XBRL Instance Document
101*	SCH XBRL Taxonomy Extension Schema Document
101*	DEF XBRL Taxonomy Extension Definition Linkbase Document
101*	CAL XBRL Taxonomy Extension Calculation Linkbase Document
101*	LAB XBRL Taxonomy Extension Labels Linkbase Document
101*	PRE XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

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**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

INDUSTRIAS BACHOCO, S.A.B de C.V.

By: /s/ Daniel Salazar Ferrer

Daniel Salazar Ferrer  
Chief Financial Officer

Date: April 29, 2022

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INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Financial Statements

Years ended December 31, 2021, 2020 and 2019

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**Report of Independent Registered Public Accounting Firm to the Stockholders and the Board of Directors of Industrias Bachoco, S.A.B. de C.V.**

***Opinion on the Financial Statements***

We have audited the accompanying consolidated statements of financial position of Industrias Bachoco, S.A.B. de C.V. and subsidiaries (the “Company”) as of December 31, 2021, 2020 and 2019, the related consolidated statements of profit and loss and other comprehensive income, changes in stockholders' equity, and cash flows, for each of the three years in the period ended, December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021, 2020 and 2019, and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 29, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

***Critical Audit Matter***

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Valuation of goodwill of the Ok Foods - Albertville Quality Foods Inc. cash generating unit-Refer to Notes 3. e), j) and 15 to the financial statements*

***Critical Audit Matter Description***

As of December 31, 2021, the carrying amount of the Entity’s goodwill was \$1,688,607, of which \$1,204,889 was allocated to the Ok Foods - Albertville Quality Foods, Inc. cash generating unit (“AQF CGU”).

The recoverable amount of the AQF CGU was determined based on its value in use, which used projections of estimated cash flows. The significant assumptions used in projecting estimated cash flows was the revenue growth rate and the annual discount rate. A change in the revenue growth rate or annual discount rate could have a significant impact on the recoverable amount of the AQF CGU. The recoverable amount of the AQF CGU exceeded its carrying value, and therefore, no impairment was recognized for the year ended December 31, 2021.

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We identified the valuation of the AQF CGU goodwill as a critical audit matter due to the significant judgment made by management relating to the revenue growth rate and annual discount rate used in projecting estimated cash flows. This included considering the effects that remain from the coronavirus pandemic (COVID-19), the inflation and the slowdown in economic growth, which caused contractions of the demand in the US market. This required a high degree of auditor judgment and increased effort, including involvement of our valuation specialists, in performing audit procedures to evaluate the reasonableness of the methodology used, the revenue growth rate and annual discount rate.

***How the Critical Audit Matter Was Addressed in the Audit***

Our audit procedures related to the revenue growth rate and annual discount rate used to project estimated cash flows in determining the recoverable amount of the AQF CGU included the following, among others:

- We obtained an understanding and evaluated the Entity's methodology for determining the recoverable amount of the AQF CGU, including the process for developing revenue growth rate and the annual discount rate.
- We tested the effectiveness of controls over Management's evaluation of revenue growth rates and annual discount rate used in the projected estimated cash flows.
- We compared the sales of the current year with sales from the previous year, and also compared actual results obtained in previous years with the results historically budgeted.
- We evaluated the reasonableness of the revenue growth rate and annual discount rate assumptions by comparing it to (i) historical information; and (ii) information obtained from external sources (expectation of analysts and industry reports).
- With the assistance of our valuation specialists, we evaluated the reasonableness of (1) the valuation methodology and the current market data used by Management to determine the revenue growth rate and annual discount rate, and (2) developed an independent range of the recoverable amount of the AQF CGU.
- We evaluated whether the projected estimated cash flows were consistent with evidence obtained in other areas of the audit.
- We evaluated the sensitivity analysis prepared by the Company considering a decrease in the revenue growth rate and discount rate.

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

/s/ L.C.C. Alberto Del Castillo Velasco Vilchis  
L.C.C. Alberto Del Castillo Velasco Vilchis

Mexico City, Mexico  
April 29, 2022  
We have served as the Company's auditor since 2013.

**INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES**  
 Consolidated Statements of Financial Position  
 December 31, 2021, 2020 and 2019  
 (Thousands of pesos)

Assets	Note	2021	2020	2019
<b>Current assets:</b>				
Cash and cash equivalents	7	\$ 19,136,443	17,286,374	18,662,765
Investment in securities at fair value through profit or loss	8	10,841	1,018,322	186,284
Investment in securities at fair value through other comprehensive income	8	1,559,823	937,715	315,761
Derivative financial instruments	8	69,862	—	18,098
Accounts receivable, net	9	5,108,167	4,366,019	3,867,110
Due from related parties	20	291	686	13,674
Inventories	10	6,375,990	5,688,338	4,710,207
Current biological assets	11	2,769,612	2,012,668	2,043,237
Prepaid expenses and other current assets	12	2,757,123	1,221,255	1,227,196
Assets held for sale	13	57,436	54,630	52,916
<b>Total current assets</b>		<b>37,845,588</b>	<b>32,586,007</b>	<b>31,097,248</b>
<b>Non-current assets:</b>				
Property, plant and equipment, net	14	21,763,402	19,733,822	18,556,646
Right-of-use assets	24	680,210	678,845	822,732
Non-current biological assets	11	2,358,137	1,991,530	1,818,911
Deferred income tax	21	213,739	261,934	245,272
Goodwill	15	1,688,607	1,650,716	1,578,994
Intangible assets	16	704,374	753,224	772,640
Other non-current assets	17	734,704	818,922	810,048
<b>Total non-currents assets</b>		<b>28,143,173</b>	<b>25,888,993</b>	<b>24,605,243</b>
<b>Total assets</b>		<b>\$ 65,988,761</b>	<b>58,475,000</b>	<b>55,702,491</b>
Liabilities and equity	Note	2021	2020	2019
<b>Current liabilities:</b>				
Short-term debt	18	\$ 500,081	848,061	3,440,399
Current portion of long-term debt	18	1,493,830	209,499	—
Derivative financial instruments	8	—	194,181	—
Trade payable and other accounts payable	19	10,015,256	5,753,137	5,158,827
Lease liabilities	24	279,809	278,981	149,538
Income tax payable	21	360,898	815,082	82,665
Due to related parties	20	185,429	80,842	76,704
<b>Total current liabilities</b>		<b>12,835,303</b>	<b>8,179,783</b>	<b>8,908,133</b>
<b>Long term liabilities:</b>				
Long-term debt, excluding current installments	18	—	1,460,405	1,488,208
Lease liabilities	24	371,671	440,730	653,512
Deferred income tax	21	3,841,475	3,874,980	3,904,493
Employee benefits	22	656,252	592,294	487,810
<b>Total long term liabilities</b>		<b>4,869,398</b>	<b>6,368,409</b>	<b>6,534,023</b>
<b>Total liabilities</b>		<b>17,704,701</b>	<b>14,548,192</b>	<b>15,442,156</b>
<b>Equity:</b>				
Capital stock	25	1,174,432	1,174,432	1,174,432
Share premium		414,070	413,423	414,516
Reserve for repurchase of shares		1,199,423	1,266,469	1,308,367
Retained earnings		43,839,229	39,607,821	36,424,411
Effects of derivatives classified as hedging instruments		(49,751)	(267,352)	(19,771)
Foreign currency translation reserve		1,501,440	1,391,534	1,073,925
Actuarial remeasurements, net	22, 25	(272,527)	(268,692)	(195,905)
<b>Equity attributable to controlling interest</b>		<b>47,806,316</b>	<b>43,317,635</b>	<b>40,179,975</b>
<b>Non-controlling interest</b>		<b>477,744</b>	<b>609,173</b>	<b>80,360</b>
<b>Total equity</b>		<b>48,284,060</b>	<b>43,926,808</b>	<b>40,260,335</b>
Commitments	27			
Contingencies	28			
Subsequent events	31			
<b>Total liabilities and equity</b>		<b>\$ 65,988,761</b>	<b>58,475,000</b>	<b>55,702,491</b>

See accompanying notes to consolidated financial statements.

**INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES**  
 Consolidated Statements of Profit and Loss and Other Comprehensive Income  
 Years ended December 31, 2021, 2020 and 2019  
 (Thousands of pesos, except share and per share amount)

	Note	2021	2020	2019
Net revenues		\$ 81,699,068	68,792,002	61,655,245
Cost of sales	23	(68,356,654)	(57,707,566)	(51,557,351)
<b>Gross profit</b>		<b>13,342,414</b>	<b>11,084,436</b>	<b>10,097,894</b>
General, selling and administrative expenses	23	(7,127,780)	(6,420,397)	(6,116,620)
Other expenses, net	30	(322,779)	(362,527)	(4,734)
<b>Operating income</b>		<b>5,891,855</b>	<b>4,301,512</b>	<b>3,976,540</b>
Finance income	29	1,117,406	1,173,520	991,632
Finance costs	29	(267,523)	(291,329)	(610,368)
<b>Net finance income</b>		<b>849,883</b>	<b>882,191</b>	<b>381,264</b>
<b>Profit before income taxes</b>		<b>6,741,738</b>	<b>5,183,703</b>	<b>4,357,804</b>
Income taxes	21	1,807,638	1,211,611	1,124,978
<b>Profit for the year</b>		<b>\$ 4,934,100</b>	<b>3,972,092</b>	<b>3,232,826</b>
<b>Other comprehensive income (loss) items:</b>				
Items that may be reclassified subsequently to profit or loss:				
Currency translation effect		\$ 109,906	317,609	(199,746)
Net effects of derivatives classified as hedging instruments		217,601	(247,581)	(19,464)
Items that will not be reclassified subsequently to profit or loss:				
Actuarial remeasurements	22	(5,478)	(103,982)	(107,897)
Income taxes related to actuarial remeasurements		1,643	31,195	32,370
Other comprehensive income		323,672	(2,759)	(294,737)
<b>Comprehensive income for the year</b>		<b>\$ 5,257,772</b>	<b>3,969,333</b>	<b>2,938,089</b>
Profit attributable to:				
Controlling interest	26	\$ 5,065,554	3,935,672	3,219,931
Non-controlling interest		(131,454)	36,420	12,895
<b>Profit for the year</b>		<b>\$ 4,934,100</b>	<b>3,972,092</b>	<b>3,232,826</b>
Comprehensive income attributable to:				
Controlling interest		\$ 5,389,226	3,932,913	2,925,194
Non-controlling interest		(131,454)	36,420	12,895
<b>Comprehensive income for the year</b>		<b>\$ 5,257,772</b>	<b>3,969,333</b>	<b>2,938,089</b>
Weighted average outstanding shares	26	599,730,270	599,818,022	599,971,832
Basic and diluted earnings per share	26	\$ 8.45	6.56	5.37

See accompanying notes to consolidated financial statements.

**INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES**  
 Consolidated Statements of Changes in Stockholders' Equity  
 Years ended December 31, 2021, 2020 and 2019  
 (Thousands of pesos)

	Note	Attributable to controlling interest							Total	Non-controlling interest	Total equity
		Capital stock		Retained earnings		Accumulated other comprehensive income					
		Capital stock	Share premium	Reserve for repurchase of shares	Retained earnings	Effects of derivatives classified as hedging instruments	Foreign currency translation reserve	Actuarial remeasurements net			
<b>Balance at January 1, 2019</b>		\$ 1,174,432	414,470	562,047	34,792,320	(307)	1,273,671	(120,378)	38,096,255	69,450	38,165,705
Dividends paid	25	—	—	—	(840,000)	—	—	—	(840,000)	—	(840,000)
Dividends paid to non-controlling interest		—	—	—	—	—	—	—	—	(1,985)	(1,985)
Reserve for repurchase of shares		—	—	747,840	(747,840)	—	—	—	—	—	—
Repurchase and sale of shares	25	—	46	(1,520)	—	—	—	—	(1,474)	—	(1,474)
Comprehensive income for the year:											
Profit for the year		—	—	—	3,219,931	—	—	—	3,219,931	12,895	3,232,826
Other comprehensive income		—	—	—	—	(19,464)	(199,746)	(75,527)	(294,737)	—	(294,737)
<b>Total comprehensive income for the year</b>		—	—	—	3,219,931	(19,464)	(199,746)	(75,527)	2,925,194	12,895	2,938,089
<b>Balance at December 31, 2019</b>		1,174,432	414,516	1,308,367	36,424,411	(19,771)	1,073,925	(195,905)	40,179,975	80,360	40,260,335
Dividends paid	25	—	—	—	(791,744)	—	—	—	(791,744)	—	(791,744)
Dividends paid to non-controlling interest		—	—	—	—	—	—	—	—	(1,879)	(1,879)
Reserve for repurchase of shares		—	—	(39,482)	39,482	—	—	—	—	—	—
Repurchase and sale of shares	25	—	(1,093)	(2,416)	—	—	—	—	(3,509)	—	(3,509)
Increase in non-controlling interest in acquired business	4	—	—	—	—	—	—	—	—	494,272	494,272
Comprehensive income for the year:											
Profit for the year		—	—	—	3,935,672	—	—	—	3,935,672	36,420	3,972,092
Other comprehensive income		—	—	—	—	(247,581)	317,609	(72,787)	(2,759)	—	(2,759)
<b>Total comprehensive income for the year</b>		—	—	—	3,935,672	(247,581)	317,609	(72,787)	3,932,913	36,420	3,969,333
<b>Balance at December 31, 2020</b>		1,174,432	413,423	1,266,469	39,607,821	(267,352)	1,391,534	(268,692)	43,317,635	609,173	43,926,808
Dividends paid	25	—	—	—	(851,619)	—	—	—	(851,619)	—	(851,619)
Dividends paid to non-controlling interest		—	—	—	—	—	—	—	—	(2,023)	(2,023)
Reserve for repurchase of shares		—	—	(34,068)	34,068	—	—	—	—	—	—
Repurchase and sale of shares	25	—	647	(32,978)	—	—	—	—	(32,331)	—	(32,331)
Other capital movements	5	—	—	—	(16,595)	—	—	—	(16,595)	—	(16,595)
Increase in non-controlling interest in acquired business	5	—	—	—	—	—	—	—	—	2,048	2,048
Comprehensive income for the year:											
Profit for the year		—	—	—	5,065,554	—	—	—	5,065,554	(131,454)	4,934,100
Other comprehensive income		—	—	—	—	217,601	109,906	(3,835)	323,672	—	323,672
<b>Total comprehensive income for the year</b>		—	—	—	5,065,554	217,601	109,906	(3,835)	5,389,226	(131,454)	5,257,772
<b>Balance at December 31, 2021</b>		\$ 1,174,432	414,070	1,199,423	43,839,229	(49,751)	1,501,440	(272,527)	47,806,316	477,744	48,284,060

See accompanying notes to consolidated financial statements.

**INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended December 31, 2021, 2020 and 2019

(Thousands of pesos)

	Note	2021	2020	2019
<b>Cash flows from operating activities:</b>				
Profit for the year		\$ 4,934,100	3,972,092	3,232,826
Adjustments for:				
Deferred income tax recognized in profit or loss	21	17,017	(109,443)	60,677
Current income tax recognized in profit or loss	21	1,790,621	1,321,054	1,064,301
Bargain purchase gain of domestic business acquisition	4	—	(90,889)	—
Depreciation and amortization	14	1,463,799	1,735,146	1,286,443
Depreciation of right-of-use assets		343,367	307,757	302,804
Intangible impairment loss	16	5,459	—	73,733
Loss (gain) on disposal of property, plant and equipment		95,341	12,987	(85,937)
Interest income earned	29	(597,610)	(705,986)	(991,632)
Interest expense and financial expense	29	265,982	291,038	330,119
Unrealized foreign exchange loss (gain) on loans		34,146	320,880	(139,830)
<b>Subtotal</b>		<b>8,352,222</b>	<b>7,054,636</b>	<b>5,133,504</b>
Derivative financial instruments		(46,442)	212,279	(11,528)
Accounts receivable, net		(811,965)	(335,742)	(306,588)
Due from related parties		395	12,988	(13,575)
Inventories		(685,817)	(850,655)	(133,572)
Current and non-current biological assets		(1,125,369)	(145,670)	(66,582)
Prepaid expenses and other current assets		(1,536,093)	32,866	(95,201)
Assets held for sale		(2,806)	(1,714)	(3,848)
Trade payable and other accounts payable		4,265,240	320,821	(38,542)
Due to related parties		104,587	4,138	(70,810)
Income taxes paid		(2,161,321)	(590,836)	(1,302,902)
Employee benefits		60,123	104,484	184,992
<b>Net cash provided by operating activities</b>		<b>6,412,754</b>	<b>5,817,595</b>	<b>3,275,348</b>
<b>Cash flows from investing activities:</b>				
Payments for acquisition of property, plant and equipment		(3,479,493)	(2,346,415)	(2,199,600)
Proceeds from sale of property, plant and equipment		29,772	23,802	197,059
Investment in securities at fair value through profit or loss		1,007,481	(832,038)	363,784
Investment in securities at fair value through other comprehensive income		(622,108)	(621,954)	(315,761)
Other assets		84,080	(26,569)	24,244
Interest collected		597,610	705,986	991,632
<b>Net cash used in investing activities</b>		<b>(2,382,658)</b>	<b>(3,097,188)</b>	<b>(938,642)</b>
<b>Cash flows from financing activities:</b>				
Payment for repurchase of shares	25	(46,392)	(15,594)	(10,729)
Proceeds from issuance of repurchased shares	25	14,061	12,085	9,255
Dividends paid	25	(851,619)	(791,744)	(840,000)
Dividends paid to non-controlling interest		(2,023)	(1,879)	(1,985)
Proceeds from borrowings	18	1,709,080	4,030,700	4,839,000
Principal payment on loans	18	(2,267,280)	(6,762,222)	(4,808,163)
Interest paid on lease	24	—	(53,639)	(37,797)
Interest paid	29	(234,134)	(237,399)	(292,322)
Payment of lease liability	24	(358,987)	(386,710)	(325,207)
<b>Net cash used in by financing activities</b>		<b>(2,037,294)</b>	<b>(4,206,402)</b>	<b>(1,467,948)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,992,802</b>	<b>(1,485,995)</b>	<b>868,758</b>
Cash and cash equivalents at January 1		17,286,374	18,662,765	17,901,845
Effect of exchange rate fluctuations on cash and cash equivalents		(142,733)	109,604	(107,838)
<b>Cash and cash equivalents at December 31</b>		<b>\$ 19,136,443</b>	<b>17,286,374</b>	<b>18,662,765</b>

See accompanying notes to consolidated financial statements.

**INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

Years ended December 31, 2021, 2020 and 2019

(Thousands of Mexican pesos, except amounts per share)

**(1) Reporting entity**

Industrias Bachoco, S.A.B. de C.V. and subsidiaries (hereinafter, “Bachoco” or the “Company”) is a publicly traded company and was incorporated on April 17, 1980, as a legal entity. The Company’s registered address is Avenida Tecnológico 401, Ciudad Industrial, Celaya, Guanajuato, Mexico.

The Company is engaged in breeding, processing and marketing poultry (chicken and eggs), swine and other products (primarily balanced animal feed). Bachoco is a holding company that has control over a group of subsidiaries (see note 5).

The shares of the Company are listed on the Mexican Stock Exchange (BMV for its Spanish acronym) under the ticker symbol “Bachoco,” and in the New York Stock Exchange (“NYSE”), under the ticker symbol “IBA” (see note 31 b).

**(2) Basis of preparation**

**a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board (“IASB”).

On April 25, 2022, the accompanying consolidated financial statements and related notes were authorized for issuance by the Company’s Chief Financial Officer, Mr. Daniel Salazar Ferrer, for review and approval by the Audit Committee, Board of Directors and stockholders. In accordance with Mexican General Corporate Law and the Company’s bylaws, the stockholders are empowered to modify the consolidated financial statements after their issuance should they deem it necessary.

**Business continuity**

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

**b) Basis of measurement**

The accompanying consolidated financial statements were prepared on the historical cost basis (historical cost is generally based on the fair value of the consideration given in exchange for goods and services), except for the following items in the consolidated statement of financial position, which are measured at fair value:

- Derivative financial instruments for trading and hedging, and investment in securities at fair value through profit or loss and investment in securities at fair value through other comprehensive income
- Biological assets

Fair value is defined as 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 Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable either directly or indirectly.

Level 3 inputs are unobservable inputs.

### **c) Functional and presentation currency**

These consolidated financial statements are presented in thousands of Mexican pesos (“pesos” or “\$”), the official currency of Mexico, which is the currency in which the Company’s accounting records are maintained and functional currency for most of its subsidiaries, except for foreign subsidiaries for which the U.S. dollar is the functional currency as well as the currency in which accounting records are maintained.

For disclosure purposes, in the notes to the consolidated financial statements, “thousands of pesos” or “\$” means thousands of Mexican pesos, and “thousands of dollars” means thousands of U.S. dollars.

When deemed relevant, certain amounts are included between parentheses as a translation into thousands of dollars, into thousands of Mexican pesos, or both, as applicable. These translations are performed for the convenience of the reader at the closing exchange rate issued by Bank of Mexico, which is \$20.51, \$19.95 and \$18.89 pesos to one U.S. dollar as of December 31, 2021, 2020 and 2019, respectively.

### **d) Use of estimates and judgments**

The preparation of the consolidated financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and significant assumptions are reviewed on an ongoing basis. Changes in estimates are recognized in the period in which they occur and in any future periods affected.

The following are the critical accounting estimates and assumptions in the application of the Company’s accounting policies, which are significant to the amounts recognized in the consolidated financial statements.

#### **Critical accounting judgments**

##### **i. Fair value of biological assets**

The Company estimates the fair value of biological assets as the price that would be received or paid in an orderly transaction between market participants at the measurement date. As part of the estimate, the Company considers the maturity periods of such assets, the necessary time span for the biological assets to reach a productive stage, as well as future economic benefits obtained.

The balance of current biological assets includes hatching eggs, growing pigs and growing poultry, while the balance of non-current biological assets includes poultry in its different production stages, and breeder pigs.

Non-current biological assets are valued at production cost less accumulated depreciation or accumulated impairment losses, as there is no observable or reliable market for such assets. Additionally, the Company believes that there is no reliable method for measuring the fair value of non-current biological assets. Current biological assets are valued at fair value when there is an observable market, less estimated selling expenses.

***ii. Business combinations or acquisition of assets***

Management uses its professional judgment to determine whether the acquisition of a group of assets constitutes a business combination or acquisition of assets in accordance with IFRS. This determination may have a significant impact in how the acquired assets and assumed liabilities are accounted for, both on initial recognition and subsequent thereto.

***iii. Aggregation of operating segments***

The Company's chicken and egg operating segments are aggregated to present one reportable segment (Poultry) as they have similar products and services, production processes, classes of customers, methods used for distribution, the nature of the regulatory environment in which they operate, and similar economic characteristics as evidenced by similar five-year trends in average gross profit margins. These factors are evaluated at least annually.

***iv. Discount rate estimation to calculate the present value of future minimum rent payments***

The Company estimates the discount rate to be used in determining the lease liability, based on the incremental borrowing rate ("IBR").

The Company uses a two-level model, with which it determines the elements that make up the discount rate: (i) reference rate, and (ii) credit risk component. In such model, Management also considers its policies and practices to obtain financing, distinguishing between borrowings obtained at the corporate level (that is, by the holding company), or at the level of each subsidiary. Finally, for real estate leases, or in which there is significant and observable evidence of their residual value, the Company estimates and evaluates an adjustment for the characteristics of the underlying asset, taking into account the possibility that such asset may be granted as collateral or guarantee against the risk of default.

***v. Estimate of the term of the lease contracts***

The Company defines the term of the leases as the period for which there is a contractual payment commitment, considering the non-cancellable period of the contract, as well as the renewal and early termination options that are reasonably certain to be exercised. The Company participates in lease agreements that do not have a defined mandatory term, a defined renewal period (if it contains a renewal clause), or annual automatic renewals. Accordingly, to measure the lease liability, the Company estimates the term of the contracts considering their contractual rights and limitations, the business plan, as well as Management's intentions for the use of the underlying asset.

Additionally, the Company considers the early termination clauses of its contracts and the probability of exercising them, as part of its estimation of the lease term.

***Key sources of estimation uncertainty on the application of accounting policies***

***i. Assessments to determine the recoverability of deferred tax assets***

On an annual basis the Company prepares financial projections to determine if it will generate sufficient taxable income to utilize its deferred tax assets associated with deductible temporary differences, including tax losses and other tax credits.

***ii. Useful lives and residual values of property, plant and equipment***

Useful lives and residual values of intangible assets and property, plant and equipment are used to determine amortization and depreciation expense of such assets and are determined with the assistance of internal and external specialists, as deemed necessary.

Useful lives and residual values are reviewed periodically at least once a year, based on the current conditions of the assets and the estimate of the period during which they will continue to generate economic benefits to the Company. If there are changes in the related estimate, measurement of the net carrying amount of assets and the corresponding depreciation expense are affected prospectively.

***iii. Measurements and disclosures at fair value***

Fair value is a measurement based on the price a market participant would be willing to receive to sell an asset or pay to transfer a liability, and is not a measure specific to the Company. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information may not be available. However, the purpose of a measurement at fair value in both cases is to estimate the price at which an orderly transaction to sell the asset or to transfer the liabilities would be carried out among the market participants at the date of measurement under current market conditions.

When the price of an identical asset or liability is not observable, the Company determines the fair value using another valuation technique which maximizes the use of relevant observable information and minimizes the use of unobservable information. As the fair value is a measurement based on the market, it is measured using the assumptions that market participants would use when they assign a price to an asset or liability, including assumptions about risk.

***iv. Impairment of long-lived assets and goodwill***

The carrying amount of long-lived assets is reviewed for impairment when situations or changes in circumstances indicate that it is not recoverable, except for goodwill which is reviewed on an annual basis. If there are indicators of impairment, a review is carried out to determine whether the carrying amount exceeds its recoverable value and whether it is impaired. The recoverable value is the highest of the asset's fair value, less selling costs, and its value in use which is the present value of the future estimated cash flows generated by the asset. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the asset and/or from the cash-generating unit and an appropriate discount rate in order to calculate present value.

***v. Employee retirement benefits***

The Company uses assumptions to determine the best estimate for its employee retirement benefits. Assumptions and estimates are established in conjunction with independent actuaries. These assumptions include: demographic hypotheses, discount rates and expected increases in remunerations and future employee service periods, among others. Although the assumptions are deemed appropriate, a change in such assumptions could affect the value of the employee benefit liability and the results of the period in which it occurs.

***vi. Expected credit losses on accounts receivable***

The expected credit losses on financial assets are estimated using a provision matrix based on the Company's historical experience of credit losses, adjusted for factors that are specific to each of the Company's customer and debtor groups, general economic conditions and Management's assessment both current and forecast conditions as of the reporting date, including the value of money when applicable.

***vii. Contingencies***

A contingent liability is defined as:

- A possible obligation that arises from past events and whose existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or
- A present obligation that arises from past events but is not recognized because:
  - a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - b. the amount of the obligation cannot be measured with sufficient reliability.

The assessment of such contingencies requires the exercise of significant judgments and estimates on the possible outcome of those future events. The Company assesses the probability of loss arising from lawsuits and other contingencies with the assistance of its legal advisors. These estimates are reconsidered periodically at each reporting period.

**viii. *Uncertainties***

Pandemics or disease outbreaks, such as the novel coronavirus (“COVID-19”), may alter consumption and trade patterns, supply chains, and production processes, which could affect the Company’s business and results of operations.

**e) COVID**

In March 2020, the World Health Organization declared the COVID-19 a Global pandemic. As a result, measures established by the federal, state and local authorities in Mexico and the United, that required the forced closure of certain activities considered non-essential (businesses, non-essential government agencies, educational sector, among others) which negatively affected the operations of some of the Company's customers.

Currently globally we continue to experience the impacts of the COVID-19 pandemic, the variants and their peak waves of contagion challenged us. During 2021, the start of the global vaccination campaign and the knowledge generated to manage the disease painted an encouraging picture with a view to reactivating economic and social activities and, in general, life as it was known before its arrival. Authorities in Mexico and the United States continued to impose restrictive measures on mobility and economic reopening, although greater flexibility was undoubtedly observed as a result of progress in vaccination. This led to greater economic activity even in non-essential sectors.

During 2021 and 2020, Management performed an analysis to measure the financial impact on the Company derived from the possible effects of COVID 19, which included the following:

- Review of potential impairment of non-financial assets (including goodwill, right-of-use assets and property, plant and equipment) - Based on medium and long-term projections, a possible impairment in goodwill has not been identified in long-lived assets, except for intangible assets where an impairment of \$5,459 was recognized in the United States subsidiary.
- Inventory valuation - The Company has not had an impairment in the price of chicken and eggs. The Company qualified as an essential activity for which it has kept operations working normally, reinforcing sanitary measures in all work centers, in this way it has fulfilled its commitments to its customers. During 2020, the Hotel sector was the most affected in sales volume, for which the Company directed the volume to other channels such as self-services, rotisserie chains , public market and live chicken. During 2021, the Hotel sector improved, but without reaching pre-pandemic levels.
- In the acquisition of raw materials, even when there was volatility in the dollar exchange rate, the prices of the main raw materials such as corn and soybean paste were not affected in terms of cost and supply due to the pandemic, in some other raw materials were delayed in shipments mainly due to logistical problems of ships in the ports of China, but without significantly affecting the Company's productive activities.
- Provision for expected losses - The estimate for expected credit losses was reviewed and based on this analysis, Management considered that the allowance for doubtful accounts is sufficient to support an increase in credit risk for certain clients. During certain months of the year 2021 and 2020, the level of the accounts receivable portfolio increased based on agreed terms and continues to be recovered considering the payment plans.
- Measurement at fair value - investments recognized at fair value consider all relevant market factors for their proper valuation.
- Breaches of agreements – The Company has fulfilled its commitments to suppliers and customers due to the fact that, as an essential sector, it has maintained its operations working normally, complying with the health protocols established by the competent authorities and due to its solid financial position.
- Going concern - The Company qualified as an essential activity in the markets it operates in and continues to operate normally with full operations in its farms, plants, distribution centers, logistics, supply chain and offices, despite partially working remotely in some of its corporate locations. Management has also implemented strict additional measures to guarantee the well-being of clients, suppliers and workers, as well as the quality and safety of its products, working in coordination with the health authorities and attending to all the recommendations issued by them.
- Labor relations have not been affected and no changes were made to contractual agreements with employees as the Company continues to operate normally.
- Liquidity risk management - The Company has sufficient liquidity to continue assuming its current and long-term commitments.
- Insurance recoveries related to business interruptions - The Company has insurance policies to cover business continuity, however, it is not expected that they will be used because it will continue to operate normally as it is considered to be an essential activity.
- Income tax considerations - So far, no adverse tax impact is anticipated as a result of the pandemic.

As the products that the Company manufactures and its industry is considered essential, there were no significant adverse effects on its consolidated position and financial performance resulting from COVID-19.

As the date of issuance of the consolidated financial statements, the Company does not consider that it should substantially modify its budgets and / or financial projections or recognize significant losses in the valuation of its monetary and non-monetary assets. However, there is no guarantee that in the future the financial situation could be affected if the negative effects of the disruption to the national and global economy are significantly altered.

**f) Labor Reform in Mexico**

On April 23, 2021, various labor and tax provisions regarding labor subcontracting were published, which implied the elimination of the group's service providers, except in specific cases. Due to the foregoing, the Company in July 2021 carried out the employer substitution for the transfer of personnel from its service providers to its operating companies in which the employees directly participate, all these subsidiaries of Industrias Bachoco S.A.B. of C.V.

Due to the above in July the merger of these service providers with Bachoco S.A. de C.V. was carried out. As a result of the merger, there were no significant tax effects or significant effects on the labor liabilities of the pension plan.

**g) Issuance of new IFRS**

***1. New and amended IFRS that affect reported balances and/or disclosures in consolidated financial statements***

In the current year, the Company adopted a series of new and amended IFRS issued by the IASB which went into effect on January 1, 2021, as it relates to its consolidated financial statements.

***Phase 2 of the interest rate benchmark reform (IBOR- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)***

Interbank rates benchmark such as LIBOR, EURIBOR, and TIBOR, which represent the cost of obtaining unsecured funds, have been questioned about their viability as long-term funding benchmarks. The changes in the reform of the interest rates benchmark in its phase 2, refer to the modifications of financial assets, financial liabilities and lease liabilities, requirements for hedge accounting and disclosure of financial instruments. These improvements are effective as of January 1, 2021 with retrospective application, without it required to redo the comparative periods.

With respect to modifying financial assets, financial liabilities and lease liabilities, the IASB introduced a practical expedient that involves updating the effective interest rate.

On the other hand, with regard to hedge accounting, the hedge relationships and documentation must reflect the modifications to the hedged item, the hedging instrument and the risk to be hedged. Hedging relationships must meet all criteria for applying hedge accounting, including effectiveness requirements.

Finally, with respect to disclosures, entities must disclose how they are managing the transition to alternative benchmark rates and the risks that may arise from the transition; in addition, they must include quantitative information on financial assets and non-derivative financial liabilities, as well as non-derivative financial instruments, that continue under the reference rates subject to the reform and the changes that have arisen to the risk management strategy.

Its adoption had not material impact on the disclosures or the amounts reported in these consolidated financial statements.

***Initial impact of concessions applied to Income under IFRS 16 due to issues related to COVID-19 after June 30, 2021, amendment to IFRS 16***

In March 2021, the IASB issued COVID-19 Related Rent Concessions beyond June 30, 2021 (amendment to IFRS 16). When the IASB published the amendments to IFRS 16 in May 2020, the lessor was allowed to apply the practical expedient of the rental concessions for any reduction in the payment of leases affecting the original payments before or as of June 30, 2021. Due to the nature of the COVID-19 pandemic, the amendment extended a practical expedient to apply those original payments before or on June 30, 2022.

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The practical expedient allows a tenant to decide not to assess whether a COVID-19 related rent is a lease modification. A lessee who makes this election should account for any change in rent payments resulting from the granting of rents related to COVID-19 applying IFRS 16 as if the change were not a modification to the lease.

The practical file applies only to rental concessions that occur as a direct consequence related to COVID-19 and only if the following conditions are met:

- The change in lease payments results in consideration that is substantially the same as, or less than, the lease consideration immediately prior to the change.
- Any reduction in lease payments only affects payments due on or before June 30, 2022 (a rental concession meets this condition if it results in a reduction in payments before June 30, 2022 increases lease payments that extend beyond June 30, 2022); and
- There is no substantive change in any other clause or condition of the lease.

The Company has not had any material impact for these amendments to IFRS 16 because it did not have any applicable rental concessions.

### **ii. New IFRS issued but not yet effective**

As of the date of these consolidated financial statements, the Company has not applied the following new and revised IFRS that have been issued but are not yet effective.

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to IAS 1	Classification of liabilities as current or non-current.
Amendments to IFRS 3	Definition of a business
Amendments to IAS 16	Property, Plant and Equipment - before being used
Amendments to IAS 37	Onerous contracts - costs of fulfilling a contract
Annual improvements to IFRS 2018-2020 cycle	Amendments to IFRS 1 First adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture
Amendments to IAS 1 and the IFRS practice statements 2	Disclosure of accounting policies
Amendments to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred taxes related to assets and liabilities arising from a single transaction.

### **IFRS 17 Insurance Contracts**

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance contracts.

IFRS 17 describes a general model, which is modified for insurance contracts with direct participation features, which is described as the variable rate approach. The general model is simplified if certain criteria are met when measuring the liability for remaining coverage using the premium allocation method.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty, taking into account market interest rates and the impact of options and guarantees of the insured.

In June 2020, the IASB issued the amendments to IFRS 17 to address the concerns and implementation of the changes that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to the annual report beginning on or after January 1, 2023. At the same time, the IASB issued a Temporary Extension of Exemption to Apply IFRS 9 (Amendments to IFRS 4) that extends the expiration date of the temporary exception to apply IFRS 9 to IFRS 4 for annual periods beginning on or after January 1, 2023.

IFRS 17 should be applied retrospectively unless it is not practical, in which case the retrospective approach will be modified, or the fair value approach will be applied.

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In accordance with the transition requirements, the date of initial application is the beginning of the annual reporting period in which the entity first applies the Standard and, the transition date is the beginning of the period immediately preceding the date of the initial application.

### **Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture**

The amendments to IFRS 10 and IAS 28 treat with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments establish that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in profit or loss of the parent only to the extent that the participation of unrelated investors in that associate or joint venture. Similarly, profit and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) at fair value, are recognized in profit or loss of the former parent, only to the extent of the participation of unrelated investors in the new associate or joint venture.

The effective date of the amendments has not yet been set by the IASB; however, early application is permitted.

### **Amendments to IAS 1 Classification of Liabilities as Current and Non-Current**

The amendments to IAS 1 affect only the presentation of liabilities as current and non-current in the statement of financial position and not the amount or timing at which any asset, liability, income or expense is recognized, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current and non-current is based on the rights to exist at the end of the reporting period, specify that the classification is not affected by expectations about whether the entity will exercise the right to defer settlement of the liability, explain that rights exist if there are covenants to be met at the end of the reporting period, and introduce a definition of 'arrangement' to make it clear that the arrangement refers to the transfer of cash from the counterparty, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

### **Amendments to IFRS 3 - Reference to the Conceptual Framework**

The amendments update IFRS 3 so that it can refer to the 2018 *Conceptual Framework* instead of the 1989 Framework. They also added a requirement that, for obligations within the scope of IAS 37, a buyer applies IAS 37 to determine whether the acquisition date is a present obligation or exists as a result of a past event. For liens that are within the scope of IFRIC 21 - Liens, the buyer applies IFRIC 21 to determine whether the obligation gives rise to a liability to pay the lien that occurred at the acquisition date.

Finally, the amendments add an explicit statement that the buyer will not recognize a contingent asset acquired from a business combination.

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

### **Amendments to IAS 16 - Property, Plant and Equipment - before Intended Use.**

The amendments prohibit the deduction from the cost of an asset of property, plant or equipment of any revenue from selling the asset after it is ready for use, for example, revenue while the asset is being brought to the location and the necessary refurbishment is being carried out to make it operable in the manner intended by management. Accordingly, an entity should recognize those sales revenues and costs in profit or loss. The entity measures the costs of these items in accordance with IAS 2 *Inventories*.

The amendments clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as an assessment in which the physical and technical performance of the asset is capable of being used in the production or supply of goods or services, for rental or other, or administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements must disclose the amounts of revenues and costs in income related to items that are not an outflow from the entity's ordinary activities in the line item(s) in the statement of comprehensive income where revenues and costs are included.

The modifications are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be able to operate as Management intends on or after the beginning of the period in which the entity's financial statements in which the modifications are first applied.

The Company shall recognize the cumulative effect of the initial application of the amendments as a balance sheet adjustment to retained earnings (or an appropriate component of equity) at the beginning of the earliest period presented. The amendments are effective for annual periods beginning on January 1, 2022 with an option for earlier application.

**Amendments to IAS 37 - Onerous Contracts - Costs of Fulfilling a Contract**

The amendments specify that the 'costs of fulfilling' a contract comprise 'costs directly related to the contract'. Costs that relate directly to a contract consist of incremental costs and costs of fulfilling a contract (e.g., labor or materials) and the allocation of other costs that relate directly to fulfilling a contract (such as the allocation of depreciation to items of property, plant and equipment to fulfill the contract).

The amendments apply to contracts in which the entity has not yet complied with all of its obligations at the beginning of the annual reporting period in which the entity applies the amendments for the first time. Comparatives should not be restated. Instead, an entity should recognize the cumulative effect of the initial application of the amendments as a balance sheet adjustment to retained earnings or such other component of equity, as appropriate, for the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with an option for earlier application.

**Annual Amendments to IFRS standards 2018-2020**

The Annual Amendments include amendments to four standards.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the amendment provides additional relief for a subsidiary that adopts for the first time after its parent with respect to accounting for cumulative translation differences. As a result of the amendments, a subsidiary using the IFRS 1: D16(a) exception may now elect to measure the cumulative translation effects of foreign operations at the carrying amount that is included in the parent's consolidated statements, based on the parent's date of transition to IFRS, if there were no adjustments for consolidation procedures and for the effects of business combinations in which the parent acquired the subsidiary. A similar election is available for an associate or joint venture that uses the exception in IFRS 1: D16(a). The amendment is effective for periods beginning on or after January 1, 2022, with an early adoption option.

IFRS 9 *Financial Instruments*, the amendment clarifies that when applying the '10%' test to assess whether a financial liability should be derecognized, an entity includes only the paid fees or received between the entity (the borrower) and the lender, including paid fees or received by the entity or the lender. The amendments are applied prospectively to modifications or changes that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022, with an option for earlier application.

IFRS 16 *Leases*, the amendments eliminate the figure of reimbursement for leasehold improvements. As the amendments to IFRS 16 are only in respect of an illustrative example, no commencement date has been established.

IAS 41 *Agriculture*, the amendments remove the requirement in IAS 41 for entities to exclude cash flows for tax purposes when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 *Fair Value Measurement* to be consistent with cash flows and discount rates and allows preparers to determine whether cash flows and discount rates are used on a pre-tax or after-tax basis as is more appropriate to estimate fair value. The amendments are applied prospectively, i.e., the fair value measurement on or after the initial date of application of the amendments applied to the entity.

The amendments are effective for annual periods beginning on or after January 1, 2022, with an option for initial adoption.

**Amendments to IAS 1 and the IFRS practice statements 2 Disclosure of Accounting Policies**

The amendments change the requirements to IAS 1 with respect to the disclosure of accounting policies. The amendment replaces the terms “significant accounting policies” with “information on material accounting policies”. Information on accounting policies is material when it is considered that, together with other information included in the financial statements of an entity, they may influence the decisions of the primary users of the financial statements in general use and that they are made in the basis of those financial statements.

The supporting paragraphs in IAS 1 are amended to clarify accounting policy information that relates to immaterial transactions, other events or conditions that are themselves material.

To support these modifications, the IASB has developed guidance and examples to explain and demonstrate the application of the “4-step materiality process” described in the IFRS practice 2 statements.

The amendments to IAS are effective for the annual periods beginning on January 1, 2021, with the option of early application and are applied prospectively. The amendments to the IFRS Practice 2 statements do not contain an effective date or transition requirements.

**Amendments to IAS 8 Definition of accounting estimates**

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are “monetary amounts in the financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the IASB maintained the concept of changes in an accounting estimate in the standard with the following clarifications:

- A change in an accounting estimate is the result of new information or a new development and is not the correction of an error.
- The effects of a change in an input or a valuation technique used to develop an accounting estimate are changes in accounting estimates if they do not result from a correction of prior period errors.

The IASB added two examples (Example 4-5) to the IAS 8 Implementation Guide that accompanies the standard. The IASB has removed one example (example 3) as it could cause confusion from the amendments.

The modifications are effective for the annual periods beginning on January 1, 2023 for changes in accounting policies and changes in accounting estimates that occur on or after the beginning of said period with the option of early application.

**Amendments to IAS 12 Deferred taxes related to assets and liabilities arising from a single transaction.**

The amendments introduced an additional exception aside from the initial recognition exemption. In the amendments, an entity does not apply the initial recognition exception for transactions that give rise to taxable and deductible temporary differences.

Depending on the applicable tax law, taxable and deductible temporary differences may occur on initial recognition of an asset and a liability in a transaction that is not a business combination and does not affect accounting or taxable profit. For example, it may occur with a recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 Leases at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognize deferred tax assets and liabilities, with the recognition of any deferred tax assets being subject to the recoverability criteria.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments apply.

The amendments apply to transactions that occur on or after the first comparative period of the period presented. Additionally, at the beginning of the first comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable income is available against the deductible temporary difference) and a deferred tax liability for all taxable and temporary deductions associated with:

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- Right-of-use assets and lease liabilities
- Decommissioning, restoration and similar liabilities that correspond to amounts recognized as part of the costs related to the asset.

The cumulative effect at the beginning of the application of the amendments as an adjustment in the opening balances of retained earnings (or some other component of capital, as applicable) to date.

The amendments are effective for the annual periods beginning on January 1, 2023, with the option of early application.

The Company is in process of determining its conclusions, however, does not expect the adoption of the standards to have a material impact on the consolidated financial statements in future periods.

### **(3) Significant accounting policies**

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### **a) Basis of consolidation**

##### ***i. Subsidiaries***

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost (see note 5).

The consolidated financial statements include the financial statements of the subsidiary companies up to December 31 of each year. Control is achieved when the Company:

- Has power over the investee
- It is exposed, or has rights, to variable returns derived from its participation in the investee
- Has the ability to use his power to affect his returns

Profits and losses of subsidiaries acquired or sold during the year are included in the consolidated statements of profit and loss and other comprehensive income from the acquisition date to the disposal date.

Where necessary, the financial statements of subsidiaries are adjusted to align their accounting policies with the Company's consolidated accounting policies.

##### ***ii. Transactions eliminated in consolidation***

Intercompany balances and transactions, and any unrealized gains and losses arising from transactions between consolidated companies have been eliminated in preparing these consolidated financial statements.

##### ***iii. Non-controlling interest***

Non-controlling interests in subsidiaries are identified separately from the Company's capital in them. Non-controlling shareholders' interests that are current ownership interests that entitle their holders to a proportionate share of the net assets at liquidation may be initially measured at fair value or the proportionate share of non-controlling interest in the fair value of the identifiable net assets of the acquiree. The choice of measure is made acquisition by acquisition. Other non-controlling interests are initially measured at fair value.

Post-acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the participation of non-controlling interests in subsequent changes in capital. Total comprehensive income is attributed to non-controlling interests even if this results in non-controlling interests having a negative balance.

***iv. Business combinations***

Business combinations are accounted for using the acquisition method. For each business combination, any non-controlling interest in the acquiree is valued either at fair value or according to the proportionate interest in the acquiree's identifiable net assets.

In a business combination, the identifiable assets acquired and the liabilities assumed are recognized at their fair value on the date of acquisition, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit agreements are recognized and measured in accordance with IAS 12 and IAS 19, respectively.
- Liabilities or equity instruments related to share. The acquiree's payment agreements or the Company's share-based payment agreements entered into to replace the acquiree's share-based payment agreements, are measured in accordance with IFRS 2 in the acquisition date.
- Assets (or groups of assets) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that standard.

Goodwill is originally valued at cost and represents any excess of the transferred consideration over the net assets acquired and liabilities assumed. If the net amount of identifiable acquired assets and assumed liabilities as of the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the fair value of the prior shareholding of the acquirer in the acquired entity (if any), any excess is immediately recognized in the consolidated statement of profit and loss and other comprehensive income as a bargain purchase gain.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Company incurs related to a business combination are expensed as incurred.

The payable contingent considerations are measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit and loss.

**b) Foreign currency**

***i. Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain and loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for interest and principal payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

***ii. Translation of foreign operations***

Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, of foreign operations whose functional currency differs from the reporting currency, are translated into Mexican pesos at the exchange rates at the reporting date. Income and expenses are translated to pesos at the average exchange rate of the period of the transactions.

Foreign currency differences associated with translating foreign operations into the reporting currency (Mexican peso) are recognized in other comprehensive income and presented in the foreign currency translation reserve in stockholders' equity.

Exchange differences on monetary items receivable or payable to a foreign business, whose settlement is neither planned nor likely to occur in the foreseeable future (therefore, they are part of the net investment in the business business), that are initially recognized in other comprehensive income and reclassified from equity to income when the total or partial disposal of the net investment is made. For the years ended December 31, 2021, 2020 and 2019 the Company did not enter into such transactions.

**c) Financial instruments**

***i. Financial assets***

**Classification of financial assets**

The Company classifies and measures its financial assets under the following criteria:

- The Company's debt instruments are subsequently measured at amortized cost if the financial asset is maintained in a business model whose objective is to hold financial assets with the objective of obtaining contractual cash flows; and the contractual terms of the financial asset give rise on specific dates to cash flows that are only principal and interest payments on the amount of the principal.
- Furthermore, debt instruments are subsequently measured at fair value through other comprehensive income if the financial asset is maintained within a business model whose objective is met by obtaining contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only principal and interest payments on the outstanding amount of the principal.
- By default, all other financial assets are subsequently measured at fair value through profit and loss.

**Recognition and derecognition of financial assets**

Assets are initially recognized on the date of the contract in which the Company becomes a member of the contractual provisions of the instruments and they are initially valued at their fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (other than financial assets at fair value through profit or loss) are added to or reduced from the fair value of the financial assets or liabilities, where applicable, at initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

All regular purchases or sales of financial assets are recognized and derecognized on a trade date. Regular purchases or sales are purchases or sales of financial assets that require the delivery of assets within the period established by the regulation or usual practices in the market.

All recognized financial assets are subsequently measured in full, either at amortized cost or fair value, according to the classification of financial assets.

Financial assets of the Company include cash and cash equivalents, investment in securities at fair value through profit or loss and through other comprehensive income, derivative financial instruments and trade receivables.

The Company initially recognizes accounts receivable and cash equivalents on the date that they arise. All other financial assets (including assets measured at fair value through profit and loss) are initially recognized on the trading date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which all the risks and rewards of ownership of the financial asset are substantially transferred.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position solely if the Company has a legal right to offset the amounts and intends either to settle them on a net basis of financial assets and liabilities or otherwise realize the asset and settle the liability simultaneously.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and demand deposits or investments with original maturities of three months or less from the acquisition date, which are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

**Receivables**

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost. Receivables comprise trade, due from related parties and other receivables.

**Impairment of financial assets**

The Company evaluates whether its financial assets accounted for at amortized cost and at fair value through other comprehensive income are impaired on the basis of losses due to expected credit losses.

The amount of expected credit losses is updated on each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Company recognizes lifetime expected credit losses for commercial accounts receivable, contract assets and accounts receivable for leases. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical experience of credit losses, adjusted for factors that are specific to the debtors, the general economic conditions and Management's assessment, of both the current and forecast conditions at the reporting date, including the time value of money when appropriate.

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

The Company considers a significant increase in credit risk to have occurred when the financial investment asset's credit rating falls to the level of speculation, or when the rating provided by external ratings agencies has decreased by more than 2 levels with respect to the level at which it was acquired. Additionally, the Company considers that default has occurred when a financial asset is more than 90 days past-due, unless there is reasonable and reliable information demonstrating that a later default criterion is more appropriate.

**ii. Financial liabilities**

Debt and/or equity instruments are classified as financial liabilities or as equity according to the substance of the contractual agreement and the definitions of liability and equity.

All financial instrument liabilities are initially recognized on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial instrument liability when its contractual obligations are met, cancelled or expire.

The Company has the following non-derivative financial instrument liabilities: short-term and long-term debt, and trade and other payables and accounts payable to related parties.

The aforementioned financial liabilities are originally recognized at fair value, plus costs directly attributable to the transaction. Subsequently, these financial liabilities are measured at amortized cost using the effective interest method or at fair value through profit or loss during their contractual term.

**iii. Derivative financial instruments**

The Company participates in a variety of derivative financial instruments to manage its exposure to exchange rate risks, including currency forward contracts.

Derivative financial instruments entered into for fair value hedging or for trading purposes are initially recognized at fair value; any attributable transaction costs are recognized in profit and loss as incurred. Until 2019, government grant was recognized initially as a liability, and subsequently was recognized to profit and loss as the related obligation is settled. Subsequent to the initial recognition, such derivative financial instruments are measured at fair value, and changes in such value are immediately recognized in profit and loss unless the derivative is designated and is effective as a hedging instrument, in which case, its recognition in profit and loss will depend on the nature of the hedging.

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Fair value of derivative financial instruments that are traded in recognized financial markets is based on quotes issued by these markets; when a derivative financial instrument is traded in the “*Over the Counter*” market, the fair value is determined based on internal models and market inputs accepted in the financial environment.

A derivative with a positive fair value is recognized as a financial asset, while a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Company has both the legal right and the 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.

The Company analyzes if there are embedded derivatives that should be segregated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. A separate instrument with the same terms as those of the embedded derivative meets the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss. Changes in fair value of the separable embedded derivatives are immediately recognized in profit and loss.

#### ***iv. Hedge Accounting***

The Company designates certain derivatives as hedging instruments with respect to foreign currency risk with fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Firm commitments that hedge foreign currency risk are accounted for as cash flow hedges.

At the beginning of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, together with its risk management objectives and its strategy to carry out various hedging transactions. In addition, at the beginning of the hedge and on an ongoing basis, the Company documents whether the instrument is effective to offset changes in the fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships comply with all of the following coverage effectiveness requirements:

- There is an economic relationship between the hedging instrument and the hedged item;
- The effect of credit risk does not dominate the value of the changes resulting from the economic relationship; and
- The coverage ratio of the coverage ratio is the same as that resulting from the amount of the hedged item that the Company actually covers and the amount of the hedging instrument that the Company actually uses to cover that amount of the hedged item.

If the hedging instrument no longer meets the effectiveness requirement related to the hedging relationship, but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedging relationship (that is, rebalances) so that it meets the qualification criteria again.

The Company designates the entire change in the fair value of a forward contract (that is, it includes the forward elements) as the hedging instrument for all its hedging relationships that involve forward contracts.

The Company designates only the intrinsic value of option contracts as a hedged item, that is, excluding the time value of the option. Changes in the fair value of the option are recognized in other comprehensive income and are accumulated in the cost of the hedge reserve. If the hedged item is related to the transaction, the fair value is reclassified to profit or loss when the hedged item affects the profit or loss. If the hedged item is related to the period of time, then the accumulated amount in the cost of the hedge reserve is reclassified to profit or loss in a rational manner: the Company amortizes the accumulated hedge reserve to profit or loss using the straight-line method. These reclassified amounts are recognized in profit or loss on the same line as the hedged item. If the hedged item is a non-financial item, the accumulated amount in the cost of the hedge reserve is eliminated directly from equity and is included in the initial carrying amount of the recognized non-financial item. In addition, if the Company expects that part or all of the accumulated loss in the cost of the hedge reserve will not be recovered in the future, that amount will be reclassified immediately to results.

**v. Capital stock**

**Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity, net of any tax effects.

**Stock repurchase**

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for repurchase of shares. When treasury shares are sold or are re-issued subsequently, the amount received as well as the resulting surplus or deficit on the transaction is recognized in equity.

**d) Property, plant and equipment**

**i. Recognition and measurement**

Property, plant and equipment, except for land, are recorded at acquisition cost less accumulated depreciation and any accumulated impairment losses. Land is measured at the acquisition costs less any accumulated impairment losses.

Acquisition cost includes the purchase price, as well as any cost directly attributable to the acquisition of the asset, including all costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

When components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognized at the time of disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on the sale of an item of property, plant and equipment are determined by comparing the proceeds from the sale with the carrying amount of property, plant and equipment, and are recognized net under “other expenses, net” in profit and loss for the year.

**ii. Subsequent costs**

The replacement cost of an item of property, plant and equipment is capitalized if the future economic benefits associated with the cost are expected to flow to the Company and the related cost is reliably determined. The carrying amount of the replaced item is written off from the accounting records. Maintenance and repair expenses related to property, plant and equipment are expensed as incurred.

**iii. Depreciation**

Depreciation is calculated over the cost of the asset less its residual value, using the straight line method, based on the estimated useful life of the assets. Depreciation is recognized in profit and loss beginning from the time when the assets are available for use.

Below are the estimated useful lives for 2021, 2020 and 2019:

	<u>Average useful Life</u>
Buildings	46
Machinery and Equipment	19
Vehicles	11
Computers	8
Furniture	11

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The Company has estimated the following residual values as of December 31, 2021, 2020 and 2019:

	<u>Residual Value</u>
Buildings	9%
Machinery and Equipment	8%
Vehicles	5%
Computers	0%
Furniture	2%

**e) Goodwill**

Goodwill arises as a result of the acquisition of a business over which control is obtained and is measured at cost less cumulative impairment losses; it is subject to annual tests for impairment.

**f) Intangible assets**

They are mainly comprised of trade names and customer relationships derived from the acquisition of businesses in the United States of America. The cost of intangible assets acquired through a business combination represents their fair value at the acquisition date and they are recognized separately from goodwill. Subsequently, they are valued at cost less amortization and accumulated impairment losses.

Intangible assets are classified as having a definite or indefinite life. Those with a defined life are amortized under the straight-line method during their estimated life and when there are impairment indicators, they are tested for impairment. The amortization methods and the useful life of the assets are reviewed and adjusted, if necessary, at the date of each consolidated statement of financial position. Amortization is charged to income in the general expenses category. Those with an indefinite life are not amortized, but are subject to impairment tests at least annually.

**g) Biological assets**

Biological assets whose fair value can be measured reliably are measured at fair value less costs of sale, with any change therein recognized in profit and loss. Costs of sale include all costs that would be necessary to sell the assets, excluding finance costs and income taxes.

The Company's biological assets consist of growing poultry, poultry in its different production stages, hatching eggs, breeder pigs, and growing pigs.

When fair value cannot be reliably, verifiably and objectively determined, assets are valued at production cost less accumulated depreciation, and any cumulative impairment loss. Depreciation related to biological assets forms part of the cost of inventories and current biological assets and is ultimately recognized within cost of sales in the statement of profit and loss and other comprehensive income.

Depreciation of poultry and breeder pigs is estimated based on the expected future life of such assets and is calculated on a straight-line basis.

	<u>Expected average useful life (weeks)</u>
Poultry in its different production stages	40-47
Breeder pigs	156

Biological assets are classified as current and non-current assets, based on the nature of such assets and their purpose, whether for commercialization or for reproduction and production.

#### **h) Leased assets**

The Company evaluates whether a contract is or contains a lease at the beginning of the contract term. A lease is defined as a contract that grants the right to control the use of an identified asset, for a specified period, in exchange for consideration. The Company recognizes a right-of-use asset and a corresponding lease liability, with respect to all the lease agreements in which it operates as lessee, except in the following cases: short-term leases (defined as leases with a term of lease less than 12 months); low-value asset leases (defined as asset leases with an individual market value of less than 5 thousand dollars); and, the lease contracts whose payments are variable (without any fixed contractually defined payment). For these contracts that exclude the recognition of a right-of-use asset and a lease liability, the Company recognizes rental payments as a straight-line operating expense during the lease term.

The right-of-use asset is made up of discounted lease payments at present value; direct costs of obtaining a lease; advance lease payments; and the dismantling or asset removal obligations. The Company depreciates the right-of-use asset over the shorter period of the lease term and the useful life of the underlying asset; In this sense, when a purchase option in the lease is likely to be exercised, the right-of-use asset depreciates over its useful life. Depreciation begins on the start date of the lease.

The lease liability is measured at initial recognition by discounting future minimum income payments at present value according to a term, using a discount rate that represents the cost of obtaining financing in an amount equivalent to the value of the contract's income, for the acquisition of the underlying asset, in the same currency and for a period similar to the corresponding contract (incremental borrowing rate). When the contract payments contain non-lease components (services), the Company has chosen not to separate them and to measure all payments as a single lease component; however, for the rest of the asset classes, the Company measures the lease liability only considering the payments of components that are rents, while the services implicit in the payments are recognized directly in results as operating expenses.

To determine the term of the lease, the Company considers the mandatory term, including the probability of exercising any right to extend the term and / or an early termination.

Subsequently, the lease liability is measured by increasing the book value to reflect the interest on the lease liability (using the effective interest method) and reducing the book value to reflect the rental payments made.

When there are modifications to the lease payments for inflation, the Company remits the lease liability from the date the new payments are known, without reconsidering the discount rate. However, if the modifications are related to the term of the contract or change in circumstances that results in a change in the assessment of the exercise of a purchase option, the Company re-evaluates the discount rate in the measurement of the liability. Any increase or decrease in the value of the lease liability subsequent to this re-measurement is recognized by increasing or decreasing to the same extent, as the case may be, the value of the right-of-use asset.

Finally, the lease liability is derecognized at the time the Company pays all of the contract's payments. When the Company determines that it is probable that it will exercise an early termination from the contract that merits a cash outlay, said consideration is part of the re-measurement of the liability mentioned in the preceding paragraph; however, in those cases in which the early termination does not imply a cash outlay, the Company pays the lease liability and the corresponding right of use asset, recognizing the difference between the two immediately in the consolidated statement of income.

#### **i) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on average cost, and includes expenditures incurred for acquiring inventories, production or transformation costs, and other costs incurred for bringing them to their present location and condition.

Agricultural products derived from biological asses are processed chickens and commercial eggs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale.

Cost of sales represents cost of inventories at the time of sale, increased, if applicable, by reductions in inventory to its net realizable value, if lower than cost, during the year.

The Company records the necessary reductions in the value of its inventories for impairment, obsolescence, slow movement and other factors that may indicate that the use or performance of the items that are part of the inventory may be lower than the carrying value.

**j) Impairment**

***Non-financial assets***

The carrying amounts of the Company's non-financial assets, other than inventories, biological assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated or cash generating units, as the lowest between its value in use and the fair value less cost of sale. Goodwill and indefinite-lived intangible assets are tested annually for impairment on the same dates.

The Company defines the cash generating units and also estimates the periodicity and cash flows that they should generate. Subsequent changes in the group of cash-generating units, or changes in the assumptions that support the cash flow estimates or the discount rate could impact the carrying amounts of the respective asset.

The main assumptions for developing estimates of recoverable amounts are the estimates the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate its present value. The Company estimates cash flow projections considering current market conditions, determination of future prices of goods and volumes of production and sales. In addition, for the purposes of the discount and perpetuity growth rates, the Company uses indicators of market and expectations of long-term growth in the markets in which it operates.

The Company estimates a discount rate before taxes for the purposes of the goodwill impairment test that reflects the risk of the corresponding cash-generating units and that enables the calculation of present value of expected future cash flows, as well as to reflect risks that were not included in the cash flow projection assumptions and premises. The discount rate that the Company estimates is based on the weighted average cost of capital. In addition, the discount rate estimated by the Company reflects the return that market participants would require if they had made a decision about an equivalent asset, as well as the expected generation of cash flow, time, and risk-and-return profiles.

The Company annually reviews the circumstances which led to an impairment loss arising from cash-generating units to determine whether such circumstances have been changed and that may result in the reversal of previously recognized impairment losses. An impairment loss in respect of goodwill is not reversed. For other long-lived assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment loss had not been recognized.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of CGUs), and subsequently to reduce the carrying amount of the other long-lived assets within the cash-generating unit (or group of CGUs) on a pro rata basis.

**k) Held-for-sale assets**

Held for sale assets mainly consist of foreclosed assets. Foreclosed assets are initially recorded at the lower of fair value less costs to sell or the net carrying amount of the related account receivable.

Immediately before being classified as held-for-sale, assets are valued according to the Company's accounting policies in accordance with the applicable IFRS. Subsequently, held-for-sale assets are recorded at the lower of the carrying amount and fair value less costs to sell. Impairment losses on initial classification of held-for-sale assets and subsequent remeasurement gains and losses are recognized in profit and loss. Recognized gains shall not exceed cumulative impairment losses previously recognized.

**l) Other assets**

Other long-term assets primarily include advances for the purchase of property, plant and equipment, investments in insurance policies and security deposits.

The Company owns life insurance policies of some of the former stockholders of Bachoco USA, LLC (foreign subsidiary). The Company records these policies at their net cash surrender value which approximates its fair value (see note 17).

**m) Employee benefits**

The Company grants to its employees in Mexico and abroad, different types of benefits as described below and as detailed in note 22.

***i. Defined contribution plan***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit and loss in the periods during which the related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that the Company has the right to a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan due more than 12 months after the end of the period in which the employees render the service are discounted at present value.

***ii. Defined benefit plan***

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It is funded by contributions made by the Company and is intended to meet the Company's labor obligations to its employees.

The Company's net obligations in respect of defined benefit plans is calculated separately for each plan, estimating the amount of the future benefit that the employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and is reduced by the fair value of the plan assets. The discount rate is the yield at the end of the reporting period on high quality corporate bonds (or governmental bonds in the instance that a deep market does not exist for high quality corporate bonds, which is the case in Mexico) that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid. 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

The Company presents service cost as part of operating income in the consolidated statements of profit or loss and other comprehensive income (loss). Gains and losses for reduction of service are accounted for as past service costs.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset 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. When the benefits of a plan are modified or improved, the portion of the improved benefits related to past services by employees is recognized in profit and loss on the earlier of the following dates: when there is a modification or curtailment to the plan, or when the Company recognizes the related restructuring costs or termination benefits.

Remeasurement adjustments, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are reflected immediately 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 equity and is not reclassified to profit or loss.

***iii. Short-term benefits***

Short-term employee benefits are valued on a non-discounted basis and are expensed as the respective services are rendered.

A liability is recognized for the amount expected to be paid under the short-term cash bonus plans or statutory employee profit sharing (PTU for its acronym in Spanish), if the Company has a legal or constructive obligation to pay such amounts as a result of prior services rendered by the employee, and the obligation may be reliably estimated.

***iv. Termination benefits from constructive obligations***

During 2019 and 2020 the Company recognizes, as a defined benefit plan, a constructive obligation from past practices. The liability accrues based on the services rendered by the employee. Payment of this benefit is made in one installment at the time that the employee voluntarily ceases working for the Company.

**n) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When the effect of time value of money is significant, the amount of the provision is the present value of the disbursements expected to be necessary to settle the obligation. The discount rate applied is determined before taxes and reflects market conditions at the reporting date and takes into account the specific risk of the relevant liability, if any. The unwinding of the present value discount is recognized as a financial cost.

**o) Interests in joint operations**

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

The Company as a joint operator recognizes, in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to such assets, liabilities, revenues and expenses.

The Company has joint operations derived from the agreements for the development of its biological assets. For such operations, the Company accounts for its biological assets, its obligations derived from technical support, as well as the expenses it incurs with respect to the joint operations. The live poultry produced by the joint operation is ultimately used internally by the Company and may be sold by the Company to third parties. As a result, the joint operation itself does not generate any revenues with third parties.

**p) Revenues**

Revenues from the sale of goods in the course of ordinary activities are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenues are recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that control over the product has been transferred to the customer. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognized as a reduction of revenue.

The Company generally does not accept sales returns. No asset is recognized for product returns, due to the fact that such products are not expected to be sold or recovered in another manner given that they are perishable. To the extent sales returns occur, the product returns are made simultaneously with the delivery and acceptance of the product (same day).

The Company has concluded that all performance obligations are satisfied at the time of delivery of the product to the customer.

The Company has a variety of credit terms for its various distribution channels, all of which have short terms, consistent with market and industry practices. Accordingly, there are no financing components. A significant portion of sales in Mexico are collected in cash on delivery.

**q) Financial income and costs and dividend income**

Financial income comprises interest income from funds invested, fair value changes on financial assets at fair value through profit or loss and foreign currency exchange gains. Interest income is recognized in profit and loss, using the effective interest method. Dividend income is recognized in profit and loss on the date that the Company's right to receive the payment is established.

Financial costs comprise interest expense for borrowings, foreign currency exchange losses and fair value changes on financial assets at fair value through profit and loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit and loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Exchange gains and losses are reported on a net basis.

**r) Income taxes**

Income tax expense is comprised of current and deferred tax. Current income taxes and deferred income taxes are recognized in profit and loss provided they do not relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the fiscal year, which can be applied to taxable income from previous years, using tax rates enacted or substantively enacted in each jurisdiction at the reporting date, plus any adjustment to taxes payable with respect to previous years. Current income tax payable also includes any tax liability arising from the payment of dividends.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the amounts used for tax purposes. Deferred income tax is not recognized for:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and did not affect either accounting or taxable profit or loss;
- differences related to investments in subsidiaries to the extent that it is probable that the Company is able to control the reversal date, and the reversion is not expected to take place in the near future.
- taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax is determined by applying the tax rates that are expected to apply in the period in which the temporary differences will reverse, based on the regulations enacted or substantively enacted at the reporting date.

The measurement of deferred income tax assets and liabilities reflect the tax consequences derived from the manner in which the Company expects to recover or settle the carrying amounts of its assets and liabilities.

In determining the amount of current and deferred income tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that the balance for its income tax liabilities are appropriate for all tax years subject to be reviewed by the tax authorities based on its assessment of several factors, including the interpretation of the tax laws and prior experience.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be realized.

**s) Earnings per share**

The Company presents information on basic and diluted earnings per share (“EPS”) related to its ordinary shares. Basic EPS is computed by dividing the profit and loss attributable to the holders of the Company’s common shares by the weighted average number of outstanding ordinary shares during the period, adjusted for treasury shares held. Diluted EPS is determined by adjusting the profit and loss attributable to the holders of the ordinary shares and the outstanding weighted average number of ordinary shares, adjusted for treasury shares held, for the potential dilutive effects of all ordinary shares, including convertible instruments and options on shares granted to employees. At December 31, 2021, 2020 and 2019, the Company has no outstanding instruments that imply the existence of potential ordinary shares, for which reason basic and diluted EPS are the same.

**t) Segment information**

An operating segment is a component of the Company: i) that is engaged in business activities from which revenues and expenses may be obtained and incurred, including revenues and expenses related to transactions with any of the other components of the Company, ii) whose results are reviewed periodically by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance, and iii) for which discrete financial information exists.

The Company discloses reportable segments based on operating segments whose revenues exceed 10% of the combined revenues from all segments, whose absolute value of profit or loss exceeds 10% of the combined absolute value of profit or loss from all segments, whose assets exceed 10% of the combined assets from all segments, or that result from the aggregation of two or more operating segments that share similar economic characteristics and meet the aggregation criteria under IFRS (note 2 d) iii. ).

**u) Costs and expenses by function**

Costs and expenses in the consolidated statements of profit and loss and other comprehensive income were classified by their function. The nature of costs and expenses is presented in Note 23.

**v) Statement of cash flows**

The Company presents cash flows from operating activities by using the indirect method, in which the income or loss is adjusted by the effects of items that do not require cash flows, including those related to investing or financing activities.

The Company classifies all interest received from its investments and accounts receivable as investment activities, and all interest paid as financing activities.

**(4) Business and asset acquisitions**

**Acquisition of Sonora Agropecuaria, S.A. de C.V.**

On June 26, 2020, the Company acquired 54.80% of voting stock of Sonora Agropecuaria, S.A. de C.V. The operating results are included in the consolidated financial statements as of that date. Sonora Agropecuaria, S.A. de C.V. is dedicated to the processing and distribution of pigs, and has operations in the states of Sonora, Jalisco, Guanajuato, Mexico City and Yucatan, Mexico. The purchase price paid as a capital contribution amounted to \$215,000.

The purchase of Sonora Agropecuaria, S.A. de C.V. benefits the “Other” segment as it will allow it to accelerate the pace of growth and continue advancing in the process of diversifying other animal proteins.

The assets acquired and the assumed liabilities of Sonora Agropecuaria, S.A. de C.V. were recognized based on the best estimate of their fair value at the acquisition date.

The fair value of the assets was determined using cost and market approaches. The cost approach, which estimates the value based on the current replacement cost of an asset by another asset of equal usefulness, was used mainly for plant and equipment. The market approach, in which the value of an asset is based on available market prices for comparable assets, was used mainly for real estate.

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Due to their liquidity or short-term maturities, as appropriate, the Company concluded that Sonora Agropecuaria, S.A. de C.V.'s pre-acquisition carrying amounts for cash equivalents, accounts receivable, inventories, other current assets, accounts payable and other current liabilities approximate their fair value at the acquisition date.

**Identifiable assets acquired and liabilities assumed**

The following is a summary of the recognized amounts of acquired assets and assumed liabilities at the date, compared to the consideration paid:

	<u>Acquisition value</u>
Current assets, other than inventories	\$ 349,834
Inventories	123,959
Property, plant and equipment	383,680
Total assets	<u>857,473</u>
Current liabilities	(263,365)
Deferred income tax	(35,916)
Acquired net identifiable assets	<u>558,192</u>
Controlling interest	305,889
Non-controlling interest	252,303
Consideration paid	215,000
Bargain purchase gain (note 30)	<u>\$ 90,889</u>

At the acquisition date, the non-controlling interest is measured on the basis of the proportional participation of the acquiree's identifiable net assets.

The bargain purchase gain arises because the net of fair value of the assets at the acquisition date exceeds the amount of the consideration transferred. The business strategies followed by the acquiree in the past resulted in a high cost structure and limited opportunity for improving profitability, resulting in a fair value of the business below that of its component parts. For this reason, a gain was recognized in other expense, net (see note 30) in the consolidated statement of profit or loss and other comprehensive income.

Had the acquisition occurred on January 1, 2020, consolidated revenues and consolidated profits for the year ended December 31, 2020 would have totaled \$70,337,002 and \$3,991,092, respectively. In determining these amounts, Management assumed that the provisional adjustments to fair value recognized at the date of acquisition would have been similar if the acquisition had occurred on January 1, 2020.

**Costs related to acquisition.**

During 2020, the Company incurred costs related to the acquisition of Sonora Agropecuaria, S.A. de C.V. of \$1,704 corresponding to external legal fees and due diligence costs, which are included in other expenses in the Company's consolidated statement of profit and loss and other comprehensive income.

**(5) Subsidiaries of the Company**

A list of subsidiaries and the Company's shareholding percentage in such subsidiaries as of December 31, 2021, 2020 and 2019 are presented below:

Name	Shareholding percentage in subsidiaries			
	Country	December 31,		
		2021	2020	2019
Bachoco, S.A. de C.V.	Mexico	99.99	99.99	99.99
Bachoco USA, LLC. & Subsidiary	U.S.	100.00	100.00	100.00
Campi Alimentos, S.A. de C.V.	Mexico	99.99	99.99	99.99
Induba Pavos, S.A. de C.V.	Mexico	99.99	99.99	99.99
Bachoco Comercial, S.A. de C.V.	Mexico	99.99	99.99	99.99
PEC LAB, S.A. de C.V.	Mexico	64.00	64.00	64.00
Aviser, S.A. de C.V.	Mexico	—	99.99	99.99
Operadora de Servicios de Personal, S.A. de C.V.	Mexico	—	99.99	99.99
Secba, S.A. de C.V.	Mexico	—	99.99	99.99
Servicios de Personal Administrativo, S.A. de C.V.	Mexico	—	99.99	99.99
Sepetec, S.A. de C.V.	Mexico	—	99.99	99.99
Wii kit RE LTD.	Bermuda	100.00	100.00	100.00
Provedora La Perla S.A. de C.V.	Mexico	100.00	100.00	100.00
Sonora Agropecuaria, S.A. de C.V.	Mexico	54.84	54.80	—

The main subsidiaries of the group and their activities are as follows:

- Bachoco, S.A. de C.V. ("BSACV") (includes four subsidiaries which are 51% owned, and over which BSACV has control). BSACV is engaged in breeding, processing and marketing poultry goods (chicken and eggs).
- Bachoco USA, LLC. holds the shares of OK Foods, Inc. and, therefore, all operations controlled by the Company in the United States of America. The primary activities of Bachoco USA, LLC and its subsidiary are comprised of the production of chicken products and hatching eggs, mostly marketed in the United States of America and, to a lesser extent, in other foreign markets.
- Campi Alimentos, S.A. de C.V., is engaged in producing and marketing balanced animal feed and pet treats, mainly for sales to third parties.
- The main activity of Bachoco Comercial, S.A. de C.V. is the distribution of turkey, beef and pig value-added products.
- The main activity of Induba Pavos, S.A. de C.V. and Provedora La Perla, S.A. of C.V. is the leasing of property, plant and equipment to its related parties.
- PEC LAB, S.A. de C.V. is the holding of the shares of Pecuarius Laboratorios, S.A. de C.V. Its main activity consists of the production and distribution of medicines and vaccines for animal consumption.
- Aviser, S.A. de C.V., Operadora de Servicios de Personal, S.A. de C.V., Secba, S.A. de C.V., Servicios de Personal Administrativo, S.A. de C.V. and Sepetec, S.A. de C.V. until July 2021, were engaged in providing administrative and operating services rendered to their related parties. Derived from the requirements of the Labor Reform in Mexico (see note 2f), in July 2021 these companies merged with Bachoco, S.A. de C.V., subsisting this as a merging company, which acquires all the debts and responsibilities of the merged companies, subrogating the merged company in all its commercial, civil, labor, fiscal rights and obligations and of any other nature without exception.
- Wii kit RE LTD. in Bermuda, it is a Class I reinsurance company that provides insurance coverage to its affiliates.
- Sonora Agropecuaria, S.A. DE C.V., in Mexico, it is dedicated to the pig processing and distribution. During 2021 the company merged Interswine S. de R.L. de C.V., Agropecuaria Sasapork S.P.R de R.L. de C.V., Cerdo Industrializado S.A. de C.V., Productora Industrializada S.A. of C.V. and Whitecaps S.A. de C.V., subsisting Sonora Agropecuaria, S.A. of C.V. as a merging. The transaction was recorded in accordance with that is described in the accounting policies, causing no impact on the Company's consolidated financial statements.

None of the Company's contracts or loan agreements restrict the net assets of its subsidiaries.

**(6) Operating segments**

Reportable segments have been determined based on a product line approach. Intersegment transactions have been eliminated. The poultry segment consists of chicken and egg operations. The information included in the "Others" segment corresponds to operations of swine, balanced feed for animal consumption and other by-products that do not meet the quantitative thresholds to be considered as reportable segments.

Inter-segment pricing is determined on an arm's length basis comparable to those which would be used with or between independent parties in comparable transactions. The accounting policies of operating segments are as those described in note 3 t).

Below is the information related to each reportable segment. Performance is measured based on each segment's income before taxes, in the same manner as it is included in Management reports that are regularly reviewed by the Company's Board of Directors, which has been identified as being responsible for making operational decisions, allocating resources and evaluating the performance of the operating segments.

**a) Operating segment information**

	Year ended December 31, 2021		
	Poultry	Other	Total
Net revenues	\$ 71,647,726	10,051,342	81,699,068
Cost of sales	59,195,273	9,161,381	68,356,654
Gross profit	12,452,453	889,961	13,342,414
Finance income	879,142	238,264	1,117,406
Finance costs	214,780	52,743	267,523
Income before taxes	6,052,051	689,687	6,741,738
Income taxes	1,655,934	151,704	1,807,638
Net income attributable to controlling interest	4,394,865	670,689	5,065,554
Property, plant and equipment, net	19,943,697	1,819,705	21,763,402
Goodwill	1,600,592	88,015	1,688,607
Intangible assets	704,374	-	704,374
Non-current biological assets	2,308,577	49,560	2,358,137
Total assets	58,387,628	7,497,233	65,884,861
Total liabilities	16,592,293	1,008,508	17,600,801
Purchases of property, plant and equipment	3,298,794	180,699	3,479,493
Depreciation and amortization	1,306,665	157,133	1,463,798
Depreciation of right-of-use assets	331,127	12,240	343,367
Intangible impairment loss	5,459	-	5,459
	<b>Poultry revenues</b>	<b>Other revenues</b>	<b>Total revenues</b>
Total revenues	\$ 71,660,739	10,090,925	81,751,664
Intersegments	(13,013)	(39,583)	(52,596)
Net revenues	\$ 71,647,726	10,051,342	81,699,068

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	Year ended December 31, 2020		
	Poultry	Other	Total
Net revenues	\$ 61,323,853	7,468,149	68,792,002
Cost of sales	51,165,650	6,541,916	57,707,566
Gross profit	10,158,203	926,233	11,084,436
Finance income	998,654	174,866	1,173,520
Finance costs	260,570	30,759	291,329
Income before taxes	4,626,582	557,121	5,183,703
Income taxes	1,060,876	150,735	1,211,611
Net income attributable to controlling interest	3,532,589	403,083	3,935,672
Property, plant and equipment, net	17,146,405	2,587,417	19,733,822
Goodwill	1,562,404	88,312	1,650,716
Intangible assets	753,224	—	753,224
Total assets	51,081,829	7,393,171	58,475,000
Total liabilities	13,144,941	1,403,251	14,548,192
Purchases of property, plant and equipment	1,978,818	773,463	2,752,281
Depreciation and amortization	1,542,031	193,115	1,735,146

	Poultry revenues	Other revenues	Total revenues
Total revenues	\$ 61,332,013	7,506,962	68,838,975
Intersegments	(8,160)	(38,813)	(46,973)
Net revenues	\$ 61,323,853	7,468,149	68,792,002

	Year ended December 31, 2019		
	Poultry	Other	Total
Net revenues	\$ 55,653,027	6,002,218	61,655,245
Cost of sales	46,456,076	5,101,275	51,557,351
Gross profit	9,196,951	900,943	10,097,894
Finance income	860,140	131,492	991,632
Finance costs	529,226	81,142	610,368
Income before taxes	3,854,474	503,330	4,357,804
Income taxes	993,652	131,326	1,124,978
Net income attributable to controlling interest	2,849,145	370,786	3,219,931
Property, plant and equipment, net	16,440,851	2,115,795	18,556,646
Goodwill	1,490,978	88,016	1,578,994
Intangible assets	772,640	—	772,640
Total assets	49,533,440	6,169,051	55,702,491
Total liabilities	14,066,224	1,375,932	15,442,156
Purchases of property, plant and equipment	1,811,086	258,241	2,069,327
Depreciation and amortization	1,171,200	115,243	1,286,443

	Poultry revenues	Other revenues	Total revenues
Total revenues	\$ 55,656,645	6,037,772	61,694,417
Intersegments	(3,618)	(35,554)	(39,172)
Net revenues	\$ 55,653,027	6,002,218	61,655,245

**b) Geographical information**

When submitting information by geographic area, revenue is classified based on the geographic location where the Company's poultry segment customers are located. Segment assets are classified in accordance with their geographic location. Geographical information for the "Others" segment is not included below because the operations are carried out entirely within Mexico.

	Year ended December 31, 2021			
	Domestic poultry	Foreign poultry	Operations between geographical segments	Total
Net revenues	\$ 51,287,149	20,490,145	(129,567)	71,647,726
Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and investments in insurance policies:				
Non-current biological assets	1,420,262	888,315	—	2,308,577
Property, plant and equipment, net	17,602,324	2,341,373	—	19,943,697
Goodwill	212,833	1,387,759	—	1,600,592
Intangible assets	—	704,374	—	704,374

	Year ended December 31, 2020			
	Domestic poultry	Foreign poultry	Operations between geographical segments	Total
Net revenues	\$ 41,835,033	19,573,023	(84,203)	61,323,853
Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and investments in insurance policies:				
Non-current biological assets	1,185,308	806,222	—	1,991,530
Property, plant and equipment, net	14,659,461	2,486,944	—	17,146,405
Goodwill	212,536	1,349,868	—	1,562,404
Intangible assets	—	753,224	—	753,224

	Year ended December 31, 2019			
	Domestic poultry	Foreign poultry	Operations between geographical segments	Total
Net revenues	\$ 38,778,025	16,931,735	(56,733)	55,653,027
Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and investments in insurance policies:				
Non-current biological assets	1,058,126	760,785	—	1,818,911
Property, plant and equipment, net	13,799,774	2,641,077	—	16,440,851
Goodwill	212,833	1,278,145	—	1,490,978
Intangible assets	—	772,640	—	772,640

**c) Major Customers**

In Mexico, the Company's products are traded among a large number of customers, without significant concentration with any specific customer. Therefore, in 2021, 2020 and 2019, no customer represented over 10% of the Company's total revenues.

As of December 31, 2021, 2020 and 2019, the Company did not have operations with an individual customer that represented a significant concentration in the United States of America, more than 10% of the total income of the Company.

**(7) Cash and cash equivalents**

The consolidated balances of cash and cash equivalents as of December 31, 2021, 2020 and 2019 are as follows:

	December 31,		
	2021	2020	2019
Cash and banks	\$ 14,586,467	12,941,334	13,106,862
Investments with maturities less than three months	4,519,265	4,305,998	5,513,276
	<u>19,105,732</u>	<u>17,247,332</u>	<u>18,620,138</u>
Restricted cash	30,711	39,042	42,627
Total cash and cash equivalents	<u>\$ 19,136,443</u>	<u>17,286,374</u>	<u>18,662,765</u>

Restricted cash corresponds to the minimum margin required by the intermediary for the Company's derivative financial instruments on commodities in order to meet future commitments that may stem from adverse market movements affecting prices on the open positions as of December 31, 2021, 2020 and 2019.

**(8) Financial instruments and risk management**

The Company is exposed to market risks, liquidity risks and credit risks for the use of financial instruments, for which reason it exercises its risk management.

This note presents information on the Company's exposure to each one of the aforementioned risks, as well as the Company's objectives, policies and processes for the measurement and management of financial risks.

***Risk management framework***

The philosophy adopted by the Company seeks to minimize risks and, therefore maximize business stability, focusing decisions on creating an optimum combination of products and assets that produce a risk – return ratio more in agreement with the risk profile of its stockholders.

In order to establish a clear and optimal organizational structure with respect to risk management, a Risk Committee has been established which is the specialized body in charge of defining, proposing, approving and implementing the objectives, policies, procedures, methodologies and strategies, as well as the determination of the maximum limits of exposure to risk and contingency plans.

At December 31, 2021, 2020 and 2019, the Company has not identified the existence of embedded derivatives.

Some of the Company's derivative financial instruments as of December 31, 2021, 2020 and 2019 meet the requirements to be treated as hedging instruments for accounting purposes (11,238,319, 506 and 24,352 thousand U.S. dollars of notional amounts).

As of December 31, 2021 and 2019, the Company has no derivative trading instruments. Some of the Company's derivative financial instruments as of December 31, 2020 are recognized in earnings through profit or loss for accounting purposes (60,000 thousand U.S. dollars of notional amounts).

**Management by type or risk**

**a) Categories of financial assets and liabilities**

The Company's financial assets and liabilities are shown below:

	December 31,		
	2021	2020	2019
<b>Financial assets</b>			
Cash and cash equivalents	\$ 19,136,443	17,286,374	18,662,765
Investment in securities at fair value through profit or loss	10,841	1,018,322	186,284
Investment in securities at fair value through other comprehensive income	1,559,823	937,715	315,761
Investments in life insurance	74,148	71,431	65,545
Trade receivables	3,102,203	2,704,058	2,523,092
Due from related parties	291	686	13,674
Other long-term receivables	211,278	193,689	173,488
Derivative financial instruments	69,862	—	18,098
<b>Financial liabilities</b>			
Current and non-current financial debt	\$ (1,993,911)	(2,517,965)	(4,928,607)
Trade payables, sundry creditors and expenses payable	(8,977,051)	(5,049,103)	(4,491,171)
Current and non-current lease liabilities	(651,480)	(719,711)	(803,050)
Due to related parties	(185,429)	(80,842)	(76,704)
Derivative financial instruments	—	(194,181)	—

**b) Credit risk**

Credit risk is defined as the potential loss of a portfolio of an amount owed to the Company due to lack of payment from a debtor, or for breach by a counterparty with which derivative financial instruments and investment in securities at fair value through profit or loss and other comprehensive income transactions are conducted.

The risk management process contemplates the use of derivative financial instruments, which are exposed to a market risk, as well as counterparty risk.

**Measurement and monitoring of counterparty risk**

In terms of valuation and monitoring of *Over the counter* (“OTC”) derivative financial instruments and investments in securities, the Company currently measures its counterparty risk by identifying the *Credit Valuation Adjustment* (“CVA”) and *Debit Valuation Adjustment* (“DVA”).

For investments in securities denominated in Mexican pesos, the financial instruments valuation models used by price vendors incorporate market movements and credit quality of issuers, thereby implicitly including the counterparty risk of the transaction in the fair value measurement; therefore, the position in investment in securities includes the counterparty risk and no additional adjustment is carried out. The price of the instruments obtained from the price vendor is the mid-point between the bid price and the ask price (the “mid-price”).

Investments in securities denominated in a foreign currency, not listed in Mexico, are recorded at prices contained in the broker's statements of account. The Company validates these market prices using Bloomberg, which incorporate market movements and the credit quality of issuers; thereby implicitly including the counterparty risk of the transaction and no related adjustment is carried out. The prices obtained from Bloomberg are mid prices.

*Trade accounts receivable and other accounts receivable measurement and monitoring*

It is the policy of the Company to establish an allowance for doubtful accounts to cover the balances of accounts receivable that are not likely to be recovered. To set the required allowance, the Company considers historical losses, assesses current market conditions, as well as customers' financial conditions, accounts receivable in litigation, price differences, portfolio aging and current payment patterns.

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The impairment assessment of accounts receivable is performed on a collective basis, as there are no accounts with individually significant balances. The Company's products are marketed to a large number of customers without any significant concentration with a specific customer. As part of the objective evidence that an account receivable portfolio is impaired, the Company considers past experiences with respect to collection, increases in the number of overdue payments in the portfolio exceeding the average loan period, as well as observable changes in national and local economic conditions that correlate to defaults.

The Company has a credit policy under which each new customer is analyzed individually in terms of its creditworthiness before offering it payment terms and conditions. The Company's review includes internal and external assessments, and in some cases, bank references and a search in the Public Registry of Properties. For each customer, purchase limits are established, which represent the maximum credit amount. Customers that do not meet the Company's credit references can solely conduct transactions in cash or through advance payments.

The allowance for doubtful accounts includes trade accounts receivable that are in process of legal recovery, which amount to \$157,012, \$143,278 and \$140,304 as of December 31, 2021, 2020 and 2019, respectively. The reconciliation of movements of the allowance for doubtful accounts, and the analysis of past-due accounts receivable but not impaired, are presented in note 9.

The Company receives credit enhancements on credit lines granted to its clients, which consist of real and personal property, such as land, buildings, houses, vehicles, letters of credit, cash deposits and others. As of December 31, 2021, 2020 and 2019, the fair value of such credit enhancements, determined by an appraisal at the time the credit lines were granted, is \$667,322, \$180,513 and \$663,500, respectively.

The fair value of trade accounts receivable is similar to the carrying amount, as the terms granted under credit lines are of a short term nature and do not include significant finance components.

**Investments**

The Company limits its exposure to credit risk investing solely with counterparties that have been rated on a well-recognized credit rating scale or are deemed to be investment grade. Management constantly monitors credit ratings, and as it invests solely in securities with high credit ratings, it is not expected that any counterparty will fail to fulfill its obligations.

**Financial guarantees granted**

It is the Company's policy to grant financial guarantees solely to 100% owned subsidiary companies.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure, which as of the reporting date is as follows:

	<u>December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 19,136,443	17,286,374	18,662,765
Investments in securities at fair value through profit or loss	10,841	1,018,322	186,284
Investment in securities at fair value through other comprehensive income	1,559,823	937,715	315,761
Investments in life insurance	74,148	71,431	65,545
Accounts receivable net of guarantees received	2,646,450	2,717,920	2,046,754
Derivative financial instruments	69,862	—	18,098
	<u>\$ 23,497,567</u>	<u>22,031,762</u>	<u>21,295,207</u>

**c) Liquidity risk**

Liquidity risk is defined as the potential loss stemming from the impossibility to renew liabilities or enter into other liabilities under normal terms, the early or forced sale of assets or the need to grant unusual discounts in order to meet obligations, or by the fact that a position cannot be disposed of, acquired or covered promptly through the establishment of an equivalent contrary position.

Liquidity risk management process considers the management of the assets and liabilities included in the consolidated statements of financial position (*Assets Liabilities Management - ALM*) in order to anticipate funding difficulties because of extreme events.

**Monitoring**

The risk management and financial planning areas of the Company, measure, monitor and report to the Risk Committee liquidity risks associated with the ALM and prepare limits for the authorization, implementation and operation thereof, as well as contingent action measures in case of liquidity requirements.

Liquidity risk caused by differences between current and projected cash flows at different dates are measured and monitored, considering all asset and liability positions of the Company denominated in local and foreign currency. Similarly, funding diversification and sources to which the Company has access are evaluated.

The Company quantifies the potential loss arising from early or forced sale of assets or sale at unusual discounts to meet its obligations in a timely manner, as well as by the fact that a position cannot be disposed of, acquired or covered timely through the establishment of a contrary equivalent position.

Liquidity risk monitoring considers a liquidity gap analysis, scenarios for lack of liquidity and use of alternative sources of financing.

Below are the contractual maturities of the financial liabilities, including estimated interest payments. As of the date of the consolidated financial statements, there are no financial instruments which have been offset or recognized positions that are subject to offsetting rights.

**Maturity table**

	December 31, 2021		
	Less than 1 year	1 to 3 years	3 to 5 years
Trade payables, sundry creditors and expenses payable	\$ 8,977,051	—	—
Due to related parties	185,429	—	—
Lease liabilities	279,809	324,630	47,041
Financial debt, maturities at variable rates			
In pesos	1,993,911	—	—
Interest	85,854	—	—
<b>Total financial liabilities</b>	<b>\$ 11,522,054</b>	<b>324,630</b>	<b>47,041</b>

	December 31, 2020		
	Less than 1 year	1 to 3 years	3 to 5 years
Trade payables, sundry creditors and expenses payable	\$ 5,049,103	—	—
Due to related parties	80,842	—	—
Derivative financial instruments	194,181	—	—
Lease liabilities	278,981	379,926	60,804
Financial debt, maturities at variable rates			
In U.S. dollars	778,050	—	—
In pesos	279,510	1,460,405	—
Interest	85,340	44,613	—
<b>Total financial liabilities</b>	<b>\$ 6,746,007</b>	<b>1,884,944</b>	<b>60,804</b>

	December 31, 2019		
	Less than 1 year	1 to 3 years	3 to 5 years
Trade payables, sundry creditors and expenses payable	\$ 4,491,171	—	—
Due to related parties	76,704	—	—
Lease liabilities	149,538	598,040	55,472
Financial debt, maturities at variable rates			
In U.S. dollars	2,831,191	—	—
In pesos	609,208	1,488,208	—
Interest	134,535	207,643	—
<b>Total financial liabilities</b>	<b>\$ 8,292,347</b>	<b>2,293,891</b>	<b>55,472</b>

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At least on a monthly basis, Management evaluates and advises the Board of Directors on its liquidity. As of December 31, 2021, the Company has evaluated that it has sufficient resources to meet its obligations in the short and long term; therefore, it does not consider having liquidity gaps in the future and it will not be necessary to sell assets to pay its debts at unusual discounts or at out-of-market prices.

### **d) Market risk**

Market risk is defined as the potential loss arising from the portfolio of derivative financial instruments and investment in securities for changes in risk factors that affect the valuation of short or long positions. In this sense, the uncertainty of future losses resulting from changes in market conditions (interest rates, foreign currency, prices of commodities, among others), which directly affects movements in the price of both assets and liabilities, is detected.

The Company measures, monitors and reports all financial instruments subject to market risk, using sensitivity measurement models to show the potential loss associated with movements in risk variables, according to different scenarios on rates, prices and types of change during the period.

#### ***Monitoring***

Sensitivity analyses are prepared at least monthly and are compared with the limits established. Any excess identified is reported to the Risk Committee.

#### ***Stress tests***

At least monthly, the Company conducts stress tests calculating the value of the portfolios and considering changes in risk factors observed in historical dates of financial stress.

#### ***i. Commodities price risk***

With respect to risks related to commodities designated in a formal hedging relationship, the Company seeks protection against downward variations in the agreed-upon price of corn and/or sorghum with the producer, which may represent an opportunity cost as there are lower prices in the current market upon receiving the inventory, and to hedge the risk of a decline in prices between the receipt date and that of inventory consumption.

Purchases of corn and/or sorghum are formalized through an agreement denominated "Forward buy-sell agreement", which has the following characteristics:

- Transaction date
- Number of agreed-upon tons
- Harvest, state and agricultural cycle from which the harvest originates
- Price of product per ton, plus quality award or penalty

Agricultural agreements that result in firm commitments are linked to two corn and/or sorghum agricultural cycles, and in contracting purchases, both contracting cycles and dates are itemized as follows:

- Fall-winter Cycle - The registration window period is at the discretion of the Mexican Food Safety (SEGALMEX, for its Spanish acronym) formerly Agency of Services for Distribution and Development of Agricultural Markets (ASERCA, for its Spanish acronym), which is usually between December and March, while the fall-winter cycle harvest period takes place during May, June and July. However, corn and/or sorghum harvest could lengthen up to one month or several months, depending on the weather conditions, such as drought and frost.
- Spring-summer Cycle - The registration window period is at the discretion of SEGALMEX; the spring-summer cycle usually takes place during the July and August and the harvest depends on each state of the country and is highly variable.

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During 2021 and 2020 the Company did not participate in any program. As of December 31, 2019 the Company participated in the ASERCA program as buyer of the corn and / or sorghum crops, for which the Company had to prove that a risk management instrument was maintained against market price fluctuations, based on the foregoing, the Company entered into "put" options with maturities in March 2020, July, September and December 2021, 2020 and 2019, with companies listed on the Chicago Mercantile Exchange. As of December 2019, the gain on valuation was \$574 (30 thousand dollars).

As of December 31, 2021 and 2020, the Company did not receive any subsidy. During 2019 there is a subsidy of \$50,730 by ASERCA for the purchase of hedging "puts" to the consumer. The Company participated in the "Agriculture by Contract" program with ASERCA, where contracts for the purchase of "put" options are registered with companies listed on the Chicago Mercantile Exchange and the benefit of this program is the recovery of the breach of Call hedge purchased, in turn, by the producer with ASERCA. The benefit under this scheme benefit as of December 31, 2019 was \$1,802. During 2021 and 2020, no benefits have been realized under this scheme.

With respect to the risk in *commodities* that are not designated in a formal hedging relationship and to which the Company is exposed, sensitivity tests on corn and sorghum futures agreements are performed, considering different (bullish and bearish) scenarios. The results of these sensitivity analyses are presented in paragraph g) of this note.

***ii. Chicken price risk***

The Company is exposed to financial risks mainly related to changes in the price of chicken. The Company presently does not anticipate that the price of chicken will decrease to a level that represents a risk to the Company in the future; therefore, as of December 31, 2021, 2020 and 2019, it has not entered into any derivative financial instrument or other agreement for managing the risk related to a decrease in the chicken price.

The Company reviews chicken prices frequently in order to evaluate the need of having a financial instrument to manage the risk of price increases.

***iii. Exchange risk***

The Company is exposed to the effects of exchange rate volatility, mainly in relation to Mexican pesos/dollars exchange rates on the Company's assets and liabilities, including: investments in securities and derivative financial instruments hedging commodities, which are denominated in a currency other than the Company's functional currency. In this regard, the Company has implemented a sensitivity analysis to measure the effects that currency risk may have over the assets and liabilities described.

The Company protects itself from exchange rate risk through economic hedging with derivative financial instruments, which cover a percentage of its estimated exposure to exchange rate volatility in relation to projected sale and purchase transactions. All instruments entered into as economic hedges of foreign exchange risk have maturities of less than one year from the contract date.

As of December 31, 2021, 2020 and 2019, the Company entered into derivative financial instrument positions as economic hedges to mitigate exchange rate risks.

***iv. Foreign currency position***

The Company has financial instrument assets and liabilities denominated in foreign currency on which there is an exposure to currency risk.

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Below is the foreign currency position that the Company has as of December 31, 2021, 2020 and 2019.

	December 31,					
	2021		2020		2019	
	Dollars	Mexican Pesos	Dollars	Mexican Pesos	Dollars	Mexican Pesos
<b>Assets</b>						
Cash and cash equivalents	\$ 447,316	9,174,451	479,325	9,562,534	569,569	10,759,165
Investment in securities at fair value through profit or loss	19,318	396,212	40,424	806,459	4,576	86,447
Investment in securities at fair value through other comprehensive income	76,168	1,562,206	47,003	937,715	16,716	315,761
Accounts receivable	3,572	73,268	2,683	53,517	2,160	40,809
Total assets	546,374	11,206,137	569,435	11,360,225	593,021	11,202,182
<b>Liabilities</b>						
Trade accounts payable	(277,467)	(5,690,856)	(107,224)	(2,139,115)	(120,699)	(2,280,003)
Financial debt	—	—	(39,000)	(778,050)	(149,878)	(2,831,191)
Lease liabilities	(7,854)	(161,088)	(6,558)	(130,828)	(7,635)	(144,224)
Total Liabilities	(285,321)	(5,851,944)	(152,782)	(3,047,993)	(278,212)	(5,255,418)
Net asset position	\$ 261,053	5,354,193	416,653	8,312,232	314,809	5,946,764

The Company performs a sensitivity analysis related to the potential effects of changes in exchange rates on its financial information. These results are shown in paragraph g) of this note. This analysis represents the scenarios that Management considers reasonably possible of occurring.

The following is a detail of exchange rates effective during the fiscal year:

	Average exchange rate			Spot exchange rate at		
				December 31,		
	2021	2020	2019	2021	2020	2019
Dollars	\$ 20.29	21.49	19.25	20.51	19.95	18.89

The exchange rate at the date of issuance of the consolidated financial statements is \$20.30.

v. ***Interest rate risk***

The Company is exposed to fluctuations in interest rates for certain financial instruments, such as its investments in financial instruments, bank loans and debt securities. This risk is managed taking into account market conditions and the criteria of its Risk Committee and Board of Directors.

Interest rate fluctuations impacted mainly bank loans by changing either their fair value (fixed rate debt) or the future cash flows (variable rate debt). Management does not have a formal policy to determine how much of the Company's exposure to interest rates should be at fixed or variable. However, at the time of obtaining new loans, Management uses its judgment considering technical analyses and market forecasts to decide whether fixed or variable rate instruments would be more favorable during the terms of such instruments.

To monitor this risk, the Company performs sensitivity tests at least monthly to measure the effect of the change in interest rates in the instruments described in the preceding paragraph, which are summarized in subsection g) of this note.

e) **Financial instruments at fair value**

The amounts of accounts payable and accounts receivable approximate their fair value because of their nature and short-term maturities.

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The table below summarizes the fair value of the financial instruments that are recognized at amortized cost, together with the carrying amount included in the consolidated statements of financial position:

Liabilities recorded at amortized cost	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	2021		2020		2019	
Financial debt	\$ 1,993,911	1,994,423	2,517,965	2,550,758	4,928,607	4,952,445

**f) Fair value hierarchy**

The fair value of financial assets and liabilities is determined as follows:

- The fair value of the financial assets and liabilities that have standard terms and conditions and are traded in active liquid markets, which are determined by reference to quoted market prices (market approach), therefore, these instruments are considered Level 1 hierarchy according to the classification of fair value hierarchy described in note 2 b).
- The fair value of derivative financial instruments of the Company (*commodities*) is determined based on the future prices of the Chicago Stock Exchange, so these instruments are considered Level 2 hierarchy.

The following table summarizes financial instruments carried at fair value:

	Level 1	Level 2	Level 3	Total
<b>As of December 31, 2021</b>				
Investment in securities at fair value through profit or loss	\$ 10,841	—	—	10,841
Investment in securities at fair value through other comprehensive income	1,559,823	—	—	1,559,823
Derivative financial instruments	—	69,862	—	69,862
	<u>\$ 1,570,664</u>	<u>69,862</u>	<u>—</u>	<u>1,640,526</u>
<b>As of December 31, 2020</b>				
Investment in securities at fair value through profit or loss	\$ 1,018,322	—	—	1,018,322
Investment in securities at fair value through other comprehensive income	937,715	—	—	937,715
Derivative financial instruments	—	(194,181)	—	(194,181)
	<u>\$ 1,956,037</u>	<u>(194,181)</u>	<u>—</u>	<u>1,761,856</u>
<b>As of December 31, 2019</b>				
Investment in securities at fair value through profit or loss	\$ 186,284	—	—	186,284
Investment in securities at fair value through other comprehensive income	315,761	—	—	315,761
Derivative financial instruments	—	18,098	—	18,098
	<u>\$ 502,045</u>	<u>18,098</u>	<u>—</u>	<u>520,143</u>

Information regarding the hierarchy of fair value measurements related to financial liabilities that are not recognized at fair value, but for which disclosures are required, is summarized below:

	Level 1	Level 2	Level 3	Total
<b>As of December 31, 2021</b>				
Financial debt - bank institutions	\$ —	(500,246)	—	(500,246)
Financial debt – debt securities	(1,494,177)	—	—	(1,494,177)
	<u>\$ (1,494,177)</u>	<u>(500,246)</u>	<u>—</u>	<u>(1,994,423)</u>

	Level 1	Level 2	Level 3	Total
<b>As of December 31, 2020</b>				
Financial debt - bank institutions	\$ —	(1,059,300)	—	(1,059,300)
Financial debt – debt securities	(1,491,458)	—	—	(1,491,458)
	<u>\$ (1,491,458)</u>	<u>(1,059,300)</u>	<u>—</u>	<u>(2,550,758)</u>
<b>As of December 31, 2019</b>				
Financial debt - bank institutions	\$ —	(3,455,810)	—	(3,455,810)
Financial debt – debt securities	(1,496,635)	—	—	(1,496,635)
	<u>\$ (1,496,635)</u>	<u>(3,455,810)</u>	<u>—</u>	<u>(4,952,445)</u>

**g) Quantitative sensitivity measurements**

The following are sensitivity analysis for the most significant risks to which the Company is exposed as of December 31, 2021, 2020 and 2019. These analyses represent the scenarios that Management believes are reasonably possible of occurring in future periods and were evaluated in accordance with the policies of the Company’s Risk Committee.

***i. Derivative Financial Instruments related to exchange rate and commodities risks***

As of December 31, 2021, the Company has taken positions on derivative financial instruments to hedge exchange rate risks and commodities.

A 15% increase in the Mexican peso with respect to the U.S. dollar as of the end of 2021, 2020 and 2019 would have resulted in a valuation gain of \$34,443, \$506,705 and \$16,824 on the fair value of the Company’s exchange rate derivative financial instruments position. On the other hand, a decrease of 15% in the aforementioned rate would have resulted in an additional valuation loss during the respective periods of \$34,698, \$1,405,538 and \$31,133.

The following table shows the Company’s sensitivity to an increase and decrease of 15% for 2021, 2020 and 2019 in the “bushel” price of corn and short ton price of soybeans.

	Effect of Increase			Effect of Decrease		
	2021	2020	2019	2021	2020	2019
Loss (profit) for the year	\$ (37,847)	(87,711)	(121,762)	\$ 20,919	(12,530)	100,490

***ii. Interest rate risk***

As described in Note 18, the Company has financial debt denominated in pesos and dollars, which bear interest at variable rates based on TIIE and LIBOR, respectively.

The following table shows the Company’s sensitivity to an increase and decrease of 50 basis points for 2021, 2020 and 2019, in the variable rates to which the Company is exposed.

	Effect of Increase			Effect of Decrease		
	2021	2020	2019	2021	2020	2019
Loss (profit) for the year	\$ 8,291	13,390	24,465	\$ (8,291)	(13,390)	(24,465)

***iii. Exchange risk***

As of December 31, 2021, 2020 and 2019, the Company’s net monetary liability position in foreign currency was \$5,354,193, \$8,312,232 and \$5,946,764, respectively.

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The following table shows the Company's sensitivity of an increase and decrease of 30% for 2021, 2020 and 2019, in exchange rate, which would have an effect in the result from foreign currency position.

	Effect of Increase			Effect of Decrease		
	2021	2020	2019	2021	2020	2019
Loss (profit) for the year	\$ (1,606,255)	(2,493,673)	(1,784,045)	\$ 1,606,255	2,493,673	1,784,045

**(9) Accounts receivable, net**

As of December 31, 2021, 2020 and 2019, accounts receivable are as follows:

	December 31,		
	2021	2020	2019
Trade receivables	\$ 3,162,920	2,772,418	2,595,978
Allowance for doubtful accounts	(60,717)	(68,360)	(72,886)
Income tax receivable	121,315	190,110	187,912
Recoverable value-added tax and other recoverable taxes	1,884,649	1,471,851	1,156,106
	<u>\$ 5,108,167</u>	<u>4,366,019</u>	<u>3,867,110</u>

**Past-due but not impaired portfolio**

Below is a classification of trade accounts receivable according to their aging as of the reporting date, which has not been subject to impairment:

	December 31,		
	2021	2020	2019
Past due at 60 days	8,079	18,811	20,463
Past due by more than 60 days	8,443	98,054	47,573
	<u>\$ 16,522</u>	<u>116,865</u>	<u>68,036</u>

The Company believes that non-impaired amounts that are past-due by more than 60 days can still be collected, based on the historical behavior of payments and analysis of credit ratings of customers.

**Reconciliation of movements in allowance for doubtful accounts**

	2021	2020	2019
Balance as of January 1	\$ (68,360)	(72,886)	(79,937)
Increase in allowance	(706)	(1,826)	(57)
Amounts written off	8,436	6,458	7,030
Currency translation effect	(87)	(106)	78
Balance as of December 31,	<u>\$ (60,717)</u>	<u>(68,360)</u>	<u>(72,886)</u>

As of December 31, 2021, 2020 and 2019 the Company has receivables in legal proceedings (receivables for which legal counsel is seeking recoverability) of \$157,012, \$143,278 and \$140,304, respectively.

To determine the recoverability of an account receivable, the Company considers any change in the credit quality of the account receivable from the date of authorization of the credit line to the end of the reference period. In addition, the Company estimates that the credit risk concentration is limited as the customer base is very large and there are no related party receivables or receivables from entities under common control.

**Expected credit losses**

The Company recognizes expected credit losses for life for trade accounts receivable, which are estimated using a provision matrix based on the Company's historical experience of credit losses, adjusted for factors that are specific each of the Company's customer and debtor groups, general economic conditions and an assessment of both the current and forecast conditions at the reporting date, including the time value of money when appropriate. During 2017 the estimated credit losses were based on the incurred loss model.

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The expected credit losses for 2021, 2020 and 2019 in trade accounts receivable under IFRS 9 were estimated at \$37,249, \$25,962 and \$50,753, considering the balances of the portfolio and the different customer groups of the Company.

The Company decided to maintain its previously recorded estimated reserve for doubtful accounts for its subsidiaries, according to balances shown in the reconciliation of movements in the estimate of doubtful accounts shown above, although such amounts were higher than the expected credit losses in 2021, 2020 and 2019, as described in the previous paragraph.

**(10) Inventories**

As of December 31, 2021, 2020 and 2019, inventories are as follows:

	December 31,		
	2021	2020	2019
Raw materials and by-products	\$ 2,775,890	2,410,275	1,836,783
Medicine, materials and spare parts	1,344,944	1,110,559	877,837
Balanced feed	467,359	380,121	330,238
Processed chicken	1,552,946	1,575,985	1,554,115
Commercial eggs	63,764	55,364	56,599
Processed beef	167,582	151,402	47,954
Processed turkey	1,620	2,472	4,482
Other processed products	1,885	2,160	2,199
<b>Total</b>	<b>\$ 6,375,990</b>	<b>5,688,338</b>	<b>4,710,207</b>

Inventory consumption for the years ended December 31, 2021, 2020 and 2019 was \$54,103,917, \$44,747,933 and \$39,823,395, respectively (note 23).

The adjustment to the net realizable value of certain inventories during 2021, 2020 and 2019 was for \$ 39,975, \$57,074 and \$ 35,328, respectively.

**(11) Biological assets**

For the years ended December 31, 2021, 2020 and 2019, biological assets are as follows:

	Current biological assets		Non-current biological assets		Total	
	\$		\$		\$	
Balance as of January 1, 2021	\$	2,012,668	\$	1,991,530	\$	4,004,198
Increase due to purchases		429,551		840,112		1,269,663
Sales		—		(46,866)		(46,866)
Net increase due to births		377,449		3,083,747		3,461,196
Production cost		42,518,242		2,335,691		44,853,933
Depreciation		—		(2,784,562)		(2,784,562)
Transfers to inventories		(42,628,413)		(3,083,747)		(45,712,160)
Other		60,115		22,232		82,347
<b>Balance as of December 31, 2021</b>	<b>\$</b>	<b>2,769,612</b>	<b>\$</b>	<b>2,358,137</b>	<b>\$</b>	<b>5,127,749</b>
Balance as of January 1, 2020	\$	2,043,234	\$	1,818,911	\$	3,862,145
Increase due to purchases		686,756		797,039		1,483,795
Sales		—		20,966		20,966
Net increase due to births		264,386		2,507,769		2,772,155
Production cost		35,585,551		1,877,418		37,462,969
Depreciation		—		(2,565,283)		(2,565,283)
Transfers to inventories		(36,786,599)		(2,507,769)		(39,294,368)
Other		219,340		42,479		261,829
<b>Balance as of December 31, 2020</b>	<b>\$</b>	<b>2,012,668</b>	<b>\$</b>	<b>1,991,530</b>	<b>\$</b>	<b>4,000,198</b>

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	Current biological assets	Non-current biological assets	Total
Balance as of January 1, 2019	\$ 2,073,526	1,721,728	3,795,254
Increase due to purchases	510,403	701,764	1,212,167
Sales	—	(73,409)	(73,409)
Net increase due to births	267,773	2,378,419	2,646,192
Production cost	32,894,675	1,761,456	34,656,131
Depreciation	—	(2,262,245)	(2,262,245)
Transfers to inventories	(33,651,137)	(2,378,419)	(36,029,556)
Other	(52,003)	(30,383)	(82,386)
Balance as of December 31, 2019	<u>\$ 2,043,237</u>	<u>1,818,911</u>	<u>3,862,148</u>

The “Other” category includes the change in fair value of biological assets that resulted in a decrease of \$48,338 and \$31,701 in 2021 and 2020, and increase of \$35,487 in 2019.

The Company is exposed to different risks relating to its biological assets:

- Future excesses in the offer of poultry products and a decline in the demand growth of the chicken industry may negatively affect the Company’s results.
- Increases in raw material prices and price volatility may negatively affect the Company’s margins and results.
- In addition, in the case of the Company’s operations in the United States of America, the cost of corn and grain may be affected by an increase in the demand for ethanol, which may reduce the market’s available corn inventory.
- Operations in Mexico and the United States of America are based on animal breeding and meat processing, which are subject to sanitary risks and natural disasters.
- Hurricanes and other adverse climate conditions may result in additional inventory losses and damage to the Company’s facilities and equipment.

**(12) Prepaid expenses and other current assets**

As of December 31, 2021, 2020 and 2019, prepaid expenses and other current assets are as follows:

	December 31,		
	2021	2020	2019
Advances to suppliers of inventories	\$ 2,163,450	613,188	628,286
Prepaid expenses for services	264,208	303,345	280,950
Prepaid expenses for insurance and sureties	95,441	74,565	128,178
Other current assets	234,024	230,157	189,782
Total	<u>\$ 2,757,123</u>	<u>1,221,255</u>	<u>1,227,196</u>

**(13) Assets held for sale**

As of December 31, 2021, 2020 and 2019, assets held for sale are as follows:

	December 31,		
	2021	2020	2019
Buildings	\$ 24,786	24,208	22,394
Land	31,793	29,563	29,563
Other	857	859	959
Total	<u>\$ 57,436</u>	<u>54,630</u>	<u>52,916</u>

The Company recognized gains (losses) on sales of these assets of (\$31), \$510 and \$2,311 during 2021, 2020 and 2019, respectively.

**(14) Property, plant and equipment**

As of December 31, 2021, 2020 and 2019, property, plant and equipment are comprised as follows:

Cost	Balance as of January 1, 2021	Additions	Disposals	Currency translation effect	Balance as of December 31, 2021
Land	\$ 1,655,428	21,342	—	2,632	1,679,402
Buildings and construction	12,821,193	626,606	(3,039)	48,859	13,493,619
Machinery and equipment	17,116,908	1,528,891	(274,090)	86,276	18,457,985
Transportation equipment	2,445,634	399,687	(175,643)	1,021	2,670,699
Computer equipment	151,117	11,345	(1,078)	1,636	163,020
Furniture	205,933	17,162	(9,728)	355	213,722
Leasehold improvements	8,037	—	(703)	—	7,334
Construction in progress	1,675,894	874,460	—	2,235	2,552,589
<b>Total</b>	<b>\$ 36,080,144</b>	<b>3,479,493</b>	<b>(464,281)</b>	<b>143,014</b>	<b>39,238,370</b>

Accumulated depreciation	Balance as of January 1 2021	Depreciation for the year	Disposals	Currency translation effect	Balance as of December 31, 2021
Buildings and construction	\$ (5,836,750)	(262,839)	2,360	(12,611)	(6,109,840)
Machinery and equipment	(9,267,337)	(923,114)	204,221	(58,202)	(10,044,432)
Transportation equipment	(965,535)	(183,530)	121,112	(762)	(1,028,715)
Computer equipment	(130,187)	(11,532)	977	(1,433)	(142,175)
Furniture	(146,513)	(12,082)	9,092	(303)	(149,806)
<b>Total</b>	<b>\$ (16,346,322)</b>	<b>(1,393,097)</b>	<b>337,762</b>	<b>(73,311)</b>	<b>(17,474,968)</b>

Cost	Balance as of January 1, 2020	Additions	Disposals	Currency translation effect	Balance as of December 31, 2020
Land	\$ 1,553,499	102,847	(5,900)	4,982	1,655,428
Buildings and construction	12,340,405	686,270	(297,490)	92,008	12,821,193
Machinery and equipment	15,866,952	1,240,779	(145,320)	154,497	17,116,908
Transportation equipment	2,111,999	462,344	(130,089)	1,380	2,445,634
Computer equipment	134,481	13,784	(244)	3,096	151,117
Furniture	190,289	21,325	(6,463)	782	205,933
Leasehold improvements	3,598	4,439	—	—	8,037
Construction in progress	1,459,922	220,493	—	(4,521)	1,675,894
<b>Total</b>	<b>\$ 33,661,145</b>	<b>2,752,281</b>	<b>(585,506)</b>	<b>252,224</b>	<b>36,080,144</b>

Accumulated depreciation	Balance as of January 1 2020	Depreciation for the year	Disposals	Currency translation effect	Balance as of December 31, 2020
Buildings and construction	\$ (5,750,971)	(299,865)	229,718	(15,632)	(5,836,750)
Machinery and equipment	(8,253,772)	(1,048,758)	96,589	(61,396)	(9,267,337)
Transportation equipment	(856,429)	(204,384)	96,553	(1,275)	(965,535)
Computer equipment	(107,016)	(21,721)	160	(1,610)	(130,187)
Furniture	(136,311)	(15,575)	5,863	(490)	(146,513)
<b>Total</b>	<b>\$ (15,104,499)</b>	<b>(1,590,303)</b>	<b>428,883</b>	<b>(80,403)</b>	<b>(16,346,322)</b>

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Cost	Balance as of January 1, 2019	Additions	Disposals	Currency translation effect	Balance as of December 31, 2019
Land	\$ 1,378,090	209,752	(30,677)	(3,666)	1,553,499
Buildings and construction	11,943,476	472,095	(7,478)	(67,688)	12,340,405
Machinery and equipment	15,182,044	891,008	(92,623)	(113,477)	15,866,952
Transportation equipment	1,792,273	474,960	(154,116)	(1,118)	2,111,999
Computer equipment	136,183	3,828	(3,257)	(2,273)	134,481
Furniture	178,455	17,684	(5,295)	(555)	190,289
Leasehold improvements	4,350	—	(752)	—	3,598
Construction in progress	1,501,697	—	(38,065)	(3,710)	1,459,922
Total	\$ 32,116,568	2,069,327	(332,263)	(192,487)	33,661,145

Accumulated depreciation	Balance as of January 1 2019	Depreciation for the year	Disposals	Currency translation effect	Balance as of December 31, 2019
Buildings and construction	\$ (5,536,825)	(230,450)	2,199	14,105	(5,750,971)
Machinery and equipment	(7,505,222)	(874,447)	65,136	60,761	(8,253,772)
Transportation equipment	(829,664)	(134,708)	106,955	988	(856,429)
Computer equipment	(98,034)	(13,635)	3,145	1,508	(107,016)
Furniture	(128,647)	(12,151)	4,109	378	(136,311)
Total	\$ (14,098,392)	(1,265,391)	181,544	77,740	(15,104,499)

Carrying amounts, net	December 31,		
	2021	2020	2019
Land	\$ 1,679,402	1,655,428	1,553,499
Buildings and construction	7,383,779	6,984,443	6,589,434
Machinery and equipment	8,413,553	7,849,571	7,613,180
Transportation equipment	1,641,984	1,480,099	1,255,570
Computer equipment	20,845	20,930	27,465
Furniture	63,916	59,420	53,978
Leasehold improvements	7,334	8,037	3,598
Construction in progress	2,552,589	1,675,894	1,459,922
Total	\$ 21,763,402	19,733,822	18,556,646

Additions of property, plant and equipment in 2020 include assets acquired through business combinations of \$383,680 that consist of the following:

Land	\$ 62,050
Buildings and construction	231,264
Machinery and equipment	73,332
Transportation equipment	4,825
Computer equipment	1,761
Furniture	1,115
Construction in progress	9,333
Total	\$ 383,680

Depreciation expense during the years ended December 31, 2021, 2020 and 2019 was \$1,393,097, \$1,590,303 and \$1,265,391, respectively, which was charged to cost of sales and operating expenses, see note 23.

(15) Goodwill

	2021	2020	2019
Balances at beginning of the year	\$ 1,650,716	1,578,994	1,631,771
Foreign currency effects	37,891	71,722	(52,777)
Balances at end of year	<u>\$ 1,688,607</u>	<u>1,650,716</u>	<u>1,578,994</u>

The recoverable amount of the cash-generating unit is determined based on a calculation of its value in use, which uses projections of the estimated cash flows based on financial budgets approved by Management for a determined projection period, which are discounted using an annual discount rate.

Projections of the cash flows during the budgeted period are based on sales projections which include increases due to inflation, as well as the projection of expected gross margins and operating margins during the budgeted period. Cash flows that exceed such period are extrapolated using an annual stable growth rate, which is the long-term weighted average growth rate for the market in which the cash-generating unit operates. For the years ended December 31, 2021, 2020, and 2019, no goodwill impairment loss was determined.

The assumptions and balances of each cash-generating unit are as follows:

Cash-generating unit	2021			
	Final balance of the year	Projection period (years)	Annual discount rate (%)	Annual growth rate (%)
Bachoco - Istmo and Peninsula regions	\$ 212,833	5	12.63 %	3.00 %
Campi	88,015	5	12.63 %	3.00 %
Ok Farms - Morris Hatchery, Inc. Arkansas	68,019	5	3.26 %	0.00 %
Ok Farms - Morris Hatchery Inc. Georgia	114,851	5	3.26 %	0.00 %
Ok Foods- Albertville Quality Foods, Inc.	1,204,889	5	10.00 %	3.40 %
	<u>\$ 1,688,607</u>			

Cash-generating unit	2020			
	Final balance of the year	Projection period (years)	Annual discount rate (%)	Annual growth rate (%)
Bachoco - Istmo and Peninsula regions	\$ 212,833	5	12.95 %	3.00 %
Campi	88,015	5	12.95 %	3.00 %
Ok Farms - Morris Hatchery, Inc. Arkansas	66,162	5	3.43 %	0.00 %
Ok Farms - Morris Hatchery Inc. Georgia	111,715	5	3.43 %	0.00 %
Ok Foods- Albertville Quality Foods, Inc.	1,171,991	5	3.43 %	0.00 %
	<u>\$ 1,650,716</u>			

Cash-generating unit	2019			
	Final balance of the year	Projection period (years)	Annual discount rate (%)	Annual growth rate (%)
Bachoco - Istmo and Peninsula regions	\$ 212,833	5	12.84 %	3.00 %
Campi	88,015	5	12.84 %	3.00 %
Ok Farms - Morris Hatchery, Inc. Arkansas	62,647	5	5.22 %	0.00 %
Ok Farms - Morris Hatchery Inc. Georgia	105,780	5	5.22 %	0.00 %
Ok Foods- Albertville Quality Foods, Inc.	1,109,719	5	5.22 %	0.00 %
	<u>\$ 1,578,994</u>			

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As of December 31, 2021, the percentage by which the recoverable amount of each cash-generating unit exceeds its carrying amount is shown below:

<b>Cash-generating unit</b>	<b>%</b>
Bachoco - Istmo and Peninsula regions	49 %
Campi	130 %
Ok Farms- Morris Hatchery Inc. Arkansas	183 %
Ok Farms- Morris Hatchery Inc. Georgia	60 %
Ok Foods- Albertville Quality Foods, Inc.	4 %

Management considers that any possible reasonable change in the key assumptions (revenue growth rate and annual discount rate), on which the recoverable amount is based, would not cause the carrying amount of the cash-generating units to be less than their recoverable amount.

The Company performed a sensitivity analysis considering a decrease in the revenue growth rate of 200 basis points and an increase of 200 basis points in the annual discount rate, as a result of this analysis, the Company concluded that for all cash-generating units there is no impairment to recognize, except Ok Foods-Albertville Quality Foods, Inc. which would have an impairment.

**(16) Intangible assets**

The balances as of December 31, 2021, 2020 and 2019 for \$704,374, \$753,224 and \$772,640 are mainly comprised of trade names and customer relationships derived from the purchase through its subsidiary OK Foods, Inc. Customer relationships are generally amortized over 15 years based on the pattern of revenue expected to be generated from the use of the asset.

Indefinite life intangible assets are initially recorded at their fair value and are not amortized, but they are reviewed for impairment at least annually or more frequently if impairment indicators arise.

During 2021, an impairment of \$5,459 was determined in one of the commercial brands due to the decrease in sales. During 2019 the Company ended a relationship with clients for which an intangible asset was recognized. The Company does not expect to do future business with those clients resulting in an impairment in intangible assets from customer relationships of \$73,733, which was charged to the results of the fiscal year as other expenses.

**a) Intangible assets consist of the following:**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Amortizable intangible assets</b>			
Customer relationships	\$ 968,012	941,582	891,553
Accumulated amortization	(290,404)	(219,702)	(74,859)
Impairment loss	—	—	(73,733)
Total net amortizable intangible assets	677,608	721,880	742,961
Trade names not subject to amortization	32,225	31,344	29,679
Impairment loss	(5,459)	—	—
Total intangible assets	\$ 704,374	753,224	772,640

b) Reconciliation between the carrying amounts at the beginning and at the end of the intangible assets

	Customer relationships	Trade names not subject to amortization	Total
<b>Carrying amounts</b>			
Balance as of January 1, 2021	\$ 941,582	31,344	972,926
Additions	—	—	—
Impairment loss	—	(5,459)	(5,459)
Currency translation effect	26,430	881	27,311
Balance as of December 31, 2021	968,012	26,766	994,778
<b>Accumulated amortization</b>			
Balance as of January 1, 2021	(219,702)	—	(219,702)
Additions	—	—	—
Amortization expense	(70,702)	—	(70,702)
Balance as of December 31, 2021	(290,404)	—	(290,404)
Total intangible assets	\$ 677,608	26,766	704,374

	Customer relationships	Trade names not subject to amortization	Total
<b>Carrying amounts</b>			
Balance as of January 1, 2020	\$ 817,820	29,679	847,499
Additions	—	—	—
Currency translation effect	123,762	1,665	125,427
Balance as of December 31, 2020	941,582	31,344	972,926
<b>Accumulated amortization</b>			
Balance as of January 1, 2020	(74,859)	—	(74,859)
Additions	—	—	—
Amortization expense	(144,843)	—	(144,843)
Balance as of December 31, 2020	(219,702)	—	(219,702)
Total intangible assets	\$ 721,880	31,344	753,224

	Customer relationships	Trade names not subject to amortization	Total
<b>Carrying amounts</b>			
Balance as of January 1, 2019	\$ 1,014,361	30,905	1,045,266
Additions	—	—	—
Impairment loss	(73,733)	—	(73,733)
Currency translation effect	(122,808)	(1,226)	(124,034)
Balance as of December 31, 2019	817,820	29,679	847,499
<b>Accumulated amortization</b>			
Balance as of January 1, 2019	(95,911)	—	(95,911)
Additions	—	—	—
Amortization expense	21,052	—	21,052
Balance as of December 31, 2019	(74,859)	—	(74,859)
Total intangible assets	\$ 742,961	29,679	772,640

**(17) Other non-current assets**

Other non-current assets consist of the following:

	December 31,		
	2021	2020	2019
Advances for purchase of property, plant and equipment	\$ 367,023	472,828	495,015
Investments in life insurance (note 3 (l))	74,148	71,431	65,545
Security deposits	24,511	23,476	21,545
Other long-term receivable	211,278	193,689	173,488
Intangible assets in process	1,616	2,996	2,841
Other	56,128	54,502	51,614
<b>Total non-current assets</b>	<b>\$ 734,704</b>	<b>818,922</b>	<b>810,048</b>

**(18) Financial debt**

**a) Short-term financial debt is as follows:**

	December 31,		
	2021	2020	2019
Loan in the amount of 70,000 thousand dollars, maturing in January 2020, at LIBOR (3) rate plus 0.62 percentage points.	\$ —	—	1,322,176
Loan denominated in pesos, maturing in January 2020, at TIIE (1) rate plus 0.50 percentage points.	—	—	50,000
Loan in the amount of 80,000 thousand dollars, maturing in February 2020, at LIBOR6 (4) rate plus 0.35 percentage points.	—	—	1,509,015
Loan denominated in pesos, maturing in February 2020, at TIIE (1) rate plus 1.05 percentage points.	—	—	449,572
Loan denominated in pesos, maturing in May 2020, at TIIE (1) rate plus 1.05 percentage points.	—	—	99,678
Loan denominated in pesos, maturing in June 2020, at TIIE (1) rate plus 0.50 percentage points.	—	—	9,958
Loan in the amount of 39,000 thousand dollars, maturing in January 2021, at LIBOR (3) rate plus 0.60 percentage points.	—	778,050	—
Loan denominated in pesos, maturing in February 2021, at TIIE (1) rate plus 0.90 percentage points.	—	70,011	—
Loan denominated in pesos, maturing in December 2022, at TIIE (1) rate plus 0.29 percentage points.	500,081	—	—
<b>Total short-term debt</b>	<b>\$ 500,081</b>	<b>848,061</b>	<b>3,440,399</b>

The annual weighted average interest rate of short-term loans denominated in pesos for 2021, 2020 and 2019 was 5.28%, 6.71% and 9.24%, respectively. The average interest rate for loans outstanding as of December 31, 2021, 2020 and 2019 was 5.68%, 5.50% and 8.77%, respectively.

The annual weighted average interest rate of short-term loans denominated in dollars for the years 2021, 2020 and 2019 was 0.73%, 1.61% and 2.36%, respectively. As of December 31, 2021, there are no current short-term loans, the average interest rate for loans outstanding as of December 31, 2020 and 2019 was 0.75%, 2.37%, respectively.

- (1) TIIE (for its acronym in Spanish) = Interbank Equilibrium Rate
- (2) FIRA (for its acronym in Spanish) = Agriculture Trust Funds
- (3) LIBOR= London Interbank Offered Rate
- (4) LIBOR6= London InterBank Offered Rate (6 months)

**b) Long-term debt consists of the following:**

	December 31,		
	2021	2020	2019
Loan denominated in pesos, maturing in May 2021, at TIIE (1) plus 1.05 percentage points.	\$ —	209,499	—
Debt securities (subsection (d) of this note)	1,493,830	1,460,405	1,488,208
<b>Total</b>	<b>1,493,830</b>	<b>1,669,904</b>	<b>1,488,208</b>
Less current maturities	(1,493,830)	(209,499)	—
<b>Long-term debt, excluding current maturities</b>	<b>\$ —</b>	<b>1,460,405</b>	<b>1,488,208</b>

The annual weighted average interest rate on long-term debt for 2021, 2020 and 2019 was 4.90%, 6.49% and 8.53%, respectively. The average rate for outstanding loans as of December 31, 2021, 2020 and 2019 was 5.43%, 4.91% and 8.26%, respectively.

- (1) TIIE (for its acronym in Spanish) = Interbank Equilibrium Rate
- (2) FIRA (for its acronym in Spanish) = Trust Established in Relation to Agriculture

During 2021 the Company did not make early payments on its long-term debt, during 2020 and 2019 the Company made early payments on its long-term debt of \$17,877 and \$51,000, payment of commissions for early termination was not required.

As of December 31, 2021, 2020 and 2019, unused lines of credit amounted to \$9,935,420, \$6,919,625 and \$3,325,981, respectively. In all such years, the Company did not pay any fee for undrawn balances.

The amount of future unearned interest is \$ 56,280.

Interest expense on total loans during the years ended December 31, 2021, 2020 and 2019, amounted to \$104,179, \$159,169 and \$250,820, respectively, (note 29).

Certain bank loans establish certain affirmative and negative covenants, as well as the requirement to maintain certain financial ratios, which have been met as of December 31, 2021, among which are:

- a) Provide financial information at the request of the bank.
- b) Not to contract liabilities with financial cost or grant loans that may affect payment obligations.
- c) Notify the bank regarding the existence of legal issues that could substantially affect the financial situation of the Company.
- d) Not to perform substantial changes to the nature of the business, or in structure or Administration.
- e) Not to merge, consolidate, separate, settle or dissolve except for those mergers in which the Company or surety are the merging company and do not constitute a change in control of the entities of the group to which the Company or the surety belong at the date of the agreement.

**c) Issuance of debt securities**

On August 25, 2017, a second issuance of debt securities was carried out for a total amount of \$1,500,000 with ticker symbol: "BACHOCO 17" for a term of 1,820 days, equivalent to 65 periods of 28 days, approximately five years, with 15,000,000 debt securities and a par value of \$100 pesos per certificate.

From the date of issuance, and while the debt securities have not been paid, they will accrue annual gross interest on their face amount, at an annual interest rate, which is calculated by adding 0.31 percentage points at the 28-day TIIE, and in the event the 28-day TIIE is not published, at the nearest term published by the Bank of Mexico. The debt issue that expired in 2017 accrued a gross interest on its nominal value, at an annual interest rate, which was calculated by adding 0.60 percentage points to the 28-day TIIE.

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The payment of the debt securities is carried out at the expiration of the contractual term of each issuance. Direct costs arising from debt issuance or contract are deferred and paid as part of financial expense using the effective interest rate through the term of each transaction. Such costs include commissions and professional fees.

(1) UDIS = Investment units

Derived from the issuance of debt securities, the Company is subject to certain requirements, affirmative and negative covenants similar to those of its financial debt indicated above, with which they comply as of December 31, 2021.

**d) Reconciliation of liabilities arising from financing debt**

	<b>December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Balance as of January 1	\$ 2,517,965	4,928,607	5,037,600
Changes that represent cash flows			
Proceeds from borrowings	1,709,080	4,030,700	4,839,000
Principal payment on loans	(2,267,280)	(6,762,222)	(4,808,163)
Changes that do not represent cash flows			
Other	34,146	320,880	(139,830)
Balance as of December 31	<u>\$ 1,993,911</u>	<u>2,517,965</u>	<u>4,928,607</u>

**(19) Trade accounts and other accounts payable**

	<b>December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Trade payables	\$ 8,122,486	4,516,424	3,972,460
Sundry creditors and expenses payable	854,565	532,679	518,711
Provisions	74,146	24,099	64,154
Statutory employee profit sharing	291,744	62,075	86,710
Retained payroll taxes and other local taxes	359,379	375,086	275,214
Direct employee benefits	311,367	232,083	213,345
Interest payable	1,436	10,575	28,060
Others	133	116	173
	<u>\$ 10,015,256</u>	<u>5,753,137</u>	<u>5,158,827</u>

Note 8 discloses the Company's exposure to the exchange and liquidity risks related to trade accounts payable and other accounts payable.

In December 2009, the National Water Commission (CNA, for its Spanish acronym) imposed credits and fines to the Company for supposed infractions made by the Company in water administration for exploitation of livestock. The Company has recognized a provision for the amount that it expects to be probable to pay.

During 2021 the Company the Company recognized a provision for the amount that it considers likely to disburse due to ongoing litigation with a high probability of unfavorable resolution.

Bachoco USA, LLC. is involved in claims with the *United States of America Department of Labor* and the *Unites State Immigration and Customs Enforcement*, and various other matters related to its business, including workers' payment claims and environmental issues. As of December 31, 2021, 2020 and 2019 the Company has not recorded any provision because the Administration considers that it is likely that there will be a favorable outcome of the litigation.

**(20) Transactions and balances with related parties**

**a) Transactions with Management**

**Compensation**

The following table shows the compensation paid to the directors and executives for services provided in their respective positions for the years ended December 31, 2021, 2020 and 2019:

	<b>December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Compensation	\$ 73,721	57,429	52,635

**b) Transactions with other related parties**

Below is a summary of the Company's transactions and balances with other related parties, which are comprised of affiliates that are under common control:

***i. Revenues and balances receivable to related parties***

	<b>Transaction value</b>			<b>Balance as of</b>		
	<b>December 31,</b>			<b>December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Sales of products to:						
Vimifos, S.A. de C.V.	\$ 5,921	4,055	9,323	\$ 284	400	785
Frescopack, S.A. de C.V.	63	53	58	—	—	58
Taxis Aéreos del Noroeste, S.A. de C.V.	51	31	42	—	—	—
Alimentos Kowi, S.A. de C.V.	662	832	934	7	286	337
Sonora Agropecuaria, S.A. DE C.V.	—	123,756	178,624	—	—	12,494
	<u>\$ 6,697</u>	<u>128,727</u>	<u>188,981</u>	<u>\$ 291</u>	<u>686</u>	<u>13,674</u>

ii. *Expenses and balances payable to related parties*

	Transaction value			Balance as of		
	December 31,			December 31,		
	2021	2020	2019	2021	2020	2019
<b>Purchases of food, raw materials and packing supplies</b>						
Vimifos, S.A. de C.V.	\$ 440,379	411,129	582,458	\$ 41,219	58,836	41,399
Frescopack, S.A. de C.V.	103,778	143,849	148,210	65,542	9,554	26,233
Pulmex 2000, S.A. de C.V.	17,870	21,414	20,667	5,609	2,407	3,976
Qualyplast, S.A. de C.V.	6,971	1,184	244	—	251	—
Alimentos Kowi, S.A. de C.V.	—	—	907	—	—	—
Sonora Agropecuaria, S.A. de C.V.	—	4,425	3,374	—	—	—
Granja, Rab S.A. de C.V.	75,747	—	—	3,187	—	—
Fertilizantes Tepeyac, S.A. de C.V.	399,480	—	—	32	—	—
EBIPAC S.A.P.I. de C.V.	41,001	—	—	412	—	—
GASBO, S.A. de C.V.	3,583	—	—	267	—	—
<b>Purchases of vehicles, tires and spare parts</b>						
Maquinaria Agrícola, S.A. de C.V.	\$ —	—	—	—	5	5
Llantas y Accesorios, S.A. de C.V.	42,601	42,554	38,947	4,614	6,378	4,213
Autos y Accesorios, S.A. de C.V.	40,194	48,129	10,776	3,413	339	124
Autos y Tractores de Culiacán, S.A. de C.V.	31,753	42,857	11,519	726	336	149
Camiones y Tractocamiones de Sonora, S.A. de C.V.	164,306	91,098	270,968	59,602	2,636	149
Agencia MX-5, S.A. de C.V.	410	63	904	27	6	9
Alfonso R. Bours, S.A. de C.V.	4,926	2,651	187	604	50	49
Cajeme Motors S.A. de C.V.	442	287	183	120	44	89
<b>Airplane leasing expenses</b>						
Taxis Aéreos del Noroeste, S.A. de C.V.	\$ 1,435	—	24,971	55	—	307
				\$ 185,429	80,842	76,704

As of December 31, 2021, 2020 and 2019, balances payable to related parties correspond to current accounts denominated in pesos that bear no interest and are payable on a short-term basis.

**(21) Income Tax**

Under the tax legislation in Mexico and the United States of America in effect through December 31, 2021, entities are subject to pay income tax (ISR, by its Spanish acronym).

**a) ISR**

The Company and each of its subsidiaries file separate income tax returns (including its foreign subsidiary, which files income tax returns in the United States of America, based on its fiscal year ending in April of every year). For the years ended December 31, 2021, 2020 and 2019, the applicable rate under the general tax regime in Mexico is 30%. The applicable rate during 2021, 2020 and 2019 for the Company's US subsidiary is 21% (plus state taxes).

As of December 31, 2021, 2020 and 2019, *BSACV*, the Company's primary operating subsidiary is subject to the agriculture, cattle-raising, forestry and fishing regime of the ISR law, which is applicable to entities exclusively dedicated to such activities. The ISR Law establishes that such activities are exclusive when no more than 10% of an entity's total revenues are generated from something other than those activities or from industrialized products.

**b) Tax charged to profit and loss**

For the years ended December 31, 2021, 2020 and 2019, the income tax (benefit) expense included in profit and loss is as follows:

	December 31		
	2021	2020	2019
Operation in Mexico:			
Current ISR	\$ 1,790,621	1,321,021	1,066,160
Deferred ISR	257,020	341,131	324,415
	<u>2,047,641</u>	<u>1,662,152</u>	<u>1,390,575</u>
Foreign operations:			
Current ISR	—	33	(1,859)
Deferred ISR	(240,003)	(450,574)	(263,738)
Total ISR expense	<u>\$ 1,807,638</u>	<u>1,211,611</u>	<u>1,124,978</u>

**Total income tax expense**

The income tax expense attributable to income before income taxes differed from the amount computed by applying the ISR rate of 30% in 2021, 2020 and 2019 due to the items listed below:

	December 31,					
	2021		2020		2019	
	ISR	Percentage	ISR	Percentage	ISR	Percentage
Expected expense	\$ 2,022,521	30 %	\$ 1,555,111	30 %	\$ 1,292,925	30 %
Increase (decrease) resulting from:						
Net effects of inflation	(379,311)	(6)%	(196,379)	(4)%	(168,822)	(4)%
(Non-taxable income) Non-deductible expenses	29,503	0 %	7,641	0 %	11,027	0 %
Effect of rate difference of foreign subsidiary	42,516	1 %	20,907	0 %	48,658	1 %
Effect from non-deductible employee benefits	145,301	3 %	115,496	2 %	70,202	2 %
Effect of tax incentive	(54,523)	(1)%	(69,920)	(1)%	(60,861)	(1)%
Effect of carryback tax losses in the United States of America <sup>(1)</sup>	—	—	(190,144)	(4)%	—	—
Bargain purchase gain of domestic business acquisition	—	—	(27,267)	(0)%	—	—
Other	1,631	0 %	(3,834)	(0)%	(68,151)	(2)%
Income tax expense	<u>\$ 1,807,638</u>	<u>27 %</u>	<u>\$ 1,211,611</u>	<u>23 %</u>	<u>\$ 1,124,978</u>	<u>26 %</u>

<sup>(1)</sup> On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted. The most significant provisions of the CARES Act that will materially affect the Company's accounting for income taxes includes a five-year carryback allowance for taxable net operating losses generated in tax year 2018 through 2020 and a technical correction to the Tax Cuts and Jobs Act, enacted on December 22, 2017, that disallowed the carrying back of taxable net operating losses to offset prior years' taxable income. The deadline to request this refund is October 2022, it is expected that the Company will request it before that date.

**c) Deferred income tax**

The Company and each one of its subsidiaries determine the deferred taxes that are reflected at a consolidated level on stand-alone basis. *BSACV*, the main operating subsidiary of the Company, is subject to tax payment under the agriculture, cattle-raising, forestry and fishing regime, in which the tax base for ISR is determined on collected revenues minus paid deductions.

The tax effects of temporary differences, tax losses and tax credits that give rise to significant portions of deferred tax assets and liabilities as of December 31, 2021, 2020 and 2019 are detailed below:

	December 31,		
	2021	2020	2019
<b>Deferred tax assets</b>			
Accounts payable	\$ 33,873	2,207	2,481
Employee benefits	31,692	199,087	164,019
PTU payable	2,476	16,690	26,020
Tax loss carryforwards	917,737	60,354	56,163
Inventories	—	—	616
Property, plant and equipment	—	1,696	1,113
Other provisions	60,946	648	—
Tax incentives to be credited in the United States of America	45,386	—	—
Other items	17	—	—
<b>Total deferred tax assets</b>	<u>1,092,127</u>	<u>280,682</u>	<u>250,412</u>
<b>Deferred tax liabilities</b>			
Inventories	218,204	—	—
Property, plant and equipment	469,946	—	—
Prepaid expenses	860	2,872	4,593
Goodwill	9,865	—	—
Intangible assets	178,356	—	—
Other provisions	—	7,655	547
Derivative financial instruments	1,157	8,221	—
<b>Total deferred tax liabilities</b>	<u>878,388</u>	<u>18,748</u>	<u>5,140</u>
<b>Net deferred tax assets</b>	<u>\$ 213,739</u>	<u>261,934</u>	<u>245,272</u>

  

	December 31,		
	2021	2020	2019
<b>Deferred tax assets</b>			
Accounts payable	\$ 1,948,897	1,090,676	1,097,422
Employee benefits	201,835	—	—
PTU payable	85,053	1,037	—
Tax loss carryforwards	31,993	606,935	271,772
Other provisions	62,503	144,861	63,314
<b>Total deferred tax assets</b>	<u>2,330,281</u>	<u>1,843,509</u>	<u>1,432,508</u>
<b>Deferred tax liabilities</b>			
Inventories	2,053,059	1,820,929	1,696,300
Accounts receivable	593,754	497,655	445,198
Property, plant and equipment	2,558,209	2,915,222	2,667,824
Prepaid expenses	952,322	286,844	332,392
Goodwill	—	5,147	584
Intangible assets	—	188,919	190,900
Other items	1,282	—	—
Derivative financial instruments	13,130	3,773	3,803
<b>Total deferred tax liabilities</b>	<u>6,171,756</u>	<u>5,718,489</u>	<u>5,337,001</u>
<b>Net deferred tax liability</b>	<u>\$ 3,841,475</u>	<u>3,874,980</u>	<u>3,904,493</u>

**d) Unrecognized deferred tax liabilities**

Deferred taxes related to investments in subsidiaries have not been recognized as the Company is able to control the moment of the reversal of the temporary difference, and the reversal is not expected to take place in the foreseeable future. Deferred income tax on investments in subsidiaries not recognized as of December 31, 2021, 2020 and 2019 amounts to \$1,414,628, \$1,802,451 and \$1,919,720, respectively. The Company's policy has been to distribute accounting profits when the respective taxes have been paid and in the case of foreign profits, such tax may be duly credited in Mexico.

**e) Movement in temporary differences during the fiscal year**

	January 1, 2021	Recognized in profit and loss	Acquired or/ Recognized directly in equity	December 31, 2021
Accounts payable	\$ (1,092,883)	(889,150)	(737)	(1,982,770)
Employee benefits	(199,087)	(41,472)	7,032	(233,527)
PTU payable	(17,727)	(69,802)	—	(87,529)
Tax loss carryforwards	(667,289)	(258,865)	(23,576)	(949,730)
Other provisions	(137,854)	19,020	(4,615)	(123,449)
Goodwill	5,147	4,293	425	9,865
Intangible assets	188,919	(14,891)	4,328	178,356
Inventories	1,820,929	443,845	6,489	2,271,263
Accounts receivable	497,655	96,099	—	593,754
Property, plant and equipment	2,913,526	105,961	8,668	3,028,155
Prepaid expenses	289,716	663,466	—	953,182
Derivative financial instruments	11,994	2,293	—	14,287
Tax incentives to be credited in the United States of America	—	(45,386)	—	(45,386)
Other items	—	1,606	(341)	1,265
Net deferred tax liability	<u>\$ 3,613,046</u>	<u>17,017</u>	<u>(2,327)</u>	<u>3,627,736</u>

	January 1, 2020	Recognized in profit and loss	Acquired or/ Recognized directly in equity	December 31, 2020
Accounts payable	\$ (1,099,903)	8,163	(1,143)	(1,092,883)
Employee benefits	(164,060)	(35,027)	—	(199,087)
PTU payable	(26,020)	8,293	—	(17,727)
Tax loss carryforwards	(327,935)	(314,628)	(24,726)	(667,289)
Interest carryforwards	-	1,551	(1,551)	-
Other provisions	(62,767)	(74,804)	(283)	(137,854)
Goodwill	584	4,371	192	5,147
Intangible assets	190,900	(12,248)	10,267	188,919
Inventories	1,695,684	114,135	11,110	1,820,929
Accounts receivable	445,198	52,457	—	497,655
Property, plant and equipment	2,666,752	177,372	69,402	2,913,526
Prepaid expenses	336,985	(47,269)	—	289,716
Derivative financial instruments	3,803	8,191	—	11,994
Net deferred tax liability	<u>\$ 3,659,221</u>	<u>(109,443)</u>	<u>63,268</u>	<u>3,613,046</u>

	January 1, 2019	Recognized in profit and loss	Acquired or/ Recognized directly in equity	December 31, 2019
Accounts payable	\$ (1,511,013)	410,152	958	(1,099,903)
Employee benefits	(53,398)	(197,728)	87,107	(164,019)
PTU payable	(20,536)	(5,484)	—	(26,020)
Tax loss carryforwards	(59,883)	(273,479)	5,427	(327,935)
Other provisions	(78,230)	15,436	27	(62,767)
Goodwill	(3,879)	4,391	72	584
Intangible assets	233,749	(34,220)	(8,629)	190,900
Inventories	1,639,156	64,120	(7,592)	1,695,684
Accounts receivable	366,825	78,373	—	445,198
Property, plant and equipment	2,503,223	184,454	(20,966)	2,666,711
Prepaid expenses	647,480	(310,495)	—	336,985
Derivative financial instruments	—	3,803	—	3,803
Net deferred tax liability	<u>\$ 3,663,494</u>	<u>(60,677)</u>	<u>56,404</u>	<u>3,659,221</u>

**f) Tax on assets and tax loss carryforwards**

As of December 31, 2021, tax loss carryforwards expire as shown below. Amounts are indexed for inflation as permitted by Mexican income tax law:

Year	Amount as of December 31, 2021	
	Tax loss carryforwards	Year of expiration / maturity
2017	\$ 57,372	2027
2018	204,879	2028
2019	1,285,521	2029
2020	1,584,611	2030
2021	1,050,678	2031
	<u>\$ 4,183,061</u>	

**(22) Employee benefits**

**a) Employee benefits in Mexico**

***Defined contribution plans***

The Company has a defined contribution plan which receives contributions from both the employees and the Company. Employees can make contributions from 1% to 5% of their wage and the Company is obligated to make contributions as follows: i) 20% of employee contributions for employees with 1 - 4.99 years of service, ii) 40% of employee contributions for employees with 5 – 9.99 years of service, and iii) 100% matching contributions for employees with 10 or more years of service or when the employee reaches 40 years of age, regardless of the years of service.

When an employee retires from the Company he/she has the right to receive the contribution he/she has made to the plan, and i) if the employee retires between the first and the 4.99 year of services, he/she does not have the right to receive the contribution made by the Company, ii) if he/she retires on the fifth year of services he/she has the right to receive 50% of the contributions made by the Company and, for each additional service year, the employee has the right to receive an additional 10% of the contributions made by the Company. During 2021, 2020 and 2019 there were not the expenses for paid contributions to defined contribution plans, other than those mandated by Mexican law.

The Company makes payments equivalent to 2% of the integrated wage of its workers to the defined contribution plan for the retirement saving fund system established by Mexican law. The expense for this concept was \$84,093, \$72,121 and \$66,134, in 2021, 2020 and 2019, respectively.

**Defined benefits plan**

The Company has a defined benefit pension plan covering non-unionized personnel in Mexico. The benefits are based on the age, years of service and the employee's payment. The retirement age is 65 years, with a minimum of 10 years of services, and there is an option for an anticipated retirement option, in certain circumstances, at 55 years of age. The Company's policy to fund the pension plan is to make contributions up to the maximum amount that can be deducted for ISR.

According to the Mexican Federal Labor Law, the Company is obligated to pay a seniority premium as a retirement benefit if an employee retires and has of least 15 years of services, which consists of a sole payment of 12 days for each worked year based on the last wage, limited to the two minimal wages established by law.

The Company recognizes constructive obligations from past practices. Such constructive obligations are associated with service time the employee has worked for the Company. The payment of this benefit is disbursed in a single installment at the time the employee voluntarily stops working for the Company. As of 2021 this constructive obligation no longer exists, the accounting effect is recognized net in the result of the year.

The plans in Mexico expose the Company to actuarial risks such as interest rate risk, longevity risk and salary risk:

Interest risk	A decrease in the interest rate for the governmental bonds will increase the plan's liability.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The projected net liability presented on the consolidated statements of financial position is as follows:

	December 31,		
	2021	2020	2019
Present value of unfunded obligations	\$ 656,252	592,294	487,810
Present value of funded obligations	121,643	163,651	148,392
Total present value of benefit obligations ("PBO")	777,895	755,945	636,202
Plan assets at fair value	(121,643)	(163,651)	(148,392)
Projected liability, net	<u>\$ 656,252</u>	<u>592,294</u>	<u>487,810</u>

**i. Composition and return of plan assets**

	Actual return of the plan assets			Composition of the plan assets		
	2021	2020	2019	2021	2020	2019
Fixed income securities	5.90 %	11.28 %	12.67 %	58 %	63 %	62 %
Variable income securities	21.55 %	9.47 %	15.65 %	42 %	37 %	38 %
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

**ii. Movements in the present value of PBO**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
PBO as of January 1	\$ 755,945	636,202	500,072
Benefits paid by the plan	(27,743)	(78,149)	(54,932)
Service cost	25,890	38,987	30,108
Interest cost	33,115	53,343	50,421
Actuarial losses recognized in other comprehensive income	6,497	105,562	110,533
Past service cost – plan amendments	(15,809)	—	—
PBO as of December 31	<u>\$ 777,895</u>	<u>755,945</u>	<u>636,202</u>

**iii. Movements in the fair value of plan assets**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Plan assets at fair value as of January 1	\$ 163,651	148,392	197,247
Transfer of assets to fund defined contribution benefit plan	—	—	(39,079)
Benefits paid by the plan	(56,287)	—	(32,027)
Expected return on plan assets	13,260	13,678	19,615
Actuarial profits in other comprehensive income	1,019	1,581	2,636
Fair value of plan assets as of December 31	<u>\$ 121,643</u>	<u>163,651</u>	<u>148,392</u>

**iv. Expense recognized in profit and loss**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current service cost	\$ 25,890	38,987	30,108
Interest cost, net	19,855	39,665	30,806
	<u>\$ 45,745</u>	<u>78,652</u>	<u>60,914</u>

**v. Actuarial gains and (losses)**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Amount accumulated as of January, 1	\$ (383,126)	(279,144)	(171,247)
Recognized during the year	(5,478)	(103,982)	(107,897)
Amount accumulated as of December, 31	<u>\$ (388,604)</u>	<u>(383,126)</u>	<u>(279,144)</u>

**vi. Actuarial assumptions**

Primary actuarial assumptions at the consolidated financial statements date (expressed as weighted averages) are as follows.

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Discount rate as of December, 31	9.50 %	7.75 %	8.75 %
Rate for future salary increases	4.50 %	4.50 %	4.50 %
Social security wage increase rate	3.50 %	3.50 %	3.50 %

The assumptions related to mortality are based on statistics and experiences over the Mexican population. The average expected life of an individual that retires at 65 years of age is 17.13 years for men and 10.92 years for women (Experience Chart of Demographic Mortality for Active EMSSA 1997).

**vii. Historical information**

	December 31,		
	2021	2020	2019
Present value of defined benefit obligation	\$ 777,895	755,945	636,202
Plan assets at fair value	(121,643)	(163,651)	(148,392)
Plan deficit	\$ 656,252	592,294	487,810
Experience adjustments arising from plan liabilities	\$ (6,497)	(105,562)	(110,533)
Experience adjustments arising from plan assets	\$ 1,019	1,581	2,636

**viii. Sensitivity analysis of the defined benefits obligations as of December 31, 2021, 2020 and 2019**

2021	Pension plan	Seniority premium	Constructive obligation	Total PBO
Discount rate 9.50%	\$ (551,682)	(226,213)	—	(777,895)
Rate increase (+ 1%)	\$ (541,855)	(222,957)	—	(764,812)
Rate decrease (- 1%)	\$ (561,819)	(229,562)	—	(791,381)

  

2020	Pension plan	Seniority premium	Constructive obligation	Total PBO
Discount rate 7.75%	\$ (531,251)	(203,282)	(21,412)	(755,945)
Rate increase (+ 1%)	\$ (511,884)	(200,058)	(21,209)	(733,151)
Rate decrease (- 1%)	\$ (554,180)	(206,605)	(21,619)	(782,404)

  

2019	Pension plan	Seniority premium	Constructive obligation	Total PBO
Discount rate 8.75%	\$ (442,133)	(173,401)	(20,668)	(636,202)
Rate increase (+ 1%)	\$ (434,134)	(170,812)	(20,490)	(625,436)
Rate decrease (- 1%)	\$ (450,391)	(176,067)	(20,852)	(647,310)

**ix. Expected cash flows**

	Total
2022-2031	\$ 776,766

**x. Future contributions to the defined benefits plan**

The Company does not expect to make contributions to the defined benefit plans in the following financial year.

**b) Foreign employee benefits**

**Defined contribution plans**

Bachoco USA, LLC. (foreign subsidiary) has a defined contribution retirement 401(k) plan, covering all employees who meet certain eligibility requirements. The Company contributes to the plan at the rate of 50% of employee's contributions up to a maximum of 2% of the individual employee's contribution. The cumulative contribution expense for this plan was \$28,825, \$16,418 and \$14,919 for the year ended December 31, 2021, 2020 and 2019, respectively.

**Equity-based compensation**

Bachoco USA, LLC. has a deferred payment agreement with certain key employees. Amounts payable under this plan are vested after 10 years from the date of the agreement. The benefit value of each unit is equal to the increase in the initial book value from the date of the agreement to the conclusion of the vesting period. Under the agreement, 26,000 units were outstanding as of December 31, 2021, 2020 and 2019, all of which were fully vested. The total liability under this plan totaled \$48,887, \$44,994 and \$32,874 as of December 31, 2021, 2020 and 2019, respectively. The expense recognized for this plan for the year ended December 31, 2021, 2020 and 2019 was \$2,505, \$4,678 and \$1,772, respectively.

**c) PTU**

Industrias Bachoco, S.A.B de C.V. has no employees. Each of the subsidiaries of the Company that has employees in Mexico is required under Mexican laws to pay employees, in addition to their payment and benefits, statutory employee profit sharing in an aggregate amount equal to 10% of each subsidiary's taxable income. The accrued liability as of December 31, 2021, 2020 and 2019 is shown in note 19, Trade payable and other accounts payable.

**(23) Costs and expenses by nature**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Cost of sales	\$ 68,356,654	57,707,566	51,557,351
General, selling and administrative expenses	7,127,780	6,420,397	6,116,620
	<u>\$ 75,484,434</u>	<u>64,127,963</u>	<u>57,673,971</u>
Inventory consumption	\$ 54,103,917	44,747,933	39,823,395
Wages and salaries	9,735,452	8,507,124	7,561,229
Freight	5,428,050	5,037,768	5,047,007
Maintenance	2,340,899	2,006,848	1,715,820
Other utility expenses	1,800,952	1,402,459	1,595,993
Depreciation	1,393,097	1,590,303	1,265,391
Depreciation of right-of-use assets	343,367	307,757	302,804
Leases <sup>(1)</sup>	156,612	119,592	96,825
Other	182,088	408,179	265,507
Total	<u>\$ 75,484,434</u>	<u>64,127,963</u>	<u>57,673,971</u>

(1) Leasing expense in 2021, 2020 and 2019 includes contracts classified as low value or those with terms less than twelve months.

(24) Leases

a) As of December 31, 2021, 2020 and 2019, the leased assets with recognized right of use are comprised as follows:

Right-of-use assets	Balance as of January 1, 2021	Additions	Modifications and disposal	Anticipated termination	Balance as of December 31, 2021
Buildings and construction	\$ 469,387	42,249	(3,949)	43,145	550,832
Machinery and equipment	447,424	52,143	4,343	125,251	629,161
Transportation equipment	349,208	24,595	(1,818)	68,132	440,117
Computer equipment	19,392	3,603	(1,492)	(2,600)	18,903
Total	\$ 1,285,411	122,590	(2,916)	233,928	1,639,013

Depreciation of right-of-use assets	Balance as of January 1, 2021	Depreciation for the year	Currency translation effect	Balance as of December 31, 2021
Buildings and construction	\$ (153,987)	(114,957)	(1,632)	(270,576)
Machinery and equipment	(236,330)	(121,266)	(2,222)	(359,818)
Transportation equipment	(206,627)	(102,245)	(6,186)	(315,058)
Computer equipment	(9,622)	(4,899)	1,170	(13,351)
Total	\$ (606,566)	(343,367)	(8,870)	(958,803)
Total right-of-use assets	\$ 678,845			680,210

Right-of-use assets	Balance as of January 1, 2020	Additions	Modifications and disposal	Balance as of December 31, 2020
Buildings and construction	\$ 380,011	101,272	(11,896)	469,387
Machinery and equipment	447,179	39,020	(38,775)	447,424
Transportation equipment	283,332	4,767	61,109	349,208
Computer equipment	15,014	2,572	1,806	19,392
Total	\$ 1,125,536	147,631	12,244	1,285,411

Depreciation of right-of-use assets	Balance as of January 1, 2020	Depreciation for the year	Currency translation effect	Balance as of December 31, 2020
Buildings and construction	\$ (97,736)	(58,148)	1,897	(153,987)
Machinery and equipment	(116,391)	(119,740)	(199)	(236,330)
Transportation equipment	(84,120)	(126,211)	3,704	(206,627)
Computer equipment	(4,557)	(3,658)	(1,407)	(9,622)
Total	\$ (302,804)	(307,757)	3,995	(606,566)
Total right-of-use assets	\$ 822,732			678,845

Right-of-use assets	Balance as of January 1	Additions	Balance as of December 31, 2019
Buildings and construction	\$ 320,528	59,483	380,011
Machinery and equipment	370,410	76,769	447,179
Transportation equipment	219,132	64,200	283,332
Computer equipment	12,340	2,674	15,014
Total	\$ 922,410	203,126	1,125,536

	<b>Balance as of December 31, 2019</b>
<b>Depreciation of right-of-use assets</b>	
Buildings and construction	\$ (97,736)
Machinery and equipment	(116,391)
Transportation equipment	(84,120)
Computer equipment	(4,557)
<b>Total</b>	<b>\$ (302,804)</b>
Total right-of-use assets	<b>\$ 822,732</b>

b) The movements in liabilities for these lease contracts were as follows:

	<b>Balance as of January 1, 2021</b>	<b>Additions</b>	<b>Modifications and disposals</b>	<b>Anticipated termination</b>	<b>Payment</b>	<b>Interest paid</b>	<b>Currency translation effect</b>	<b>Balance as of December 31, 2021</b>
<b>Lease liabilities</b>								
Buildings and construction	\$ 310,014	42,249	(3,953)	77,022	(129,306)	15,414	(11,806)	299,634
Machinery and equipment	238,650	52,143	4,359	105,831	(128,212)	11,779	(33,421)	251,129
Transportation equipment	162,392	24,595	(1,835)	20,287	(96,167)	4,415	(19,966)	93,721
Computer equipment	8,655	3,603	—	919	(5,302)	240	(1,119)	6,996
<b>Total</b>	<b>\$ 719,711</b>	<b>122,590</b>	<b>(1,429)</b>	<b>204,059</b>	<b>(358,987)</b>	<b>31,848</b>	<b>(66,312)</b>	<b>651,480</b>
Current Lease liabilities	(278,981)	—	—	—	—	—	(828)	(279,809)
Long term lease liabilities	<b>\$ 440,730</b>	<b>122,590</b>	<b>(1,429)</b>	<b>204,059</b>	<b>(358,987)</b>	<b>31,848</b>	<b>(67,140)</b>	<b>371,671</b>

	<b>Balance as of January 1, 2020</b>	<b>Additions</b>	<b>Modifications and disposals</b>	<b>Payment</b>	<b>Interest paid</b>	<b>Currency translation effect</b>	<b>Balance as of December 31, 2020</b>
<b>Lease liabilities</b>							
Buildings and construction	\$ 280,277	101,272	31,213	(121,909)	17,903	1,258	310,014
Machinery and equipment	308,710	39,020	(19,990)	(143,240)	26,143	28,007	238,650
Transportation equipment	204,258	4,767	57,473	(115,851)	9,228	2,517	162,392
Computer equipment	9,805	2,572	1,560	(5,710)	365	63	8,655
<b>Total</b>	<b>\$ 803,050</b>	<b>147,631</b>	<b>70,256</b>	<b>(386,710)</b>	<b>53,639</b>	<b>31,845</b>	<b>719,711</b>
Current Lease liabilities	(149,538)	(123,276)	—	—	—	(6,167)	(278,981)
Long term lease liabilities	<b>\$ 653,512</b>	<b>24,355</b>	<b>70,256</b>	<b>(386,710)</b>	<b>53,639</b>	<b>25,678</b>	<b>440,730</b>

	<b>Balance as of January 1, 2019</b>	<b>Additions</b>	<b>Payment</b>	<b>Interest paid</b>	<b>Currency translation effect</b>	<b>Balance as of December 31, 2019</b>
<b>Lease liabilities</b>						
Buildings and construction	\$ 320,528	59,297	(113,097)	17,423	(3,874)	280,277
Machinery and equipment	370,410	63,662	(124,435)	11,933	(12,860)	308,710
Transportation equipment	219,132	64,129	(82,381)	8,070	(4,692)	204,258
Computer equipment	12,340	2,674	(5,294)	371	(286)	9,805
<b>Total</b>	<b>\$ 922,410</b>	<b>189,762</b>	<b>(325,207)</b>	<b>37,797</b>	<b>(21,712)</b>	<b>803,050</b>
Current Lease liabilities	—	—	—	—	—	(149,538)
Long term lease liabilities	<b>\$ —</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>653,512</b>

c) The detail of the maturity of the long-term lease liabilities is shown below:

2023	\$	213,141
2024		78,918
2025		32,571
Subsequent		47,041
	\$	<u>371,671</u>

d) During 2021, 2020 and 2019, an amount of \$37,996, \$36,153 and \$19,116 was charged as expense for rental contracts with a term of less than one year and \$118,616, \$83,439 and \$77,709 for rental contracts with insignificant amounts, a total of \$156,612, \$119,592 and \$96,825, respectively (note 23).

**(25) Stockholders' equity and reserves**

**a) Capital risk management**

An adequate capital risk management allows ongoing business continuity and the maximization of the return towards the Company's investors, which is why the Company has taken actions that ensure the Company maintains an adequate balance of the funding sources that build its capital structure.

Within its activities in risk management, the Company ensures that the ratio between financial debt and EBITDA of the last 12 months does not exceed 2.75 times and that the interest coverage ratio is at least 3 to 1.

During 2021, 2020 and 2019 these ratios were below the thresholds established by the Company's Risk Committee.

**b) Common stock and premiums**

As of December 31, 2021, 2020 and 2019, the Company's capital stock is represented by 600,000,000 Series "B" registered shares with a par value of \$1 peso per share.

The Robinson Bours family owned 439,500,000 shares through two family trusts: the placement trust and the control trust, which collectively represented 73.25% of the Company's total shares. The remaining 26.75% represents the floating position:

	Shareholding integration as of December 31, 2021, 2020 and 2019	
	Shares <sup>(1)</sup>	Position
<b>Familiar Trusts</b>	<b>439,500,000</b>	<b>73.25 %</b>
- Control Trust	312,000,000	52.00 %
- Placement Trust	127,500,000	21.25 %
<b>Floating Position <sup>(2)</sup></b>	<b>160,500,000</b>	<b>26.75 %</b>

(1) All Series B shares with voting power.

(2) Operating at the BMV and the NYSE.

Based on the information provided to the Company, as of December 31, 2021, stockholders with 1% or more interest in the Company, in addition to the family trusts, are as follows:

	Shares	Position
GBM Fondo de Inversión Total, S.A. de C.V.	12,908,807	2.15 %
Norges Bank Investment Management (Norway)	8,488,994	1.41 %
Renaissance Technologies LLC	7,749,588	1.29 %
Tweedy, Browne Company LLC	6,736,874	1.12 %

**c) Other comprehensive income items**

***i. Foreign currency translation reserve***

This concept is related to the translation of the Company's U.S. operations from their functional currency (U.S. dollar) to the reporting currency, the Mexican peso.

***ii. Actuarial remeasurements***

Actuarial remeasurements are recognized as other components of comprehensive income and are related to variations in actuarial assumptions that generate actuarial gains or losses as well as adjust the actual yields from plan assets from the net interest cost calculated over the net defined benefits liability balance. Actuarial remeasurements are presented net of income tax within other comprehensive income in the consolidated statement of changes in stockholders' equity, the amount of these actuarial remeasurements net of taxes as of December 31, 2021, 2020 and 2019 amounts to \$272,527, \$268,692 and \$195,905, which includes a deferred tax effect of \$116,074, \$114,430 and \$83,236, respectively.

***iii. Derivatives classified as hedging instruments***

Derivatives classified as hedging instruments, are a hedge of the exposure to the variability of cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction that may affect the income statement.

A cash flow hedge, which meets all the hedging criteria, is accounted for as follows:

- A portion of the gain or loss of the hedging instrument that is determined to be effective is recognized in other comprehensive income; and
- The ineffective portion of the gain or loss of the hedging instrument is recognized immediately in the income statement.

The amount of cash flow hedges as of December 31, 2021, 2020 and 2019 amounts to \$49,751, \$267,352 and \$19,771, respectively.

**d) Reserve for repurchase of shares**

In 1998, the Company approved a stock repurchase plan in conformity with the Mexican Securities Trading Act and created a reserve for that purpose of \$180,000 charged to retained earnings in such year.

On April 28, 2021, pursuant to a resolution at the General Ordinary Stockholders' Meeting, an amount of \$1,224,000 was approved to be used in the reserve for acquisition own shares.

The following table shows the movements of the reserve for acquisition of shares during the years ended December 31, 2021, 2020 and 2019:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Balance as of January 1	152,768	100,396	86,928
(+) Total shares purchased	649,543	212,860	133,488
(-) Total shares sold	(182,768)	(160,488)	(120,020)
Balance as of December 31	<u>619,543</u>	<u>152,768</u>	<u>100,396</u>

The net amount of repurchase and treasury share sale transactions was of (\$32,331), (\$3,509) and (\$1,474), during the years ended December 31, 2021, 2020 and 2019, respectively.

As of December 31, 2021, the Company has 619,543 treasury shares.

**e) Dividends**

During the years ended December 31, 2021, 2020 and 2019, the Company has declared and paid the following dividends:

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On April 28, 2021, the Company declared a payment of dividends in cash at nominal value of \$851,619 or \$1.42 pesos per outstanding share. The payment was made in two equal installments, on May 19 and July 14, 2021.

On April 22, 2020, the Company declared a payment of dividends in cash at nominal value of \$791,744 or \$1.32 pesos per outstanding share. The payment was made in two equal installments, on May 12 and July 7, 2020.

On April 24, 2019, the Company declared a payment of dividends in cash at nominal value of \$840,000 or \$1.40 pesos per outstanding share. The payment was made in two equal installments, on May 14 and July 9, 2019.

Dividends that the Company pays to stockholders are subject to ISR solely insofar as such dividends exceed the balance in its net tax income account (“CUFIN”) consisting of income in which ISR is already paid by the Company. The ISR paid on dividends corresponds to a tax payable by legal entities and not by individuals. However, as a result of changes to the income tax law described in note 20(a), beginning on January 1, 2014, a new withholding tax of 10% for resident individuals in Mexico and for all residents in foreign countries who receive dividends from entities was established. Such tax is considered a withholding tax by the entity that pays the dividends. This tax will be applicable only to the income generated from period 2014. Thus, the Company must update its CUFIN from income generated up to December 31, 2013 and must calculate a new CUFIN with the income generated from January 1, 2014.

The Company obtains most of its revenue and net income from *BSACV*. For fiscal years 2021, 2020 and 2019, net income of *BSACV*, accounted for 63%, 61% and 63%, respectively, of consolidated net income. Dividends for which *BSACV* pays ISR will be credited to the Company’s CUFIN account, and accordingly, any future liabilities arising from ISR will be incurred when such amounts are distributed as dividends to the stockholders.

**f) Tax balances of stockholders’ equity**

CUFIN	Balance as 2013	Balance from 2014	Total
IBSA individual	\$ 5,858,638	11,676,526	17,535,164
IBSA Consolidated	6,189,929	26,957,219	33,147,148

The restated amount as of December 31, 2021, on tax bases of the contributions made by stockholders (“CUCA”), totaling \$3,382,568, may be refunded to them tax-free, to the extent that such amount is the same or higher than equity.

**(26) Earnings per share**

The basic and diluted earnings per share for the years ended December 31, 2021, 2020 and 2019 are \$8.45, \$6.56 and \$5.37, respectively. The calculation of earnings per share was based on income attributable to ordinary stockholders of the Company (net income attributable to controlling interest) \$5,065,554, \$3,935,672 and \$3,219,931 for the years ended December 31, 2021, 2020 and 2019, respectively.

The average weighted number of common outstanding in 2021, 2020 and 2019 was 599,730,270, 599,818,022 and 599,971,832 shares, respectively.

The Company has no ordinary shares with potential dilutive effects.

**(27) Commitments**

- Bachoco USA, LLC has self-insurance programs for health care costs and workers’ payments. The subsidiary is liable for health care claims up to \$7,179 (350 thousand dollars) each year per plan participant and workers’ payments claims up to \$20,510 (1,000 thousand dollars) per event. Self-insurance costs are recorded based on the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. The provision for this concept is recorded in the accompanying consolidated statement of financial position within current liabilities amounting to \$107,842 (5,258 thousand dollars), \$89,576 (4,490 thousand dollars) and \$81,737 (4,327 thousand dollars) as of December 31, 2021, 2020 and 2019, respectively. Additionally, the consolidated statement of comprehensive income includes expenses relating to self-insurance plans of \$188,413 (9,286 thousand dollars), \$164,356 (7,648 thousand dollars) and \$126,376 (6,565 thousand dollars) for the years ended December 31, 2021, 2020 and 2019, respectively. The Company is required to maintain letters of credit on behalf of the subsidiary of \$59,479 (2,900 thousand dollars) during 2021, \$57,855 (2,900 thousand dollars) during 2020 and \$54,781 (2,900 thousand dollars) during 2019, to secure self-insured workers’ payments.

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- The Company has entered into grain supply agreements with third parties as part of the regular course of its operations.
- The Company has entered into certain contracts with suppliers under which advanced payments are rendered in order to assure the supply of materials and services.

**(28) Contingencies**

**a) Insurance**

The Company has established a risk management program under a best practices methodology that assures the main risks of the business with the objective of reducing losses due to relevant claims. The Company set up a captive reinsurance company to complement its risk management strategy. Notwithstanding the foregoing, since all the exposures are not covered, there is a risk that the loss or destruction of certain assets may have a significant adverse effect on the Company's operations and financial situation.

**b) Lawsuits**

The Company is involved in a number of lawsuits and claims arising from the regular course of business. In the opinion of the Company's Management, they are not expected to have significant effects on the Company's financial position, operating results and future consolidated statements of cash flows.

**c) Tax contingencies**

In accordance with tax laws, Mexican authorities are empowered to review transactions carried out during the five years prior to the most recent ISR return filed. For the operations in the United States of America, the authorities of that country are empowered to review transactions carried out during the three years prior to the due date of the most recent annual tax return. The Company has not identified factors that may indicate the existence of a contingency.

**(29) Financial income and costs**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Interest income	\$ 591,046	698,962	988,005
Income from interest in accounts receivable	6,564	7,024	3,627
Foreign exchange gain, net	519,796	467,534	—
Financial income	<u>1,117,406</u>	<u>1,173,520</u>	<u>991,632</u>
Effects of valuation of derivative financial instruments	(1,541)	(291)	(8,029)
Foreign exchange loss, net	—	—	(272,220)
Interest expense and financial expenses on financial debt	(104,179)	(159,169)	(250,820)
Interest paid on lease	(31,848)	(53,639)	(37,797)
Other financial expenses	(129,955)	(78,230)	(41,502)
Financial costs	<u>(267,523)</u>	<u>(291,329)</u>	<u>(610,368)</u>
Financial income, net	<u>\$ 849,883</u>	<u>882,191</u>	<u>381,264</u>

**(30) Other expenses**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Other income</b>			
Sale of scrap of biological assets, raw materials, by-products and other	\$ 1,076,605	866,027	1,203,836
Bargain purchase gain of domestic business acquisition (note 4)	—	90,889	—
Total other income	<u>1,076,605</u>	<u>956,916</u>	<u>1,203,836</u>
<b>Other expenses</b>			
Cost of disposal of biological assets, raw materials, by-products and other	(910,366)	(825,415)	(944,848)
Other	(489,018)	(494,028)	(263,722)
Total other expenses	<u>(1,399,384)</u>	<u>(1,319,443)</u>	<u>(1,208,570)</u>
Total other expenses, net	<u>\$ (322,779)</u>	<u>(362,527)</u>	<u>(4,734)</u>

**(31) Subsequent events**

**a) Business acquisition agreement**

On January 24, 2022 the Company acquired 100% of the shares of RYC Alimentos “RYC”, it is dedicated to multiprotein processing and marketing with production centers in the state of Puebla, Mexico; transaction that was approved by Federal Economic Competition Commission (COFECE, for its Spanish acronym). The purchase price was \$1,251,516.

The agreement contemplates the acquisition of 2 plants located in Puebla, Puebla, as well as its scheme of approximately 21 stores located in 4 states of the Mexican Republic (Puebla, Oaxaca, Veracruz and Tlaxcala).

At the date of the consolidated financial statements, the Company is still in the process of determining the fair value of the net assets acquired in accordance with the requirements of IFRS 3.

**b) Intention to launch Tender Offer for Bachoco’s Shares**

On March 25, 2022, the Company announces that a vehicle (the “Offeror”) in which current shareholders of the Robinson Bours family participate, communicated to Bachoco’s Board of Directors its intention to initiate the process to launch a voluntary tender offer for up to all of the outstanding shares of Bachoco, including shares represented by American Depositary Receipts (ADRs), which are not owned directly or indirectly by such shareholders or their affiliates, representing approximately 27% of the outstanding capital of Bachoco.

The tender offer will be subject to various corporate and regulatory requirements, including registration before the Mexican Securities, Exchange Commission, filing with the US Securities and Exchange Commission and the authorization of the Board of Directors of Bachoco. This offer, as of the date of these consolidated financial statements, has not started and no formal document has been filed on it.

Subsequent to the tender offer closing, the offeror intends to delist the outstanding shares on the markets where its shares are listed, including the New York Stock Exchange and the Bolsa Mexicana de Valores, and to deregister the shares under the US Securities Exchange Act of 1934, as amended.

**c) Russia-Ukraine conflict**

On February 24, 2022, a large-scale military invasion of Ukraine by Russian troops was reported. Although the duration and impact of the ongoing military conflict are highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, increased energy and other input costs, and supply chain disruptions. We continue to monitor the situation in Ukraine and globally and assess its potential impact on our business.

**Subsidiaries of Industrias Bachoco S.A.B. de C.V.**

The following chart lists each of our subsidiaries which we owned, directly or indirectly, as of December 31, 2021, and April 29, 2022:

1. Bachoco, S.A. de C.V.
2. Bachoco Comercial, S.A. de C.V.
3. Campi Alimentos, S.A. de C.V.
4. PEC LAB, S.A. de C.V. and subsidiary
5. Induba Pavos, S.A de C.V.
6. Bachoco USA, LLC and subsidiary
7. Wii Kit RE LTD
8. Provedora La Perla S.A. de C.V.
9. Sonora Agropecuaria S.A. de C.V.
10. RYC Alimentos, S.A. de C.V.

Each of the subsidiaries listed are incorporated under the laws of Mexico, except Bachoco USA, LLC and subsidiary, which are incorporated in the U.S. and Wii Kit RE LTD, which is incorporated in Bermuda.

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**Certification of Chief Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Rodolfo Ramos Arvizu, certify that:

1. I have reviewed this annual report on Form 20-F of Industrias Bachoco, S.A.B. de C.V. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 29, 2022

By: /s/ Rodolfo Ramos Arvizu  
Rodolfo Ramos Arvizu  
Chief Executive Officer

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**Certification of Chief Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Daniel Salazar Ferrer, certify that:

1. I have reviewed this annual report on Form 20-F of Industrias Bachoco, S.A.B. de C.V. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent function):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 29, 2022

By: /s/ Daniel Salazar Ferrer  
Daniel Salazar Ferrer  
Chief Financial Officer

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**Certification Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act Of 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Industrias Bachoco, S.A.B. de C.V., a sociedad anónima bursátil de capital variable under the laws of Mexico (the "Company"), does hereby certify that, to the best of such officer's knowledge:

1. The accompanying Report of the Company on Form 20-F for the year ended December 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 29, 2022

By: /s/ Rodolfo Ramos Arvizu  
Rodolfo Ramos Arvizu  
Chief Executive Officer

April 29, 2022

By: /s/ Daniel Salazar Ferrer  
Daniel Salazar Ferrer  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Industrias Bachoco, S.A.B. de C.V. and will be retained by Industrias Bachoco, S.A.B. de C.V. and furnished to the Securities and Exchange Commission or its staff upon request.

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