

[Translation for informational purposes only]

ANNUAL REPORT PRESENTED ACCORDING TO THE GENERAL PROVISIONS APPLICABLE TO ISSUERS OF SECURITIES AND OTHER SECURITIES MARKET PARTICIPANTS, FOR THE YEAR ENDED AS OF DECEMBER 31, 2021.



BECLE, S.A.B. DE C.V.

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“CUERVO”

Securities Representing the Capital Stock of the Issuer

Characteristics

Registered market

Ordinary Single Series Shares

Bolsa Mexicana de Valores, S.A.B. de C.V.

The securities of the issuer above referred are entered in the Mexican Securities Registry.

Entry to the Mexican Securities Registry does not imply the certification on the value or the solvency of the issuer or on the promptness and truthfulness of the information included in the prospectus, and it will not validate the acts made against the laws, if applicable.

TABLE OF CONTENTS

1)	General INFORMATION	4
A)	GLOSSARY OF TERMS AND DEFINITIONS	4
B)	EXECUTIVE SUMMARY	7
C)	RISK FACTORS	24
D)	OTHER SECURITIES.....	60
E)	SIGNIFICANT CHANGES TO THE SECURITIES RIGHTS ENTERED IN THE MEXICAN SECURITIES REGISTRY	61
F)	PUBLIC DOCUMENTS.....	62
2)	THE COMPANY	63
A)	HISTORY AND DEVELOPMENT OF THE COMPANY.....	63
B)	DESCRIPTION OF BUSINESS	68
i)	Main activity.....	68
ii)	Distribution Channels	79
iii)	Patents, licenses, brands and other agreements	80
iv)	Main Clients	82
v)	Applicable law and tax situation.....	82
vi)	Human Resources.....	90
vii)	Environmental Matters	91
viii)	Market Information	91
	Corporate Structure	95
ix)	Descriptions of the Key Assets.....	96
x)	Legal, Administrative or Arbitration Proceedings	98
xi)	Shares representing the capital	99
xii)	Dividends	99
3)	FINANCIAL INFORMATION	101
A)	SELECTED FINANCIAL INFORMATION	101
B)	FINANCIAL INFORMATION PER BUSINESS LINE, GEOGRAPHIC ZONE AND EXPORT SALES	108
C)	REPORT OF RELEVANT CREDITS	111
D)	COMMENTS AND ANALYSIS OF THE ADMINISTRATION ON OPERATION RESULTS AND FINANCIAL POSITION	114
i)	<u>Operating results</u>	127
ii)	<u>Financial Position, Liquidity and Capital Resources</u>	130
iii)	<u>Internal Control</u>	132
E)	<u>ESTIMATES, PROVISIONS OR CRITICAL ACCOUNTING RESERVES</u>	133
4)	<u>MANAGEMENT</u>	135
A)	<u>INDEPENDENT AUDITORS</u>	135
B)	<u>TRANSACTIONS WITH RELATED PARTIES AND CONFLICT OF INTEREST</u>	135
C)	<u>MANAGERS AND SHAREHOLDERS</u>	141

D) <u>CORPORATE BY-LAWS AND OTHER AGREEMENTS</u>	149
5) Capital Market	158
A) SHAREHOLDING	158
B) BEHAVIOR OF THE SHARES IN THE SECURITIES MARKET.....	159
C) MARKET FORMER.....	161
6) Responsible Parties	162

EXHIBITS

Audited Consolidated Financial Statements as of December 31, 2021, 2020 and 2019 prepared by PricewaterhouseCoopers, S.C.... Exhibit 1

Statement of the Independent AuditorExhibit 2

Reports of the Audit and Corporate Practices Committee for the year 2021, as well as the Examiner’s report of the Issuer for the years 2021, 2020 and 2019.....Exhibit 3

This Report includes information on the industry, demographic situation, market situation (including forecasts referred thereto) and the competition, derived from the internal market studies and researches, public information and industry publications. The statements of the Company are based on information derived from independent sources which are reliable and common statistics used in Mexico, including, among others, The International Wine and Spirits Research (IWSR). In general, the industry and government publications state that the information included therein derives from reliable sources, but there is no assurance that such information is correct and complete. Although the Company has no reason to think that this type of information is inaccurate in a significant sense, such information has not been verified independently and, therefore, there is no assurance that such information is correct, accurate and complete. Likewise, the most recent information published by The International Wine and Spirits Research, as of the date of this Report, is as of December 31, 2020 which is duly indicated throughout this document.

1) GENERAL INFORMATION

A) GLOSSARY OF TERMS AND DEFINITIONS

Except otherwise indicated in this document, the capitalized terms used in this Report and listed below, will have the following meanings, to be applicable in singular and plural:

Term	Definition
“Shares”	The ordinary, single series, registered shares without par value representing the variable portion of the capital stock of the Issuer, granting full corporate and equity rights.
“Acquisition of Bushmills”	The acquisition by JC Overseas, Ltd., subsidiary of Casa Cuervo, S.A. de C.V. of the total of the capital stock of Bushmills in the amount of US\$718.7 million.
“Agave Azul” or “Agave”	Agave Azul Tequilana Weber.
“BMV”	Bolsa Mexicana de Valores, S.A.B. de C.V.
“Bushmills”	The Old Bushmills Distillery Company Limited.
“CETES”	The Federal Treasury Certificates.
“Sole Circular of Issuers”	The general provisions applicable to the issuers of securities and other securities market participants issued by the CNBV, and its amendments from time to time.
“CNBV”	The Mexican Banking and Securities Commission.
“COFECE”	The Federal Commission of Economic Competition.
“The Company” or “Issuer” or “Becle”	Becle, S.A.B. de C.V..
“CNIT”	Cámara Nacional de la Industria Tequilera.
“CRT”	Consejo Regulador del Tequila.
“Appellation of Origin”	General Declaratory of Protection to the Appellation of Origin of “Tequila”, published on December 9, 1974 in the Official Gazette of the Federation, and its amendment in year 1997.
“Day”	In upper and lowercases, a natural day.
“Working Day”	Any day other than Saturday or Sunday and in which the credit institutions in Mexico and New York open to the public, according to the schedule published by the CNBV.
“Diageo”	Diageo plc and its affiliated parties.

“Australian Dollar”	The legal currency of Australia.
“Dollar” or “US\$”	The legal currency of the United States of America.
“Canadian Dollar”	The legal currency of Canada.
“Don Julio”	Tequila Don Julio, S.A. de C.V. or the corporation Tequila Don Julio, S.A. de C.V., as the context may require.
“ERP”	The system of the business resources planning Company.
“Audited Financial Statements” or “Financial Statements”	The audited consolidated financial statements as of December 31, 2021, 2020 and 2019 audited by PricewaterhouseCoopers, S.C.
“United States”	The United States of America.
“Merger with Proximo”	It means the merger between Becele, S.A. de C.V., as merging company and prevailing company, and Sunrise Holdings, S.A. de C.V. as merged company and company ceased to exist, effective on October 13, 2016.
Euro	The legal currency of the European Union.
“i2i”	Island2island Beverage Co.
“Indeval”	S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.
“IWSR”	The International Wine and Spirits Research magazine.
“Applicable Law”	The federal, state or municipal laws, regulations, orders, circulars and other legal ordinances in force in Mexico City.
“Pound Sterling”	The legal currency of the United Kingdom.
“Maestro Tequilero”	Maestro Tequilero, S.A. de C.V.
“Mexico”	The United Mexican States.
“Notes 2025”	The senior notes issued by the Company on May 6, 2015 in international markets in the amount of US\$500 million, with a maturity date in May 2025 and with a fixed interest rate of 3.75% annually.
“Notes 2031”	The senior notes issued by the Company on October 14, 2021 in international markets in the amount of US\$800, (sic) with a maturity date in October 2031 and with a fixed interest rate of 2.500% annually.
“IFRS”	The International Financial Reporting Standards or IFRS issued by the International Accounting Standards Board (IASB).
“Initial Tender Offer”	The primary subscription and payment tender offer of 548,105,954 Shares (including 71,492,081 shares subject to the over assignment options) performed by the Company on February 8, 2017.

“Pesos” or “\$” or “MXP”	The legal currency in Mexico.
“GDP”	Gross Domestic Product (GDP).
“Proximo”	Proximo Spirits, Inc., Proximo Spirits Holdings, Inc., Proximo Distribution Holdings Limited, and its subsidiary companies, except otherwise required by the context.
“Report”	This annual report.
“Rest of the World”	Means the markets of the Company outside Mexico and the United States of America.
“RNV”	The Mexican Securities Registry maintained by the CNBV.
“Sunrise Holdings”	Sunrise Holdings, S.A. de C.V., in which Proximo is a subsidiary company.
“CAGR”	The Compound Annual Growth Rate; calculating: (the Last year/First year) growth $(1/n)-1$ in which “n” is the difference of years.
“NAFTA”	North America Free Trade Agreement.
“USMCA”	Means the United States-Mexico-Canada Agreement
“EBITDA”	The net profit <i>plus</i> depreciation and amortization, profit taxes, interest expense, <i>minus</i> interest income, plus loss (profit) in changes, net, minus the joint business sale profit and plus the loss in interest in associated party. Such metrics is not defined by the IFRS, and it should not be considered as a substitute of the operation profit shown in the Financial Statements, nor as an alternative of the cash flow derived from operation activities.

B) EXECUTIVE SUMMARY

Below, you will find a summary including a description of the Company's activities and the financial position, and it does not pretend to be exhaustive and to be used as a substitute of the information included in the remaining parts of this Report. This summary does not include all the relevant information for investors. Before making a decision of investing in the Company's Shares, investors should carefully and fully read this Report to understand the activities of the Company, including the sections entitled "Summary of financial information and other information", "Risk factors", "Selected combined financial information" and "Comments and analysis of the administration on the financial position and results of operation", and the Audited Financial Statements, the notes thereto and included in other sections of this Report.

The Company (hereinafter also referred to as "we", "our", "us")

The Company is a globally recognized spirits company and the largest producer of tequila in the world. Our extraordinary portfolio of more than 30 spirits and non-alcoholic beverages, some of them owned, distributed worldwide and other owned by third parties and only distributed in Mexico, has been developed through these years to participate in key categories with the strong growth perspective, serving the most relevant spirits markets in the world and attending the preferences and trends for consumers. The strength of our brand portfolio is based on the profound heritage of our internally developed iconic brands, such as the *Jose Cuervo* family brand, combined with complementary acquisitions, such as Three Olives, Hangar 1, Stranahan's, Bushmills, Boodles Pendleton and Proper No. Twelve, as well as our key focus on innovation, which throughout these years has helped us to internally develop worldwide known own brands, such as 1800, Maestro Dobel, Centenario, Kraken, Jose Cuervo Margaritas and b:oot, among the brands of the Company, which some of them are marketed and distributed in more than 85 countries. We are one of the oldest companies in Mexico, led by the same family during 11 generations, which legacy and tradition still defines our business, brands and culture. The history of the Company starts more than 250 years ago, since its foundation in 1758. In 1795, the King of Spain Charles IV granted José María Guadalupe de Cuervo y Montaña a Royal Warrant to produce and sell "vino de mezcal", currently known as tequila, generally considered the first license to sell tequila. Furthermore, we have been at the forefront of tequila evolution, our first export to the United States was in 1852, in 1880 we were the first distiller to bottle tequila in glass bottles and in 1945 margaritas were invented using *Jose Cuervo* tequila.

We operate as a producer, wholesaler and distributor of a wide portfolio of international recognized brands of spirits, ready-to-drink cocktails, as well as non-alcoholic beverages. Within the spirits, the Company is the global leader of tequila per volume over twice the size of our nearest competitor and the third greatest producer of Irish whiskey in the world per volume and sales according to IWSR in 2020. We generate the greatest part of our sales in the United States, country which we consider represents the most profitable and dynamic region of spirits industry. In addition to being our domestic market, Mexico is also the second most relevant market for the Company, in terms of volume and sales. The Acquisition of Bushmills by the Company and the growth of Kraken, makes us to obtain a continuous growth in the business outside the American continent.

In Mexico, the United States, Canada, the United Kingdom, the Republic of Ireland, China and Australia, we control and operate a direct distribution model. Particularly, in Mexico and the United States, the Company maintains the second and tenth largest distribution network of spirits per retail sale, respectively. With respect to Mexico, we directly distribute to channels, supermarkets, price clubs, wholesalers and convenience stores through our own sales force, reaching a high percentage of stores that sell alcoholic beverages in the country. In addition, our promotion team visits 2,206 of the most important supermarkets and wholesalers to oversee all aspects relating to display and promotion at the points of sale. In the United States, there is a three-tier federal and state legal system known as "tied

house laws”, which restricts the nature and extent of the dealings between spirits importers, producers and wholesalers, on the one hand, and the retailers on the other hand. These laws and provisions prohibit common transactions and relations in the spirits industry in other parts of the world, as well as in the consumption sectors in the United States. In 23 states of the United States, the Company mainly distributes through wholesalers associated with three relevant distribution companies (Republic National Distributing Company, Southern Glazer’s Wine and Spirits, and Johnson Brothers Liquor Company), in 10 states of the United States, we distribute through independent distributors which are not part of the above referred distribution networks and in the remaining 17 states of the United States, the state controls the distribution of spirits. In countries where we currently do not have the direct distribution model, in general terms, the distribution strategy is generally based on agreements with each country, which are exclusive for one or more brands of the Company.

As of December 31, 2021, we obtained consolidated net sales in the amount of \$39,419 million, an operation profit of \$7,121 million and a net profit of \$5,034 million. In year 2021, the United States represented the 65% of our consolidated retail sale, Mexico represented 21% and the other markets outside Mexico and the United States, which jointly constitute the “rest of the world” region, represented the remaining 14%.

Our tequila portfolio represented 64.0% of the consolidated retail sale for the year ended as of December 31, 2021. Our key brand of tequila, in terms of volume, is *Jose Cuervo* (including the sub-brands *Jose Cuervo Especial*, *Jose Cuervo Tradicional*, *Jose Cuervo Reserva de la Familia* and *Jose Cuervo Platino*), which, with 19.70% of the share market of tequila worldwide per volume and over twice the size of its nearest competitor according to IWSR, is, in our opinion, the best known tequila brand worldwide. The products of *Jose Cuervo* brand are sold in more than 85 countries. In addition to *Jose Cuervo*, we have successfully developed other tequila brands, which are sold and recognized internationally, including *1800*, *Centenario* and *Maestro Dobel*. With a portfolio compounded by 4 brands, we compete in all the segments of tequila relevant prices. In the two most relevant markets, the United States and Mexico, we maintained position number 1, with an interest of 25.44% and 40.96% of the total volume of tequila of each country in 2020, respectively, according to IWSR.

The following table includes the sale volume and level of different brands during year 2021:

Family	9-liter cases		Sales (in thousands of Mexican Pesos)	% Sale
Jose Cuervo	7,909,180	\$	13,554,501	34.39%
1800	2,288,349		6,766,100	17.16%
Other Tequilas	2,242,243		4,909,696	12.46%
Portfolio Tequila	12,439,772	\$	25,230,297	64.01%
Bushmills	934,436	\$	1,771,614	4.49%
Kraken	950,881		1,696,264	4.30%
Other spirits	2,874,112		5,161,242	13.09%
Portfolio No-Tequila	4,759,429	\$	8,629,120	21.88%
Ready-to-drink	4,877,812	\$	4,175,525	10.59%
Non-alcoholic beverages	3,479,740		1,384,458	3.51%
Total	25,556,753	\$	39,419,400	100.00%

We are vertically integrated across our entire tequila supply chain, from the sourcing of raw materials to the distillation, aging, bottling and distribution of the finished product. Agave Azul is the most important raw material used in the production of tequila, and we believe that we currently have the largest Agave Azul plantation in Mexico within the “tequila” Appellation of Origin region. We believe our vertically integrated supply chain strategy is a cornerstone of our value proposition because it allows us to ensure product quality and consistency as well as to control the sourcing of Agave Azul.

In Mexico, we operate two modern tequila distilleries and a state-of-the-art processing and bottling facility. Our La Rojeña distillery is the oldest in Mexico and is dedicated to the production of 100% Agave tequila. Our Los Camichines distillery is the largest in Mexico and is specialized in the production of tequila. The bottling company is EDISA with bottling lines including from manual to automatic processes, which allows us to have a relevant capacity of production.

Additionally, in the United States, we operate four distilleries (one of whiskey in Colorado and two in New York and one of vodka in California) and three bottling facilities (in Colorado, California and Indiana). In addition, in Northern Ireland, we have an Irish whiskey distillery and bottling facility, resulting from the Acquisition of Bushmills.

In February 2015, with our strategy of continuing the expansion in other high growth spirits category and adding recognized iconic brands to our portfolio, we acquired 100% of the shares of Bushmills, including its brands and the facilities in which it produces and bottles the Irish whiskey in Northern Ireland. The Irish whiskey, the first whiskey created in the world, has recently experienced a great growth in key markets and within the spirits market, it is the category with the lowest competition (in number of participants). *Bushmills* is the third brand of Irish whiskey in the world and the fourth brand in the United States, in both cases in terms of volume according to IWSR in 2020. The *Bushmills* brand is well recognized in EMEA region and in the United States, where it is distributed, as it is supported by its important legacy as Irish whiskey producer. Such legacy dates back to 1608, when the King of England, Jacob I granted a license to Sir Thomas Phillips to distill, making *Bushmills*, in the extent known by the Company, the oldest distillery of Irish whiskey in the world. *Bushmills* represented 4.5% and 4.0% of the consolidated retail sale of the Company for the year ended as of December 31, 2021 and 2020, respectively.

Likewise, on June 30, 2017, Proximo Australia PTY, Ltd, subsidiary company of JC Overseas, Ltd., acquired from L.I.P.S. PTY Limited, the capital stock of island2island Beverage Co. PTY, Ltd, (i2i) in the amount of \$189,576 (AUD\$12,343).

i2i was founded in 2007, and since that year it has experienced certain growth in the portfolio. i2i is seated in Sidney and has a sale infrastructure in each of the states of Australia. Likewise, it has a solid presence in the consumption centers and distributors, highlighting the two more important chains, Woolworths and Coles.

In 2015, Casa Cuervo, S. A. de C. V. appointed a i2i as distributor of the brands *Jose Cuervo, 1800, Bushmills, The Kraken and Boodles*.

The acquisition of i2i was an essential step to assure the future growth of our portfolio in the region.

On the other hand, on February 22, 2018, we completed the acquisition of the brand *Pendleton Whisky* of Hood River Distillers, Inc. *Pendleton Whisky* is one of the main brands of super-premium whiskey in the United States. Becele agreed to pay US\$212.8 million (\$3,999,259) for these assets. *Pendleton Whisky* was launched in 2003 and since then its annual retail volume has increased in more than 396,500 cases equivalent to 9-liters according to IWSR in 2020. In addition of the main presentation of *Pendleton Whisky*, the acquisition includes the presentations of *Pendleton Midnight, Pendleton 1910 and Pendleton Directors' Reserve*.

To complement the leader categories of tequila and whiskey, throughout the years, we have developed the innovation capacities by creating brands, through improving the cases and up to the launching of the line extensions. This is one of our most relevant strengths, both in innovation/speed in reaction capacity. In the rum category, in 2009, we developed and launched *Kraken*, a *premium* rum which is currently one of the most dynamic brands in the segment. *Kraken* represented 4.30% and 4.18% of the consolidated retail sales for the year ended as of December 31, 2021 and 2020, respectively.

In the vodka segment, we have *Three Olives*, *Hangar 1* and *Oso Negro*; in the gin segment we have *Boodles*; in the *ready-to-drink* segment we have *Jose Cuervo* and *1800*; and in the non-alcoholic segment we have *b:oot* and *Jose Cuervo Margarita Mix* and *Sangrita Viuda de Sánchez*. As of the date of this Report, we sell more than 30 brands around the world, including own brands and brands of third parties that we distribute only in Mexico, as an agent.

On October 1, 2016, our shareholders approved the merger into Sunrise Holdings (in which Proximo is a subsidiary company) (the "Merger with Proximo"). The Merger with Proximo was performed through the merger of the Company, as merging company, with Sunrise Holdings, as merged company. The merger was effective on October 13, 2016 and since then, all the assets, shares and rights, as well as all the liabilities, obligations of Sunrise Holdings were transferred to the Company. Proximo, a US company engaged in the production, import and distribution of spirits, was founded in 2007 by the Beckmann family, and it started with the distribution of the *1800* brand products in the US in 2008 and in 2013 it assumed the distribution of the *Jose Cuervo* brand products, previously operated by Diageo. Currently, Proximo is the tenth largest distributor of spirits per retail sales and the tenth largest distributor of spirits per retail volume in the United States according to IWSR, managing more than 14 premium brands of tequila, rum, gin, vodka, whiskey, liquors, ready-to-drink and non-alcoholic beverages. The distribution network of Proximo covers the United States, Canada and United Kingdom and is comprised by a team with the best experience in the spirits industry.

On November 25, 2019, our shareholders approved the merger into different companies of the Group, which was effective between the parties for tax, accounting and financial purposes on November 30, 2019 and since then, all the assets, shares and rights, as well as the liabilities, obligations and responsibilities of such Companies were transferred to the Company.

Furthermore, in order to simplify the different corporate structure of the Group, several mergers occurred on December 13 and 14, 2021, with tax, accounting and financial effects for the parties on December 31, 2021.

On April 23, 2021, EBS became a consolidated subsidiary company. As of December 31, 2021, the assets of EBS included the intellectual property related to the Proper No. Twelve brand, cash and receivable royalties, the liabilities of EBS included accounts payable to marketing providers, and the EBS expenses included marketing services and materials, and the only income of EBS were the royalties.

Tequila and the Appellation of Origin

Tequila is a high-quality, artisanal spirit that must be made from one specific type of agave, Agave Azul, -Tequilana Weber- planted and grown only in the territory declared by the General Declaration of Protection of the appellation of origin for Tequila. This region of Mexico includes the entire state of Jalisco and some border municipalities in the neighboring states of Guanajuato, Nayarit, Michoacán and Tamaulipas. By regulation of the General Declaration of Protection of Appellation of Origin, tequila cannot be produced from any other type of agave or in any other region.

There are two types of tequila: (i)) tequila distilled from at least 51% Agave Azul sugars, which we refer to as "Tequila," and (ii) tequila distilled from 100% Agave Azul sugars, which we refer to as "100%

Tequila.” Tequila may be bottled outside of the appellation of origin for Tequila (if the bottler is authorized with an approval certificate and co-responsibility agreement), the 100% Tequila must be bottled in the territory of the appellation of origin.

The term Tequila was protected in Mexico in 1974 by the General Declaration of Protection of the Appellation of Origin, published on December 9, 1974 in the Official Gazette of the Federation, and its amendments in years 1977 and 2001. As of this date, the Appellation of Origin of Tequila is protected in 55 countries through international treaties, in some cases under the figure of appellation of origin, among others, under the figures of the geographic indication, the certification brand and under the collective brand figure.

The production of tequila is subject to the provisions of the applicable regulations, setting forth the characteristics and specifications to be complied by the producers and bottlers of tequila. The ownership of the Appellation of Origin corresponds to the Mexican State and is regulated and protected by the Mexican government. The operations of the Company comply with the provisions of the regulations applicable to the Appellation of Origin and, therefore, the “tequila” and “tequila 100% Agave” can be used for its products.

There are five categories of tequila according to the characteristics of the product acquired in the distillation and in the following processes: (i) “blanco” or “plata” (white or silver), that may be subject to a shorter maturation process of up to two months; (ii) “joven” or “oro” (gold), which is the result of a blend of white tequilas with aged, extra-aged or ultra-aged tequilas; (iii) “reposado” (aged), which has a minimum aging of two months; (iv) “añejo” (extra-aged), which has a minimum aging of twelve months; and (v) “extra añejo” (ultra-aged), which has a minimum aging process of three years.

Competitive advantages

We think that the following competitive advantages are those making a difference from our competitors and leading to our constant success:

- *Worldwide leader in the tequila market and third leader in Irish whiskey.*
 - *Well-known brand portfolio focused on rapid growth categories in premium lines.*
 - *Presence in the most profitable and dynamic spirits markets of the world.*
 - *Vertical integrated model and route-to-market strategy and own distribution capacities.*
 - *History of profitable growth.*
 - *Agility and innovation fostering a resilient business model with high capacity of cash generation.*
 - *Heritage built on the continuous value bases and solid bases of family leadership.*
 - *Strong social and sustainability culture supported by a talented management team with wide experience.*

Worldwide leader in tequila market

We are the largest tequila producer in the world and, according to IWSR, in 2020 our tequila brands accounted for 29.32% and 22.94% of the global tequila volumes and retail sale, respectively. In 2020, we generated sales of tequila in approximately US\$2,320 million of the global market of tequila of US\$10,502 million, according to IWSR. We are the undisputed leader in two of the largest tequila markets in the world: the United States, where we accounted for 25.44% of total tequila volume retail sale and 18.69% of total tequila retail sale in 2020, and Mexico, where we have 40.96% of total tequila volume retail sale and 39.47% of the total retail sales in 2020, according to IWSR. We are also a leader in the “rest of the world” region, in which our products represented in 2020, 30.17% of the total volume sales, according to IWSR.

Our tequila portfolio includes strong and long-established brands, including three of the seven largest tequila brands by volumes worldwide in 2020, according to IWSR (*Jose Cuervo 1800 and Centenario*). In 2020, our flagship Jose Cuervo brand family sold more nine-liter cases than any other tequila brand according to IWSR. The 1800 brand is the third 100% Agave tequila brand worldwide per volume, according to IWSR. In line with the current industry's trend for premium products in the spirits categories, we continue to develop our fast-growing portfolio of ultra-premium and prestige tequila brands, which today includes Maestro Dobel and Reserva de la Familia, among others.

Throughout our history, we have received several international awards for the quality of our tequila from various countries and cities, including Madrid in 1907, Spain in 1907, Paris in 1909, London in 1910, Barcelona in 1912, Rome in 1923 and Rio de Janeiro in 1923, San Francisco 2021, New York 2021 and Los Angeles 2021. Today, the Company continues actively participating in the award Diosa Mayahuel of Mexico, the most expert panel of tequila in Mexico. The tequilas of the Company have been recognized and, today, in their different assessed categories such as *blancos: reposados, añejos, extra añejos* and *crystalinos*. In 2021 our tequila and mezcal brands obtained prizes such as the Gold medal and Double Gold Medal in recognized competitions of the Bartender Spirits Awards, International Spirits Challenge, San Francisco Spirits Competition and World tequila Awards, proving the high quality and interest for the proposals of our products.

Portfolio of recognized brands focused on quick growth categories

We think that our brands constitute the most valuable and important assets. Through the years, we have developed an extraordinary portfolio of more than 30 brands in 9 different categories of spirits and ready-to-drink and non-alcoholic beverages, led by worldwide known brands with leader market positions in quick growth categories, such as *Jose Cuervo, 1800, Centenario, Bushmills* and *Kraken*, among others.

The leader brands of tequila worldwide include *Jose Cuervo, 1800* and *Centenario*, among others, maintaining solid participations in most of the markets in which we have presence. The tequila portfolio is compounded by 5 brands, covering the majority of the price range segments, focused on a wide range of consumers.

The main business of tequila is complemented by a diversified portfolio of attractive brands of distilled drinks, covering different categories and prices throughout our key markets. The *Bushmills* brand has been developed through years of tradition and positions the Company as one of the leader producers of Irish whiskey in the world, one of the greatest growth categories in retail volume within the global market of spirits between 2015 and 2020, with a CAGR of 1.52% according to IWSR. In the United States, *Kraken*, the rum developed by the Company, enjoys a dynamic expansion, with retail volume and sale growth at a better rhythm than those within the rum category. Likewise, the Company has a brand portfolio focused on premium segments, including vodkas *Three Olives* and *Hangar 1*, and the Colorado whiskey *Stranahan's*, among others. We think that our brand portfolio allows us to capture the consumption through different price segments, as well as to attend changes in consumption trends providing stability to the cash flow generation through different economic cycles.

We think that our brand portfolio positions us as a key player in some of the most dynamic categories in the spirits industry. For example, the tequila sales worldwide representing 64.00% of the retail sales as of December 31, 2021, has reached a CAGR of 7.80% in terms of retail sales, from 2015 to 2020, according to IWSR. The Irish whiskey, the category in which we compete with *Bushmills*, representing 4.7% of the retail sales as of December 31, 2021 has reached a CAGR of 9.4% in terms of the retail sales from 2015 to 2020, according to IWSR, and at the same time we participate with The Sexton and Proper Number Twelve (in April 2020, we acquired an increase amount of 29% of interest in the capital stock of Eire Born Spirits reaching an accumulated interest of 49%, in the capital stock of the Company holding the brand Proper Number Twelve as of December 31, 2020; likewise, in April 2021, the Company exercised the

purchase right to acquire an interest in the capital stock of 51% additionally). We think that most of our brands are well aligned with the demographic and consumption trends and we expect to continue motivating the current consumption in the key markets, including a relevant trend to premiumization and brands and products with tradition, as well as for products with innovating and distinctive characteristics.

In addition, we continuously invest in marketing and promotion to support our brands and develop the value and recognition thereof. We understand that the consumers require more than a good product to identify with it, therefore, we innovate in the construction of new personalities and cultures for each brand, allowing us to have a relation with our consumers at any level and through all the communication media.

The strength and success of our brands allow us and will allow us to continue having presence in the existing markets and to have access to new markets.

Leading presence in the most profitable and dynamic spirits markets in the world

We are a global spirits company and our products are sold in over 85 countries across the world. Over the years, we have consistently increased our international exposure through a combination of organic growth and targeted acquisitions. For the year ended as of December 31, 2021, we generated 79% of our retail sales outside Mexico, in comparison with 81% in 2020 and 76% in 2019.

We are a leading and well-established participant in the United States, the second largest spirits market, after China, by retail sale globally in 2020 according to IWSR, and which we believe represents the most profitable and dynamic global spirits market in the world. For the year ended December 31, 2021, our sales volume in the United States of America amounted to approximately 15.8 million 9-liter cases, respectively, as long as the retail sale amounted to \$25.8 billion, representing 65% of our total consolidated sales volume. In addition, with the integration of Proximo, we have obtained a benefit from the Proximo experience acquired in first-hand in distribution in this market and we think it will allow us to continue increasing its scope therein.

We think that we are well positioned to reach the greatest international expansion. We think that our key categories continue with a low penetration within the spirits and outside its main markets, such as tequila which represents 0.6% of the retail sales of spirits in the European Union in 2020 against 39.9% for Mexico and 13.4% for the United States, or the Irish whiskey which represented 5.2% of the retail sales of whiskey worldwide in 2020 according to IWSR. We think that an increase of 1% in the net sales market interest of tequila in the European Union market and the Irish whiskey in the global whiskey market, may represent a sales opportunity for the industry of approximately US\$529 million and US\$689 million, respectively, according to the estimates and information by IWSR in 2020.

Vertical integrated model, robust route-to-market strategy and own distribution capabilities

We operate an integrated platform with unique route-to-market distribution. In tequila, in particular, we run an integrated model covering all steps in the value chain including cultivation of agave, distillation, processing and bottling, aging, warehousing and distribution. This vertical integration allows us to control our supply of critical inputs and quality at each stage of the production process, from raw materials to distribution to the final consumer.

- ***Agriculture and supply.*** We operate our own agave plantations in order to control the agricultural process with the goal of (i) securing our sufficient supply of Agave Azul; (ii) controlling the profile and quality of the product; and (iii) having visibility into the cost of raw materials.

We believe that we are the largest private producer of Agave Azul in Mexico, according to the plantation registry held by the CRT.

We also maintain relationships with independent agave producers, allowing us to acquire agave at market prices with our quality standards and strengthening our ties with local communities.

The fact that the regulation forbids producing tequila outside the territory of the appellation of origin for tequila, coupled with our experience in the production of agave, gives us significant competitive advantages from the early stages of the production chain.

- **Distillation and bottling processes.** We control our distillation and bottling processes. This control, coupled with the fact that tequila distillation – and in the case of 100% tequila also bottling – must take place within the appellation of origin, provides us with a unique advantage throughout the production chain. We have five distilleries and five bottling facilities in Mexico, the United States and Northern Ireland. Furthermore, our internal policies provide for prudent and timely capital investments to increase capacity and to modernize and maintain our plants in line with technological developments and the most rigorous standards, to ensure their efficient and sustainable operation.
- **Route-to-market distribution.** We have a mixed distribution model, operating through the direct sales in our main markets and through Distributors in the rest of the world. In 2021, 90% of the sales were generated through own operations in the United States, Canada, Mexico, United Kingdom, Australia, Republic of Ireland, Spain and China. Particularly, in Mexico and the United States, we have the second and tenth largest distribution network of spirits per retail sales, respectively. In Mexico, we directly distribute to supermarkets, price clubs, wholesalers and convenience stores through our own sales force.

With Proximo, we integrated the platform in charge of distributing our products in the United States, Canada, Australia, the United Kingdom and the Republic of Ireland. In the United States, we also have a distribution network administered thereby, which makes us the tenth largest distributor of spirits per retail sales and retail volume according to IWSR in 2020. We have a great warehouse located in the upper mid-west corridor to optimize the transportation of products, as well as warehouses with third parties in Denver, Colorado, Oakland, California, Hebron, Kentucky; in addition, our Distribution Center is located in the Indiana facility. As a result of our own distribution in the United States, we have the capacity to (i) focus on the strategic priorities of the company, (ii) assure the short-term continuity of the brand distribution, and (iii) create the image and position of our own brands creating loyalty of the brands among the consumers. The best example is that since Proximo adopted the distribution of *Jose Cuervo Especial* in the United States in July 2013, the tequila sales trend was reverted.

The distribution of the “rest of the world” region, beyond the abovementioned markets, was performed by third parties. We use relevant time and attention on the management of relation with our distributors to guarantee that they appropriately represent our targets and objectives in our corresponding local markets.

History of profitable growth and superior capacity of flow generation

The history of growth in sales of the Company has been obtained through a combination of organic initiatives and strategic acquisitions. For the year ended as of December 31, 2021 our consolidated sales accounted for \$39,419 million, respectively, in comparison with \$35,036 million in 2020 and \$29,705 million in 2019. This evolution represents a CAGR of 15.2% between 2019 and 2021. For the year ended on December 31, 2021, the EBITDA accounted for \$7,938 million, in comparison with \$7,607 million in 2020 and \$6,096 million in 2019.

Our business generated a EBITDA margin of 20% as of December 31, 2021.

We think that our solid capacity of cash flow generation will allow us to continue with growth initiatives for our current business, search for value creating and complementary acquisitions within the spirits industry and create value for our shareholders.

Heritage built on the continued value creation and solid base of family leadership

Our heritage is the result of more than two centuries of family tradition with product leadership and innovation. The Company was founded in 1758 and in 1795 King of Spain, Charles IV granted to José María Guadalupe de Cuervo y Montañó the Royal Warrant to produce and sell “vino de mezcal”, currently known as tequila, generally considered as the first license to sell tequila. La Rojeña, our flagship distillery is the oldest distillery in Mexico, and continues to produce tequila after 250 years. The Bushmills distillery, located in the village of Bushmills, is the oldest distillery in Ireland, which has maintained the same philosophy of work for more than 400 years. We are convinced that the uniqueness of our heritage is a fundamental pillar of our brand, business culture and strategic philosophy.

Our management team has been led for more than 250 years by 11 generations of Cuervo family. Currently, Juan Domingo Beckmann Legorreta, is the Chief Executive Officer. We have a solid principles of corporate governance and our top managers have solid work experience in the companies part of the spirits industry and consumer goods. The top executives have an average experience of more than ten years in international goods consumer companies. As a team, our directors have established a success trajectory in the generation of profitable growth and increase in the market participation of the Company.

Corporate liability

We are convinced that our success will be total in an economic, social and environmental sustainability context, Therefore, we have publicly assumed the commitment to implement a socially responsible management and continuous improvement in the company, as part of our culture.

For 16 consecutive years, we have met the standards established by the Mexican Center for Philanthropy (*Centro Mexicano para la Filantropía, A.C.*, or “CEMEFI”) in the key areas of corporate social responsibility. Since 2007, we have been afforded the distinction of Socially Responsible Company (*Empresa Socialmente Responsable*) in recognition of the actions we carry out to promote our employees’ quality of life, as well as in the areas of ethics and corporate governance, community engagement, and other actions of each strategic area. Our actions and initiatives in each strategic area include the following:

The Community

Our shareholders have supported the Tequila, Jalisco community for many years through Jose Cuervo Foundation (*Fundación Jose Cuervo, A.C.*). These efforts focus on producing a positive impact on the lives of individuals and families of the community, through programs that promote values, art, culture and education, among others. In addition, our shareholders have actively promoted tourism in Tequila, a “Magical Town,” thereby supporting its independent and sustained long-term growth. We expect to continue supporting the communities in which we operate in a manner consistent with our past practices.

Further, in all of our premises we strive to exceed legal standards and provide a safe, inclusive and respectful work environment.

Responsible consumption

We actively participate in campaigns and programs to prevent the harmful use of alcoholic beverages and promote responsible consumption, while promoting a balanced and healthy way of life.

One of our corporate goals is to promote responsible consumption, so we continually carry out campaigns to avoid and prevent the harmful use of alcoholic beverages, such as: (i) fighting against the informal market and the consumption of beverages that may not meet sanitary controls and quality standards; (ii) discouraging drinking and driving; (iii) preventing the sale of alcoholic beverages to people under legal age; and (iv) promoting respect for abstinence in the consumption of alcoholic beverages. For example, in 2001 we created “Imagina Cuervo” to create awareness about responsible drinking through the creativity and talent of university students in Mexico. Imagina Cuervo seeks to become the first platform to look for real and tangible solutions to problems related to the harmful use of alcoholic beverages, through incentives and supporting young people’s ideas.

Environmental Sustainability

We consider it essential that our growth takes place in the context of effective responsibility and environmental sustainability. To date, we have made significant investments in improving waste disposal, water conservation and the reduction of greenhouse gas emissions. We comply with applicable environmental regulations and, if possible, exceed such standards. Our facilities have received environmental certifications such as Clean Industry, ISO 9000 and APPCC.

Behavior of the shares in the securities market

The following table shows the maximum and minimum quote prices of the Shares according to the publication by Bloomberg and the BMV:

Monthly behavior

Period 2021	Maximum	Minimum	Closing	Shares (Daily Average Volume)	Shares (Total Operated)	Amount (\$)
January	50.50	43.73	43.73	1,321,394	26,427,872	1,269,966,887
February	46.75	40.50	43.15	1,552,008	29,488,144	1,292,994,315
March	47.01	43.16	46.76	1,289,530	28,369,659	1,289,442,570
April	49.38	46.63	48.31	1,468,566	29,371,317	1,417,254,340
May	50.19	47.07	50.19	1,455,262	30,560,498	1,488,716,470
June	53.28	50.74	52.44	2,126,211	46,776,638	2,446,815,560
July	53.15	49.61	49.81	592,841	13,042,491	670,954,000
August	51.19	45.12	51.19	902,056	19,845,232	945,377,690
September	50.88	44.26	44.82	1,153,589	24,225,359	1,125,274,080
October	47.06	42.85	47.06	2,353,788	49,429,556	2,227,976,860
November	49.11	46.44	49.11	1,081,213	21,624,264	1,038,655,390
December	52.68	47.69	51.21	1,173,176	25,809,868	1,319,036,427

Period 2020	Maximum	Minimum	Closing	Shares (Daily Average Volume)	Shares (Total Operated)	Amount (\$)
January	35.56	33.43	35.04	1,336,220	29,396,846	1,005,085,885
February	35.90	29.97	29.97	1,920,955	36,498,148	1,236,638,207
March	32.20	27.50	28.99	2,368,560	49,739,756	1,486,387,490
April	38.01	27.87	36.97	3,525,825	70,516,509	2,440,296,850
May	38.87	35.52	38.40	7,712,999	154,259,986	5,788,887,740
June	44.50	38.77	44.26	3,093,618	68,059,590	2,800,730,870
July	46.78	40.35	44.59	1,748,909	40,224,918	1,731,617,939
August	44.71	40.23	41.81	2,142,893	45,000,745	1,870,990,020
September	45.13	40.83	45.13	1,217,484	25,567,166	1,096,220,460
October	47.65	43.39	44.53	1,676,750	36,888,501	1,687,068,720
November	49.24	43.50	47.39	2,202,495	41,847,397	1,980,130,760
December	50.33	47.03	49.94	1,156,180	25,435,970	1,242,199,830

Period 2019	Maximum	Minimum	Closing	Shares (Daily Average Volume)	Shares (Total Operated)	Amount (\$)
January	27.06	23.38	24.43	2,834,678	62,362,916	1,553,500,550
February	27.12	24.45	27.12	2,908,129	55,254,443	1,390,942,818
March	29.88	27.03	29.88	2,725,337	54,506,733	1,547,816,300
April	30.51	28.89	29.79	1,778,100	35,562,007	1,051,945,469
May	32.44	28.61	28.61	3,134,497	68,958,925	2,127,508,380
June	30.06	28.65	29.78	2,006,613	40,132,252	1,191,022,000
July	29.30	26.96	28.43	2,155,020	49,565,456	1,415,484,200
August	30.60	28.07	28.11	3,217,988	70,795,744	2,053,373,030
September	30.46	28.00	29.09	1,542,263	30,845,268	900,593,439
October	33.95	29.50	33.24	2,506,118	57,640,722	1,790,366,450
November	33.62	33.09	33.09	1,111,029	22,220,583	741,697,221
December	35.41	33.18	35.16	1,060,560	21,211,209	727,039,773

The quote prices of the Shares may be affected by the financial position, the operation results and the requirement of resources and prospectus of the Company, as well as for other economic and financial factors and market conditions. See “1) General Information—c) Risk factors” We cannot guarantee that the quote prices of the Shares will be maintained after the aforementioned margins.

Summary of Financial Information

The following summary of the selected consolidated financial information, as the case may be, derives from and, therefore, it will be read along with the Consolidated Financial Statements of the Company, including the corresponding notes, as well as the information included in the “Selected Financial Information” and “Comments and Analysis of the Administration on the Operation Results and Financial position of the Company Analysis” sections, included in this Report.

The financial information corresponding to years ended on December 31, 2021, 2020, 2019 for the years ended as of such dates, derives from the Audited Financial Statements prepared by the International Financial Reporting Standards (“IFRS”).

Becle, S.A.B. de C.V. and subsidiary companies

Consolidated Statements of Comprehensive Income

For the years ended as of December 31, 2021, 2020 and 2019

(Thousands of Mexican Pesos (\$), except profit per share)

	As of December 31,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net sales	\$ 39,419,400	\$ 35,036,139	\$ 29,704,781
Cost of sales	<u>18,145,221</u>	<u>16,790,114</u>	<u>14,039,147</u>
Gross profit	21,274,179	18,246,025	15,665,634
Expenses:			
Advertising, marketing and promotion	8,688,948	6,688,049	6,424,715
Distribution	2,028,053	1,379,692	1,040,914
Sales	1,417,221	1,404,296	1,195,568
Administration	2,073,675	1,972,970	1,754,087
Other expenses (income) - Net	<u>(54,920)</u>	<u>(91,595)</u>	<u>(159,790)</u>
Total expenses	<u>14,152,977</u>	<u>11,353,412</u>	<u>10,255,494</u>
Operating income	<u>7,121,202</u>	<u>6,892,613</u>	<u>5,410,140</u>
Interest income	(250,671)	(143,666)	(191,321)
Interest expense	698,707	544,809	528,551
Changes in the fair value of financial instruments		(303,739)	-
Foreign exchange (loss) - Net	<u>(234,440)</u>	<u>(58,997)</u>	<u>(74,461)</u>
Financing income	<u>213,596</u>	<u>38,407</u>	<u>262,769</u>
Interest in income of associated companies	-	-	-

[Translation for informational purposes only]

	6,907,606	6,854,206	5,147,371
Profit before taxes			
	1,873,743	1,702,162	1,429,518
Profit taxes			
	\$ 5,033,863	\$ 5,152,044	\$ 3,717,853
Consolidated profit, net			
Other comprehensive income, net of taxes:			
Components to be classified after the income			
Foreign transactions – Reserve of exchange			
Foreign currency	\$ 249,750	\$ 1,913,777	\$ (1,145,931)
Components not to be subsequently reclassified to income			
Changes in the fair value of equity investments at fair value			
through other comprehensive income – net of income tax	(60,980)	26,931	(46,513)
Employee benefits – net of income taxes	21,226	35,243	25,713
	\$ 209,996	\$ 1,975,951	\$ (1,166,731)
Other comprehensive income			
	\$ 5,243,859	\$ 7,127,995	\$ 2,551,122
Consolidated comprehensive income			
Net income attributable to:			
Controlling interest	\$ 5,019,732	\$ 5,146,020	\$ 3,712,022
Non-controlling interest	14,131	6,024	5,831
	\$ 5,033,863	\$ 5,152,044	\$ 3,717,853
Comprehensive income attributable to:			
Controlling interest	\$ 5,229,728	\$ 7,121,971	\$ 2,545,291
Non-controlling interest	14,131	6,024	5,831
	\$ 5,243,859	\$ 7,127,995	\$ 2,551,122
Basic and diluted earnings per share (pesos)	\$ 1.40	\$ 1.43	\$ 1.04

Becle, S.A.B. de C.V. and subsidiary companies
Consolidated Statements of Financial Position
As of December 31, 2021, 2020 and 2019

(Thousands of Mexican Pesos (\$), except profit per share)

	As of December 31,		
Assets	<u>2021</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 12,791,283	\$ 7,646,318	\$ 9,628,169
Trade receivables	10,284,156	9,213,715	9,294,939
Related parties	14,174	57,214	103,294
Recoverable tax	-	624,405	782,106
Other recoverable taxes and receivables	965,770	1,291,221	637,217
Inventories	12,093,628	11,193,822	9,438,092
Financial instruments at fair value with changes in income	-	303,739	-
Biological assets	933,397	291,882	915,393
Advance payments	1,076,837	1,004,644	850,902
	<u>38,159,245</u>	<u>31,626,960</u>	<u>31,650,112</u>
NON-CURRENT ASSETS:			
Inventories	6,588,473	5,959,914	4,990,747
Biological assets	5,866,734	4,895,421	2,719,349
Investments in associates	648,351	1,567,796	230,383
Investments in shares at fair value	-	11,969	36,748
Property, plant and equipment - Net	11,854,967	10,169,488	6,944,677
Intangible	20,627,687	15,447,299	14,229,951
Goodwill	6,991,770	6,891,070	6,253,088
Lease assets	2,371,205	2,351,770	2,046,169
Deferred income tax	1,934,567	2,357,279	1,313,980
Employees benefit - Net	434,690	234,809	250,939
Other assets	61,879	67,893	58,792
	<u>57,380,323</u>	<u>49,954,708</u>	<u>39,074,823</u>
Total assets	<u>95,539,568</u>	<u>81,581,668</u>	<u>70,724,935</u>
Liabilities			

SHORT-TERM LIABILITIES			
Senior Notes	\$ 102,363	\$ 48,833	\$ 46,131
Accounts payable	4,593,948	3,062,436	2,182,716
Related parties	70,788	169,551	68,382
Lease liabilities	787,853	617,268	445,582
Other accounts payable	6,602,572	4,809,560	3,944,604
Total short-term liabilities	<u>12,157,524</u>	<u>8,707,648</u>	<u>6,687,415</u>
LONG-TERM LIABILITIES			
Senior Notes	18,495,297	9,907,075	9,344,657
Lease liabilities	1,840,177	1,843,873	1,702,822
Environmental reserve	140,311	126,414	117,924
Other long-term liabilities	692,855	508,401	190,823
Deferred income tax	3,770,082	5,743,187	4,089,090
Total liabilities	<u>37,096,246</u>	<u>26,836,598</u>	<u>22,132,731</u>
Stockholders' equity			
Capital stock	11,283,642	11,283,642	11,514,467
Shares issuance premium	14,486,570	14,486,570	15,364,892
Capital reserves	4,302,893	4,302,893	5,758,171
Accumulated profits	22,089,778	18,615,653	11,880,337
Other comprehensive income	6,187,664	5,977,668	4,001,717
Stockholders' equity attributable to the controlling interest	<u>58,350,547</u>	<u>54,666,426</u>	<u>48,519,584</u>
Non-controlling interest	<u>92,775</u>	<u>78,644</u>	<u>72,620</u>
Total stockholders' equity	<u>58,443,322</u>	<u>54,745,070</u>	<u>48,592,204</u>
Commitments and contingencies	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>95,539,568</u></u>	<u><u>81,581,668</u></u>	<u><u>70,724,935</u></u>

Other Financial Information
As of December 31, 2021, 2020 and 2019

(Thousands of Mexican Pesos (\$))

	As of December 31,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operation profit	\$ 7,121,202	\$ 6,892,613	\$ 5,410,140
EBITDA ⁽¹⁾	7,938,170	7,607,072	6,095,565
Cash flow generated by operation activities	4,338,987	3,745,850	2,369,189
Cash flow used for investment activities	(5,657,031)	(5,069,794)	(1,758,028)
Net cash flow generated by (used in) financing activities	5,984,529	(1,318,393)	(2,609,424)
Net cash flow ⁽²⁾	4,666,485	(2,642,337)	(1,998,263)
Operation margin ⁽³⁾	18%	20%	18%
EBITDA margin ⁽¹⁾⁽⁴⁾	20%	22%	21%
Debt ⁽⁵⁾	2.34	1.31	1.54

- (1) For the Company's purposes, EBITDA represents the net profit *plus* depreciation and amortization, profit taxes, interest expense, *minus* interest income, plus loss (profit) in changes, net, minus profit in sale of a joint business and plus loss in association interest. The Company presents EBITDA as it is an indicator generally accepted by the available funds to be paid for the debt. However, EBITDA is not recognized by the IFRS as financial items or as a liquidity and performance indicator. Although, EBITDA provides useful information, it must not be assessed on isolated basis and it must not be considered as a substitute of the net profit of the Company by assessing the operating performance, or as a substitute of the cash flows generated by transactions of the Company when assessing the liquidity. It is possible that the Company calculates EBITDA in another form than other issuers, which may affect the comparison of such information. The following table shows the calculation of EBITDA:

Other data

As of December 31, 2021, 2020 and 2019

(Thousands of Mexican Pesos (\$))

	As of December 31,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Volume ⁽⁶⁾			
United States ⁽⁶⁾	15,790,556	15,230,400	12,459,698

[Translation for informational purposes only]

Mexico ⁽⁶⁾	6,730,944	6,237,311	7,296,706
Rest of the world ⁽⁶⁾	3,035,253	2,186,864	2,560,427
	<hr/>		
Total volume ⁽⁶⁾	25,556,753	23,654,576	22,316,831

EBITDA

for the years ended as of December 31, 2021, 2020 and 2019

(Thousands of Mexican Pesos (\$))

		As of December 31,		
		<u>2021</u>	<u>2020</u>	<u>2019</u>
	Net profit	\$ 5,033,863	\$ 5,152,044	\$ 3,717,853
Plus:	Depreciation and amortization	816,969	714,459	685,425
Plus:	Profit taxes	1,873,743	1,702,162	1,429,518
Plus:	Interest expense	698,707	544,809	528,551
Minus:	Interest income	250,671	143,666	191,321
Minus:	Changes at fair value of financial instruments	-	303,739	-
Plus/Minus:	Loss (profit) in changes, net	(234,440)	(58,997)	(74,461)
Minus:	Profit in joint business sale	-	-	-
Plus:	Loss in associated interest	-	-	-
	EBITDA	7,938,171	7,607,072	6,095,565
		20%	22%	21%

(2) The net cash flow equals the sum of (i) the cash flow generated by operation activities, (ii) the cash flow used by investment activities, and (iii) the net flow (used in) generated by financing activities.

(3) The operation margin represents the profit of operation/sales.

(4) The EBITDA represents the EBITDA/sales ratio.

(5) The ratio of debt represents the total debt ratio at the end of the period/EBITDA of the last 12 months of the period.

(6) The sales volume represents the 9-liter cases sold.

C) RISK FACTORS

All the investment in the Company's Equity involves high risk. Investors should carefully read the risks described in this section, as well as the rest of the information included in this Report, including the Company's Financial Statements, before making an investment decision. The activities, the financial position, the operation results, the cash flows and/or the perspectives of the Company may be adversely and significantly affected by any of these risks. The market price of the Company's Equity may decrease due to any of these risks and other factors, and the investors may lose all or a portion of the investment. The risks described in this section are those than in the opinion of the Company may affect it adversely. There may be additional risks and factors unknown by the Company or not currently considered as important, which may adversely and significantly affect our activities, the financial position, the operation results, the cash flows, the projects and/or the market price of the Shares. In this section, expressions in the sense of specific risk or factor may be or might have an "significant adverse effect" in the Company, or may "adversely and significantly" affect the Company, mean that such risk or factor may have a significant adverse effect in the activities, the financial position, the operation results, the cash flows, the projects and/or the market price of the Shares of the Company.

Risk factors related to the pandemic SARS-CoV2 (COVID-19)

COVID-19 impact on business, the financial position and the operation results of the Company

Although the COVID-19 pandemic has had, and will continue to have, certain negative impact on our business, especially in certain regions such as Mexico and the Rest of the World, this negative impact was offset by strong results in the United States of America and Canada region, demonstrating our ability to address timely and efficiently the challenges posed by the COVID-19 pandemic. Nevertheless, the spread of COVID-19 and the resulting regulatory measures implemented by the governments of the countries in which we operate have caused us to modify our business activities, including changes in distribution and manufacturing procedures, limiting travel, temporarily closing offices and facilities and implementing remote work capabilities. In addition, the impact of COVID-19 in the financial markets has adversely affected the cost of borrowing, hedging activities and access to capital in general which could limit our ability to obtain financing in favorable terms or at all.

While near-term uncertainty caused by the COVID-19 pandemic remains, we expect to see improvements in our business as vaccines become more widely available. Most of the countries in which we operate, including the United States of America, have already launched their vaccine campaigns, manufacturing and logistic challenges persist. Therefore, a prolonged health crisis could continue to reduce economic activity in the countries in which we operate, resulting in a further decline in employment, as well as in confidence among businesses and consumers. For some sectors uncertainty still prevails and the strong increase in unemployment rates will affect the expected recovery of consumption. Furthermore, it is unclear how the macroeconomic business environment or social norms may be impacted after the pandemic. The post-COVID-19 environment may undergo unexpected developments or changes in financial markets, fiscal, tax, labor and regulatory environments and client and consumer behavior. These developments and changes could have an adverse impact on our results of operations and financial position. Ongoing business and regulatory uncertainties and changes may make our longer-term business, balance sheet and budget planning more difficult or costly.

The extent to which COVID-19 may impact our operations, liquidity, financial position, and results of operations will depend on future developments, including, but not limited to, the duration and spread of

the pandemic, its severity, the actions to contain the disease or treat its impact, and the duration, timing and severity of the impact on financial markets and the financial position of our clients and consumers and the availability of a vaccine, all of which are highly uncertain and cannot be predicted. We will continue to closely monitor and evaluate the nature and extent of the impact of COVID-19 on our business, operations, liquidity, financial position, results of operations and prospects. We may also take further actions that alter our business operations, as may be required by federal, state or local authorities, of the countries in which we operate, or that we determine are in the best interests of our employees and consumers. To the extent that we are not able to adapt to the new business environment, we could experience loss of business and our results of operations and financial position could materially suffer.

Risk factors related to the Our activities and industry

The existence of unfavorable condition or facts of economic, political and business order or new risk in the countries in which we operate may adversely and significantly affect our sales, profitability and results of operation

Global economic and political conditions, as well as economic and political conditions specific to the United States, Canada and major European, Latin American (including Mexico) and Asia Pacific markets in which we do business may substantially affect our sales and profitability. Although we believe the adverse worldwide economic conditions experienced over recent years are improving, the degree and pace of recovery is uncertain and is expected to vary around the globe. Instability in global credit markets, including uncertainty related to sovereign debt issues in certain countries in the European Union, the instability in the geopolitical environment in many parts of the world another disruptions may continue to put pressure on global economic conditions. We are subject to risks associated with adverse economic conditions, including economic slowdown, inflation and the disruption, volatility and tightening of credit and capital markets. Additionally, changes in economic and financial positions in the countries in which we operate and market our products may impact consumer confidence and consumer spending.

The extent of the recovery in the financial markets continues to remain uncertain, and there can be no assurance that market conditions will continue to improve in the near future. Even as the economy recovers in certain markets, consumers may choose to curtail spending, make more value-driven and price-sensitive purchasing choices, and have more at-home drinking occasions rather than at restaurants, bars and hotels. In addition, governments may impose taxes and implement other austerity measures to manage the economic conditions in ways that adversely affect our business. Continuation or further worsening of these financial and macroeconomic conditions, or one or more of the related trends noted above, could significantly adversely affect our sales, profitability and results of operations and could require us to realize brand impairment charges to reflect any decline in the fair value of our brands.

Our business is also subject to a variety of risks and uncertainties related to trading in many different countries, including political, economic or social upheaval, the introduction of import, investment or currency restrictions, including tariffs and import quotas, and restrictions on the repatriation of earnings and capital. Political, fiscal or social unrest, potential health issues (including pandemic issues) and terrorist threats or acts may also occur in various places around the world, which will have an impact on trade, tourism and travel. These disruptions can affect our ability to import or export products and to repatriate funds, as well as affecting the levels of consumer demand, and therefore affect our activities, financial position, results of operations, cash flows and prospects, as well as the market price of our Shares.

A decrease in consumer confidence and changes in consumer habits may adversely affect our business, financial position, results of operations and prospects.

We are exposed to certain political, economic and social factors in the countries where we operate that are beyond our control and could adversely impact the confidence and habits of consumers. Changes in employment and salary levels, interest rates and other economic indicators, as well as the effect of the COVID-19 pandemic, among other factors, have a direct impact on consumers' income and their purchasing power and an indirect impact on their confidence and consumption habits, which could have an adverse effect on our business, financial position, results of operations and prospects.

Demand for our products may be adversely affected by changes in consumer preferences and tastes

Maintaining our competitive position depends on our continued ability to offer products that appeal to consumers. Consumer preferences change over time and may shift due to a variety of factors, including changes in demographic and social trends, vacation and leisure activity patterns, and a downturn in economic conditions, which may reduce consumers' willingness to purchase our products. Our continued success will depend on our ability to maintain consumer demand and anticipate and respond effectively to shifts in consumer behavior and tastes. In particular, demand for our products could be impacted by concerns about the health effects of alcohol consumption (including concerns from negative publicity), negative dietary effects of alcohol consumption, regulatory action or any litigation or customer complaints against companies in the spirits industry may also have an adverse effect on our business. The competitive position of our brands could also be affected adversely by any failure to achieve consistent, reliable quality in the product or service levels to customers (including the containers in which beverages are sold).

In addition, we may not be able to quickly introduce substitute products to satisfy consumer demands as both the launch and ongoing success of new products is inherently uncertain, especially as to their appeal to consumers. The failure to launch a new product successfully can give rise to inventory write-offs and other costs and can affect consumer perception of other existing brands. Growth in our business has been based on both the launch of new products and the growth and acquisition of existing products. We market our products in several different countries and the consumers in each country have their own tastes and preferences. There can be no assurance as to our continuing ability to develop and launch successful new products or variants of existing products or as to the profitable lifespan of newly or recently developed products.

Any significant changes in consumer preferences or any failure by us to anticipate and react to such changes could result in reduced demand for our products and affect our activities, financial position, results of operations, cash flows and prospects, as well as the market price of our Shares.

If the social acceptability of our products declines or governments adopt policies against alcoholic beverages or if we face negative publicity, our business could be materially adversely affected

Our ability to market and sell our alcoholic beverage products depends heavily on both society's attitudes toward drinking and governmental policies that flow from those attitudes. In recent years, increased social and political attention has been directed at the spirits industry. The recent attention has focused largely on public health concerns related to the harmful use of alcohol, including drinking and driving, underage drinking and health consequences from the misuse of alcoholic beverages. Alcohol critics in the United States and Europe increasingly seek governmental measures to make alcoholic beverages more expensive, less available and more difficult to advertise and promote. If the social acceptability of alcoholic beverages were to decline significantly, sales of our products could materially decrease. Our sales would also suffer if governments ban or restrict advertising or promotional activities, increase the legal drinking age, limit hours or places of sale, increase taxes on alcoholic beverages or take other actions designed to discourage alcohol consumption. In addition, press articles or other public media covering our business,

brands, products, personnel, operations, organization, performance or prospects may adversely affect our business, regardless of the accuracy of the substance of the communication. Since we are a branded consumer products company, adverse publicity can hurt our business, as consumers may steer away from our brands or products that receive bad press.

We face competition that may reduce our market share or margins.

We face substantial competition from several international companies as well as local and regional companies in the countries in which we operate. We compete with alcoholic beverage companies across a wide range of consumer drinking occasions. In addition, in recent years the popularity of celebrity owned or sponsored tequila has risen, with a number of tequila brands backed by celebrities with a strong social media presence entering the market. The spirits industry has consolidated significantly over the past two decades, resulting in spirits companies, including our main competitors, which own multiple brands and have global reach, creating an extremely competitive environment. Within a number of categories, consolidation or realignment is still possible. Consolidation is also taking place among our customers in many countries. The entry of new competitors into our markets, a change in the level of marketing undertaken by competitors or in their pricing policies, unanticipated actions by competitors or customers, further consolidation of our customers or competitors, the introduction of new or competing products or brands, and operational or other limitations in the distribution of our products could lead to downward pressure on prices or a decline in our market share which would have a significant adverse impact on our business.

Our retailers and wholesalers offer products that compete directly with ours for shelf space, promotional displays and consumer purchases. Pricing (including price promotions and discounts, aggressive marketing, new product introductions and other competitive behavior by other suppliers, or by distributors or retailers who sell their products) and policies or decisions of retailers through which our products are offered, targeting one or more of our brands could also adversely affect the sales of our products and our financial results. During an economic slowdown, consumers tend to increase their price sensitivity and make more of their purchases in discount stores and other off- site establishments. Therefore, the effects of these competitive activities may be more pronounced in a difficult economic climate, affecting our financial position and results of operation.

Potential liabilities and costs from litigation directed at the spirits industry could adversely affect our business.

Litigation and complaints from consumers or government authorities resulting from beverage quality, illness, injury, the harmful use of alcohol, illegal sales or targeted advertising and promotion of alcoholic beverages to underage consumers, and health concerns or other issues stemming from the harmful use of alcohol may affect our industry. If such litigation resulted in fines, damages or reputational damage to us or our brands, our business could be materially adversely affected.

Regulatory decisions and the legal and regulatory environment in the countries in which we operate could limit our business activities or increase our operating costs or liabilities

As a global spirits company, our business is subject to extensive regulatory requirements in the countries in which we operate, including in respect of production, product liability, distribution, importation, marketing, promotion, labeling, packaging and advertising, as well as, more generally, labor, competition and antitrust matters, trade and pricing practices, sales, pensions, anti-corruption, anti-money laundering, sanctions and environmental issues. Regulatory decisions or changes in legal and regulatory requirements may cause us to incur material costs or liabilities that could adversely affect our business. Governmental bodies in the countries in which we operate may impose new taxes, new labeling, product or production requirements, new limitations on the advertising or promotional activities used to market alcoholic beverages, new restrictions on retail outlets, other restrictions on marketing, promotion and distribution, restrictions on the locations, times or occasions where alcoholic beverages are sold or consumed or other restrictions on the age at which alcohol may be consumed, which directly or indirectly limit the sales of our products. Regulatory authorities in the jurisdictions in which we operate may also have enforcement power that can subject us to actions such as product recall, seizure of products, suspension, investigation or revocation of licenses required to conduct our business, financial penalties and other sanctions which may cause us to incur material costs and adversely affect our sales and reputation.

In addition, the Biden administration in the United States has issued an executive order that identifies the alcohol beverage industry as an area of concerns. Currently, it is unclear what effects of this order will be, but it is possible that actions taken under this order could seek to implement a more rigorous enforcement of anti-trust laws at the supplier or wholesaler levels, new “tied house” regulations or more active enforcement of existing regulations, any of which could have the risk of disrupting the industry. Any actions undertaken to this end could have material adverse effect on our business and prospects.

Tax increases and changes in other fiscal regulations could adversely affect demand for our products

Distilled spirits are subject to import duties or excise taxes in many countries in which we operate. Many states in the United States and other jurisdictions are considering excise tax increases and some governments have already substantially increased excise tax rates on spirits brands. Further increases in import duties or excise taxes could result in higher sales prices and adversely affect our sales and profit margin, sales, financial position or results by reducing overall consumption or encouraging consumers to switch to lower-taxed or lower-cost categories of alcoholic beverages. We may also become subject to tax disputes relating to income tax matters, among other things, in different markets which, if resolved adversely, could cause us to incur material costs.

Alcohol tax liabilities resulting from the fraudulent acts of others could adversely affect our business.

There are alcohol tax liabilities associated with the cross-border sale of alcoholic beverages, especially within the European Union. The removal of internal borders within the European Union and the resulting end of customs inspections have facilitated the emergence and development of “gray markets.” The significant differences in the rates at which alcohol is taxed in different member states could lead to the falsification of administrative documents for the purpose of evading taxes. While we have implemented measures for approving new customers and conduct reasonable audits of our customers regularly to ensure that their operations are legitimate, there can be no assurance that fraudulent acts on the part of our customers will necessarily be uncovered. In those circumstances, we could be held liable for the payment of alcohol taxes. In addition, the development of gray markets further increases competition. As a result of tax evasion, operators in the gray market can offer products at a significantly reduced price level, putting downward pressure on the prices of our products.

We may not be able to protect our intellectual property rights

The success of the branded goods industry in general and our business in particular depends, in large part, on our ability to protect our current and future trademarks, brand names and trade names and to defend our intellectual property rights. We have invested considerable resources in protecting our intellectual property rights, including registering trademarks, industrial designs and domain names. We cannot, however, ensure that the measures we have taken to protect our intellectual property rights will be sufficient or that third parties will not infringe or misappropriate our intellectual property rights. Given the attractiveness of our brands to consumers, we are subject to the risk of third parties manufacturing counterfeit or similar products or using our trademarks or brand names. We cannot be certain that the steps we take to prevent, detect and eliminate counterfeit products will be effective in preventing material loss of profits or erosion of brand equity resulting from lower quality or even dangerous counterfeit product reaching the market. Moreover, certain countries in which we operate offer less intellectual property protection than is available in Europe and North America, and, in general, securing effective intellectual property protection requires the allocation of significant resources. If we are unable to protect our intellectual property against infringement or misappropriation, this could materially harm our activities, financial position, results of operations, cash flows and prospects, as well as the market price of our Shares.

The Appellation of Origin for Tequila and Mezcal could deteriorate

The appellation of origin for Tequila dates from 1974. The territory of the appellation of origin includes the entire state of Jalisco and some border municipalities of the neighboring states of Guanajuato, Nayarit

and Michoacán as well as some municipalities in the state of Tamaulipas. The appellation of origin imposes strict standards for the cultivation of Agave Azul within its regions and the production of Tequila.

Likewise, Mezcal has appellation of origin since 1995. Mezcal can only be produced in the states of Oaxaca, Guerrero, Zacatecas, Durango, San Luis Potosi, Tamaulipas, Guanajuato and Puebla.

The Appellations of Origin for Tequila and Mezcal are critical to protect our brands. While we carry out our best efforts to strictly comply with all regulations imposed by the Mexican authorities in order to ensure the protection of our products, we might inadvertently breach such regulations, or Appellations of Origin may deteriorate or decrease their standards, which could affect the perception of our consumers, and, therefore, our sales, even if we maintain the quality of our products..

Contamination or other circumstances could harm the integrity of, or customer support for, our brands and adversely affect the sales of those brands

The success of our brands depends upon the positive image that consumers have of those brands, and contamination, whether arising accidentally or through deliberate third-party action or other events that harm the integrity of, or consumer support for, those brands, could adversely affect their sales. Other than Agave Azul, of which we produce a majority of what we use in our operations, we purchase many of the raw materials for the production of our products from third-party producers in the domestic or international market. We have a quality validation process for raw materials at the time of their receipt; however, our process is carried out by sampling and, therefore, provides reasonable, and not total, assurance in terms of compliance with quality standards. Contaminants in those raw materials or defects in the distillation or fermentation process could lead to low beverage quality or contamination of the beverages, leading to involuntary or voluntary recalls, or illness among, or injury to, our consumers and may result in reduced sales of the affected brand or all our brands.

An increase in the cost of raw materials or energy could affect our profitability

In the ordinary course of business, we buy raw materials for the production of our products in Mexico and internationally. The prices of those raw materials fluctuate and are largely determined by global supply and demand, as well as other factors over which we have no control, including exchange rates, governmental regulations and legislation affecting agriculture, trade agreements among producing and consuming nations, adverse weather conditions, natural disasters, economic factors affecting growth decisions, political developments, various plant diseases and pests. Commodity price changes may result in unexpected increases in the cost of raw materials, glass bottles and other packaging materials for our products. In addition, energy cost increases may result in higher transportation, freight and other operating costs. We have experienced significant increases in commodity costs and energy costs, and these costs could continue to rise. We may not be able to increase our prices to offset these increased costs without suffering reduced volume, sales and operating profit.

Damage of the operations of any of our production facilities or main warehouses could have an adverse effect on the operation results

Our operations may be adversely affected if one of the main distilleries, bottling facilities or warehouses, or any of the distilleries, factories or bottling facilities of the third parties' products which we distribute, suffers a failure. Particularly, those affected would be the tequila products aimed to the global market, which in 2021 represented a 64% of the retail sales of the Company, are exclusively produced in two distilleries located in Mexico and bottled in two bottling facilities, one located in Mexico and the other in the United States. Our capacity to supply tequila products may be adversely affected due to the extended closing, the destruction or inability to operate any of such facilities for reasons attributable to the Company or by third parties, such as generalized riots or acts addressed to damage the Company. Any of these damages along with the loss of production capacity, may derive in legal liabilities and damage our goodwill, adversely affecting our operation results. Likewise, loss of aged Irish whiskey, stored in Northern Ireland may have an adverse effect in the financial income of the Company. The foregoing, as the Company has maintained the insurances covering any unexpected, accidental and unforeseen risk causing a material and moral damage.

Our inability to obtain key input materials from third-party suppliers could affect our financial results

Our ability to produce and sell our products hinges, largely, on the availability of quality raw materials, including water, electricity, Agave Azul and sugar for Tequila, barley for Irish whiskey, grain whiskey for American whiskey, barrels for aging and other packaging materials (such as glass, bottle stoppers, labeling and other materials). Without sufficient quantities of any of our key input materials, our operations and financial results could suffer. If any of our key suppliers failed to meet our timing, quality or capacity requirements, ceased doing business with us, or increased its prices, and to the extent there are no other viable alternatives or such alternatives are limited, and we could not develop alternative cost-effective sources of supply, our activities, financial position, results of operations, cash flows and prospects, as well as the market price of our shares, could be adversely affected.

In addition, in case of any shortage of key raw materials or an increase in the cost of labor or other operating costs, our results may be adversely affected, mainly due to the possible inability to transfer the cost increase or cost of scarcity to our consumers, through price increases, without affecting consumer demand and our sales.

Water is an essential raw material in the production of tequila products and it is extremely important for our operations. Water is essential not only as an ingredient in the production of tequila, but also as a source of steam for the distillation process and is an important element for the rest of our beverages, alcoholic as well as non-alcoholic. Furthermore, the quality and quantity of available water is important for the supply of Agave Azul. The state of Jalisco has a limited amount of water. If climate patterns change and droughts become more extreme, or our water supply is affected by any other factor, there could be a water scarcity or lack of high quality water which, in turn, could affect our costs and production capacity. In the context of tequila, we have obtained concessions for the use of water in our production facilities as required under applicable law. However, we may be subject to actions or claims by relevant authorities that could affect our access to necessary water concessions. The loss or limitation of our water sources or supply could adversely affect our activities, financial position, results of operations, cash flows and prospects, as well as the market price of our Shares.

Specifically, our inability to produce a sufficient amount of Agave Azul could affect our financial results

As of this date, the Tequila category represents the majority of our sales by volume and value. Tequila is distilled from Agave Azul. We produce the majority of our Agave Azul input in our plantations. Our ability to produce our tequila products hinges on having available sufficient quantity of Agave Azul. Without sufficient quantities of Agave Azul at competitive prices, our operations and financial results could suffer. The average growth cycle of the Agave Azul is seven years, and it must be planted and produced in the territory of the appellation of origin for Tequila in Mexico. If this region were to experience severe weather variations or natural disasters, such as droughts, torrential rains, earthquakes, pestilence or other occurrences, we might not be able to produce readily a sufficient supply of Agave Azul and there could be a decrease in our production of tequila or an increase in its cost which could adversely affect our activities, financial position, results of operations, cash flows and prospects, as well as the market price of our Shares.

Natural disasters could adversely affect our business

From time to time, different regions of Mexico (and, in particular, the Pacific and Central regions), and certain areas of the other countries in which we operate, experience torrential rains and hurricanes (particularly during the months of July through September), as well as earthquakes. Natural disasters such as these may impede operations, damage buildings necessary to our operations and adversely affect the demand levels of our customers. Also, any of these events could force us to increase our capital expenditures to put our facilities back in operation. Accordingly, the occurrence of natural disasters in the

locations where we have facilities could adversely affect our business, results of operations and financial position.

While we carry insurance to cover our assets against natural disasters and other risks, we cannot assure you that losses caused by damage to our business infrastructure will not exceed the pre-established limits on any of our insurance policies and, therefore, have a material adverse impact on our business, results of operations and financial position. In the event our current insurance coverage proves insufficient, we may incur significant costs and expenses to remediate and mitigate any damage caused by such natural disasters and other events, which could adversely affect our business, financial position and results of operations. In addition, even if we receive insurance proceeds, any repairs resulting from a natural disaster are likely to take significant time, which would likely materially and adversely affect our activities, financial position, results of operations, cash flows and prospects, as well as the market price of our Shares. Physical and regulatory effects resulting from climate changes may negatively affect our operations and financial performance.

Physical effects of climatic changes and the applicable regulations amendments could adversely affect our operation and our financial performance

There is a growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate changes have a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain raw materials that are necessary for our products, such as sugar and Agave Azul. Changes in frequency or intensity of weather can also disrupt our supply chain, which may affect production operations, insurance costs and coverage and delivery of our products to customers. In addition, as water is one of the major components of our products, the quality and quantity of the water available for use is important to our ability to operate our business. If hydrologic cycle patterns change and droughts become more common and severe, there may be a scarcity of water in our production regions. As water becomes scarcer and the quality of available water deteriorates, we may be affected by increasing production costs or capacity constraints. While uncertainties exist in the legislative and regulatory processes regarding climate change, additional regulatory requirements may increase our operational costs, due to the higher cost of compliance.

We could have insufficient or surplus product by inaccurately forecasting demand, production or other circumstances affecting our inventory

The Agave Azul plant is a critical raw material in the production of our tequilas and takes five to eight years to reach maturity for harvest. We also store tequila reserves at our facilities in Mexico and hold substantial reserves of whiskey at warehouses in Northern Ireland, the United States and Canada. Aged tequilas, such as *reposado* and *añejo*, must be matured for at least two and twelve months, respectively, whereas Irish whiskey and Canadian whisky must be matured for at least three years and American whiskeys are typically aged for at least four years. The loss of all or a portion of our Agave Azul plants (for example, as a result of plague, disease, drought, or torrential rains) may not be replaceable and, consequently, may lead to a substantial decrease in supply of those products. Similarly, any loss of all or a portion of our inventory of tequilas or whiskeys in reserve (for example, as a result of contamination, fire or other natural disaster or destruction resulting from negligence or the acts of third parties) may also lead to a substantial decrease in the supply of those products.

There are inherent risks of imprecision in forecasting the quantity of Agave Azul plants to begin cultivating in a given year in order to meet consumer demand in the future. Likewise, similar risks are inherent in predicting the necessary inventory of Irish whiskey to store for future consumption in a given year. The forecasting strategies we use to balance product supply with fluctuations in consumer demand may not be effective for particular years, products or markets. This could lead either to an inability to supply future demand, resulting in a loss of sales and market share, or to future surplus inventory, resulting in decreased profit margin.

Disruption in our product supply and supply chains could impact our sales and financial performance.

Disruption in our supply chain could lead to the inability to deliver products to key customers, revenue loss, brand damage and loss of market share. The loss or temporary discontinuity of supply chains from any of our suppliers without sufficient time to develop an alternative source could result in delays in shipments, expose us to increased costs, damage to our brands and place us at a relative disadvantage to our competitors. Disruption of supply and/or discontinuity of supply chains could result from increased competition, industry consolidation, the termination of (or material change to) arrangements with suppliers, disagreements with suppliers as to payment or other terms or the failure of a supplier to meet our contractual obligations or otherwise deliver materials consistent with current usage. Factors that are hard to predict or beyond our control, like adverse weather conditions, natural disasters, earthquakes, hurricanes, flooding, fire, power loss, loss of water supply, terrorist attacks, telecommunications and IT system failures, political instability, civil strife, military conflict, the consequences of any military action and associated political instability in any of the countries where we operate, generalized labor unrest or health pandemics (such as the COVID-19 pandemic), could also damage or disrupt our supply and supply chains. In particular, the supply of Agave based products (including tequila) from Mexico to export markets such as the United States is important to our business. Discontinuity of supply from Mexico could adversely impact our sales and financial performance in our various export markets. Such discontinuity in our product supply and supply chains could have an adverse effect on our business, financial position and/or results of operations.

In addition, the COVID-19 pandemic has affected consumer behavior and market sentiment globally, with multiple countries taking far-reaching containment measures such as restrictions of movement for populations. These changes, and in particular national and local government restrictions as regards the operation of bars and restaurants and, in some instances, mandatory closures of production facilities, have further affected and may continue to affect us and our product sales. Although there is significant uncertainty relating to the severity of the near-and long-term adverse impact of the COVID-19 pandemic on the global economy, financial markets and our business, a prolonged continuation of these measures and resulting consumer behavior could be expected to have a further negative impact on our business, financial position and/or results of operations.

We are exposed to the risks and effects of economic recession and to falls in per-capita income, which could adversely affect the demand for our products

We are exposed to the effects of a global recession and a recession in one or more of our key markets, including lower revenue and reduced income. For our line of business, recession may adversely affect demand, and therefore sales volumes and the prices that can be achieved for our products in the relevant markets. Changes in the economic environment following a global economic downturn may impact on our regular business activities and performance, in particular in the on-premise segment / on-trade channel (i.e., restaurants, hotels, bars and cafeterias). The level of alcohol consumption in a country is typically positively correlated to the general income level of that country. As such, lower income levels and lower customer solvency resulting from a global economic downturn may further negatively impact the demand for our products and result in lower prices, lower sales and increased credit risk, negatively impacting our business, financial position and/or results of operations. A global economic downturn may also change consumers' behavior due to an increase in discount brands and retailers following such economic downturn, as well as change consumers' preferences, with consumers leaning towards our more economic products and reducing demand for our premium products negatively impacting our revenues.

To remain competitive, we must continue to compete effectively in relation to, among other factors, pricing, quality and reliability. Any such increase in competition or changes in the competitive landscape in which we operate could result in increased pricing pressures, which could, in turn, have an adverse effect on our business, financial position and/or results of operations as well as impact our ability to maintain or increase our market share. Turbulence in financial markets may have an impact on, inter alia, the value of our investments and our financial instruments.

Regulatory changes related to alcohol could lead to a decrease in brand equity and sales of our products

Restrictive measures on alcohol consumption and sales continue to be taken by authorities in the markets in which we operate. The topic of alcohol and health is under scrutiny in many of the markets in which we operate. This may prompt regulators to take further measures limiting our freedom to operate, such as restrictions and/or bans on advertising and marketing, sponsorships, availability of products, including health warnings on labels and increased taxes and duties or the imposition of minimum unit pricing. This could lead to lower overall consumption of our products or consumers switching to different product categories.

Such negative publicity, restrictive measures and potential change in consumption trends could lead to a decrease in brand equity and sales of our products and affect our commercial freedom to operate and restrict the availability of our products, any of which, in turn, could have an adverse effect on our business, financial position and/or results of operations.

For example, during 2020, several local governments in Mexico implemented a ban on the sale of alcohol for periods stretching up to several months to curb the consumption of alcoholic beverages and as a measure to counter some of the social effects of the continuous lockdowns due to the COVID-19 pandemic. Although as of the date hereof these bans have been lifted, we cannot assure that such local governments will not reinstate them nor that any similar measures will not be instated in any other of the countries in which we operate.

The jurisdictions in which we operate may adopt regulations or changes in laws and regulations that could increase our costs and liabilities and/or limit its business activities

Changes in the legal and regulatory environment tend to increase the risk of non-compliance with local and global laws and regulations. Failure to comply with applicable laws and regulations could lead to claims, enforcement and reputational damage for us. Recent health trends may lead to an increased risk of consumers making claims against us or our products.

Our business is regulated by national and local government entities in the countries in which we operate. These regulations govern many parts of our operations, including brewing, bottling, branding, marketing and advertising, transportation, distributor relationships and sales. Other regulations governing taxation, environmental impact and labor relations also affect our operations.

Various legislative authorities consider from time to time increasing taxes (including excise and other duties, tariffs and levies) on the production or sale of alcoholic beverages, profits, sales, salaries, royalties, interests and/or dividends. Such tax increases are frequently performed by legislative authorities in times of slow or negative economic growth as a means to raise revenue. Tax increases are also used by legislative authorities as a means to steer consumption of alcoholic beverages. Changes in such regulations and duties could have an adverse effect on our business, financial position and/or results of operations. Further, there can be no assurance that we will not incur material costs or liabilities in connection with its compliance with current applicable regulatory requirements or that such regulations will not interfere with, restrict or affect our businesses which, in turn, could have an adverse effect on our business, financial position and/or results of operations. In addition, our inability to timely respond to the introduction of new environmental legislation could lead to legal claims, increase of compliance costs, restrictions on production, packaging, distribution, selling and marketing of our products, reputation damage, limits on our license to operate in a specific jurisdiction, resulting in negative business impact.

We may be subject to claims that we have not complied with laws and regulations, which could result in fines and penalties or loss of operating licenses. We are also routinely subject to new or modified laws and regulations with which we must comply in order to avoid claims, fines and other penalties, which could have an adverse effect on our business, financial position and/or results of operations.

Our business is subject to seasonality, which could result in volatility in our operating results from quarter to quarter

Like our competitors in the beverage industry, our operations are characterized by seasonal fluctuations in demand. Our operations are subject to varying seasonality in accordance with the consumption habits of the various geographies in which we operate. In Mexico, we generally have higher sales in September and December of each year. In the United States, we typically experience relatively higher sales during the early summer, from May 5 through July 4. In our Rest of World region, consumption of Irish whiskey typically increases during November and December, causing an increase in sales during the fourth quarter. Although the impact of seasonality on an annual basis may be limited when considering our overall operations, our operating results may vary significantly from quarter to quarter, making comparability difficult between periods and our net sales and profitability may be lower in certain quarters of the fiscal year.

Termination of our rights to distribute and market agency brands included in our portfolio could adversely affect our business

In addition to the brands we own, we also market and distribute products on behalf of other brand owners in selected markets. Our rights to sell these agency brands are based on contracts with the various brand owners, which have varying lengths, renewal terms, termination rights and other provisions. We earn a margin for these sales (therefore, our gross profit derived from these sales typically represents a smaller proportion of the relevant retail sale, as well as retail sale less excise taxes, than our gross profit derived from sales of our own brands) and also gain distribution cost efficiencies in some instances. Therefore, the termination of our rights to distribute agency brands included in our portfolio could adversely affect our business.

The amendments to the labor law and collective bargain agreements could adversely affect our financial position

In May 2019, the amendment to the Federal Labor Law was effective, with respect to the labor justice, association freedom and collective negotiation. Accordingly, new authorities and labor courts were created and provisions related to a mandatory pre-judicial conciliatory proceeding were incorporated, new procedural rules were established for labor actions and the collective rights of employees were guaranteed, including democracy and transparency of the union, in addition, new provisions to prevent and fight against discrimination and labor violence were included, among others. We expect the Federal Center of Conciliation and Labor Registry to be in duties and to apply the new procedure applicable to the execution, review, termination or amendment of collective agreements, including the patterns (i) no interference should occur in the collective matters of the employees, (ii) the unions must prove that they represent the employees, and (iii) the employees must state their consent to the terms and conditions of the collective agreements.

With these changes, we expect that in the following years to disappear the collective agreements executed with the unions that do not actively represent the employees, and giving rise to a more unionized activity in Mexico. We cannot assure that these changes will not adversely affect our business, our financial position and the results of operations. Approximately, 10% of the Company's employees are affiliated to unions. If the Company is involved in labor conflicts provoking strikes or certain stoppages, the cost of operations of the Company may increase, its sales may decrease and the relations with its clients may deteriorate, which may adversely and significantly affect the activities, the financial position, the results of operation, the cash flows and the Company's perspectives, as well as the market price of its Shares.

An increase in labor costs could adversely affect our results of operations

Our results may be adversely affected as a result of increases in labor costs. A shortage in the labor pool or other general inflationary pressures or changes in applicable laws and regulations could increase labor costs, which could have an adverse effect on our activities, financial position, results of operations, cash flows and prospects, as well as the market price of our Shares.

Our failure to attract and retain qualified personnel could adversely affect our business

Our success depends in part on the efforts and abilities of our senior management team and key employees. There is no guarantee that we will continue to be able to recruit, retain and develop the capabilities which we require to deliver our strategy. The loss or retirement of senior management or other key personnel or the inability to identify, attract and retain qualified personnel in the future may make it difficult to manage the business and could adversely affect our activities, financial position, results of operations, cash flows and prospects, as well as the market price of our Shares.

Our estimate of the amount of our pension obligations is based on assumptions that may change in the future

We have substantial retirement benefit obligations under pension and other schemes for our employees, as described in the notes to our Audited Consolidated Financial Statements. The pension obligations are for the most part covered by funded plans. Retirement benefit obligations, which are not covered by funded plans, are recorded as liabilities in our consolidated financial statements. The amount of these liabilities is based on certain actuarial assumptions, which include, for example, discounting factors, demographic trends, pension trends, future salary trends and expected returns on plan assets. If actual developments were to deviate from these assumptions, this could result in a substantial increase in the liability for the retirement benefit obligations on our consolidated financial statements.

Our acquisition strategy and integration of acquired brands may not be successful, our results of operations could be negatively impacted

From time to time, we acquire additional brands that we believe are a strategic fit. We may not be able to successfully produce, market or sell the products of brands we acquire, and integrating acquired brands so they conform with our trade practice standards may prove challenging. Our ability to grow the volumes and maintain or increase the profit margins on brands we acquire is important for our future performance. Acquisitions may also expose us to unknown liabilities and may lead us to incur additional debt and related interest expense and increase our contingent liabilities. Likewise, the aforementioned acquisitions may originate an impairment of the brands, as well as the *goodwill* related to such transaction. We also may not be able to find suitable targets for acquisitions on acceptable terms and conditions.

Our future growth opportunities through mergers, acquisitions or joint ventures may be impacted by antitrust laws and other challenges in integrating acquisitions

We may pursue further acquisitions in the future. We do not know if we will be able to successfully complete any acquisitions (including, among other reasons, because of antitrust restrictions) or whether we will be able to successfully integrate any acquired business into our business or retain key personnel, suppliers or distributors. Also, there can be no assurance that a challenge on antitrust grounds in connection with any acquisition that we may pursue in the future will not be made. If any such challenge is made, we may be required to sell or divest a portion of our business or prevented from consummating a specific acquisition. Our ability to successfully grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financing. These efforts could be expensive and time consuming, disrupt our ongoing business and distract management.

Systems change programs may not deliver the benefits intended and systems failures could lead to business disruption, as well as cyber attacks

The long-term information technology strategy that we have undertaken includes certain change programs designed to improve the effectiveness and efficiency of company-wide operating, administrative and financial systems and processes, principally the development of a common global technology platform using SAP. These programs may cost more than originally anticipated and may not deliver the expected operational benefits. There may be disruption caused to production processes and possibly to administrative and financial systems as further changes to such processes are effected. They could also lead to adverse customer or consumer reactions. Any failure of information systems could adversely impact our ability to operate. As with all large systems, our information systems could be penetrated by outside parties' intent on extracting information, corrupting information or interrupting business processes. Such unauthorized access could disrupt our business or lead to loss of assets.

We have engaged in related party transactions which may create potential conflicts of interest and may result in less favorable terms to us

Within the ordinary course of business, we enter into transactions with affiliates and related parties. In particular, we have entered, and will continue to enter, into transactions with affiliates for the distribution of our products in international markets and for the distribution of related party agency brands in Mexico. These related party transactions have higher potential for conflicts of interest than transactions with non-affiliated third parties.

The failure to extend a material portion of our expiring distribution agreements, or a material change in our existing distribution arrangements, may negatively affect our operations and financial performance

In all markets, other than Mexico, the United States, Canada, the United Kingdom, the Republic of Ireland, Australia, China and Spain, we generally rely on distribution arrangements with third-parties to distribute our products. These distribution partners are selected on a market-by-market basis and generally are exclusive for the relevant brand or brands. If we are unable to extend a material portion of these agreements or find suitable alternative arrangements, the international distribution of our products may be disrupted, which would negatively affect our operations and financial performance.

We are controlled by one family

The majority of our outstanding shares are owned by the Beckmann family. Therefore, the Beckmann family has the ability to appoint a majority of the members of our Board of Directors and to approve any matters requiring action by shareholders.

Risks related to Mexico

The existence of unfavorable economic and political conditions in Mexico could adversely and significantly affect our activities, the financial position, the results of operation, the cash flows and/or the perspectives, as well as the market price of Shares

The Company is incorporated under the Mexican laws and makes its productive operations in Mexico; therefore, it depends on the domestic economy. Accordingly, the activities, the financial position, the results of operation, the cash flows and the perspectives of the Company, as well as the market price of our Shares, could be adversely affected by the economic situation in general terms, which is beyond its control. In the past, Mexico has passed several economic crisis periods as a result of internal and external factors characterized by the instability of the exchange rates (including relevant devaluations), high indexes of inflation and unemployment, increases in interest rates, contraction of economic activity, decrease of capital flows derived from abroad and lack of liquidity in the banking sector. These conditions could adversely affect our activities, the financial position, the results of operation, the cash flows and/or the perspectives, as well as the market price of our Shares.

Currently, the Mexican government does not limit the capacity to Mexican individuals or legal entities to exchange Pesos to US Dollars, (subject to certain restrictions in the event of cash transactions involving the payment of amounts in US Dollars to Mexican banks) and other currencies. The Peso has suffered relevant devaluations against US Dollar in the past and may substantially have a devaluation in the future. Devaluations and depreciations of the Mexican Peso may give rise to the establishment of restrictive exchange policies by the Mexican government, as previously occurred in Mexico and in other countries of Latin America. Fluctuations in value of Mexican Peso vs. US Dollar affect the value considered in US Dollars of the securities quoted at the BMV, including the Company's Shares. Therefore, fluctuations in the value of the Mexican Pesos against other currencies, specially including the US Dollar, could adversely and significantly affect our activities, the financial position, the results of operation, the cash flows and/or the perspectives, as well as the market price of our Shares. See section "Exchange rate".

As a result of the considerable effects of the economic crisis occurring in 2008, in 2009, the GDP of Mexico decreased in 6.1%, representing the greatest percentage of decrease reported since 1932,

according to the World Bank statistics. However, the GDP in 2019 accounted for 0.4%, in 2020 accounted for 8.5% and for 2021 accounted for 4.8%. In the assumption that the domestic economic suffers a new recession, regarding the inflation index or if the interest rates substantially increase, if the rating of the Mexican government bonds is degraded, or if the domestic economy is affected by any other cause, the activities, the financial position, the results of operation, the cash flows and/or the perspectives of the Company, as well as the market price of our Shares, could be adversely and significantly affected.

In year 2020 the outbreak of SARS-CoV2 (COVID-19) made the sanitary authorities of Mexico to take actions strongly restricting the economic activity, which during 2021 have been decreased. The epidemiological outbreak evidenced the risks for business continuity of the Company in Mexico and other parts of the world. Such risks could consist, among others, in the substantial reduction of supply of key goods and services for the Company to perform operations, as well as the sale of its products in different channels, due to the inability of distributors to continue selling such goods freely, as a consequence of the actions adopted by the governments of other countries of the world to reduce the spread. Finally, in the limitation of transit of the Company's products by the Mexican territory.

The Company is attending and has complied with all the guidelines by the competent authorities, however, we cannot assure that there will be no new outbreaks of SARS-CoV2 (COVID-19) or any other epidemics in Mexico, or in any other country in which the Company develops productive activities and we cannot know the time and severity of such epidemic, which may oblige the local and federal authorities to adopt emergency measures committing the business continuity of the Company, with an impact in the activities, the financial position, the results of operation, the cash flows and the perspectives, as well as the market price of our Shares.

Changes in the Mexican government policies could adversely and significantly affect our business, financial position, results of operations and cash flows and our perspectives, as well as the market Price of Shares

The Mexican government has exercised and continues exercising a considerable influence on the domestic economy. The measures adopted by the new Mexican government with respect to the economy and the productive companies of the State, could have a significant effect on the general private sector companies, and in the Company particularly, as well as in the conditions and the market prices and the yields of the securities of Mexican issuers, including our Shares.

After the mid-term elections on June 6, 2021, the president's political party and its allies hold a majority in the Chamber of Deputies and the Senate and a strong influence in various local legislatures. The federal administration has significant power to implement substantial changes in law, policy and regulations in Mexico, which could negatively affect our business, results of operations, financial position and prospects. We cannot predict whether potential changes in Mexican governmental and economic policy could adversely affect Mexico's economic conditions or the sector in which we operate. We cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, results of operations, financial position and prospects.

Our business, financial position and results of operations may be adversely affected by changes in governmental policies or regulations involving or affecting our management, operations and tax regime. We cannot assure you that changes in the Mexican federal government policies will not adversely affect our business, financial position and results of operations. Tax legislation, in particular, in Mexico is subject to continuous change, and we cannot assure you that the Mexican government will maintain existing political, social, economic or other

policies or that such changes would not have a material adverse effect on our business, financial position, results of operations and prospects.

We cannot assure you that changes in the Mexican federal government policies will not adversely affect our business, financial position and results of operations. In particular, tax legislation in Mexico is subject to continuous change, and we cannot assure you that the Mexican government will maintain existing political, social, economic or other policies or that such changes would not have a material adverse effect on our business, financial position, results of operations and prospects.

Tax amendments may be unexpectedly approved

The Mexican tax law suffers constant amendments, therefore, we cannot assure that the tax matters will not suffer any amendments in the future that may affect our activities, the financial position, the results of operation, the cash flows and/or our perspectives, as well as the market price of our Shares.

On November 12, 2020, the Federal Executive presented a Bill before the Congress of the Union including several amendments to the Federal Labor Law, the Social Security Law, the Mexican Fund Institute for Workers Dwelling Law, the Federal Tax Code, the Income Tax Law and the Value Added Tax Law, in order to regulate the outsourcing system of the personnel in Mexico.

The bill was approved on April 13, 2021 by the Chamber of Deputies, on April 20, 2021 by the Chamber of Senators and it became effective on April 24, 2021.

The approved amendment affected the companies operation in Mexico, as it removed the possibility to maintain insourcing companies or outsourcing companies, the foregoing even if they promptly comply with all the tax labor and social security laws.

Generally, the approved amendment consists in the following:

- The labor outsourcing outlines are prohibited by law.
- As an exception, the provision of specialized services or the execution of specialized works is permitted, as long as they do not take part of the corporate purpose or the main economic activity of the beneficiary. Such exception includes the complementary or shared services or works rendered among companies of the same business group.
- The contractor must be registered in a specialized services public list of the Ministry of Labor and Social Welfare to operate as specialized service provider.
- Economic penalties are determined to the employers with a benefit of outsourcing and noncomplying with any applicable provisions.
- For tax purposes, the tax receipts issued with respect to the outsourcing of personnel will not have tax effects. That is to say, the expense will not be deductible for the income tax purposes and the value added tax purposes shall not be credited.
- The parties contracting specialized services referred to above will be joint responsible parties with respect to the contributions of the contractor derived from the outsourced personnel remunerations to guarantee that they are withheld and paid on time.
- It is foreseen as a qualification to commit a tax fraud crime to use simulated schemes to provide specialized services or to execute specialized works, as well as to subcontract personnel.

- The amount of the employees profit sharing (PTU) which is paid to the employees, will have a maximum limit of three months of the employee salary or the average of the profit received in the last three years; the amount most favorable to the employee will be applied.

The amendment was published in the Official Gazette of the Federation on April 23, 2021 and became effective after its publication, except to the Federal Tax Code, the Income Tax Law, the Value Added Tax Law and the obligation for contracting companies to be registered in the list of the Ministry of Labor and Social Welfare, which became effective on September 1, 2021.

In December, 2021, the Congress of the Union approved minor amendments to the Income Tax Law, the Value Added Tax Law, the Special Tax on Products and Services Law (Indirect Taxes) and the Federal Tax Code as part of the Economic Plan 2022. Such amendments do not include the addition of new taxes or increases to those already existing. As part of the Income Tax Law, a new simplified system was added, which is applicable to individuals and legal entities. In the Value Added Tax Law, certain amendments, such as the activities not subject to such tax were included. The most relevant amendments to the Federal Tax Code include: (i) the cases in which the Electronic Signature Certificate used to issue invoices may be cancelled or restricted to the taxpayer; (ii) the definition of resident for tax purposes was changed; (iii) a new information to be included in the invoices issued by the taxpayers was added, as well as a restriction to cancel invoices only in a certain period of time; (iv) new requirements to make a split or merger of companies must be complied with, and the taxpayers must have a commercial reason to make the corresponding split or merger, including the obligation to identify and inform the relevant operations during the previous five years and after the merger or the split, in order to guarantee that the financial statements used to make such split or merger, must be audited by a certified public accountant; and (v) several regulations related to the identification of the effective owner of each legal entity were included, including companies, corporations, trusts, funds or any other legal figure, in order to guarantee the compliance with the minimum transparency international standards, including the obligation to maintain as part of the accounting books, information such as the name, address, tax residence, etc., related to all the individuals who directly or indirectly own the benefits or control of the legal entity, information to be maintained updated.

We cannot guarantee that the current or future financial position in Mexico, including the approval of new amendments to the laws to which the Company is subject or will be subject, including the Mexican Water Law and the Sustainable Forest Development Law will not have a significant adverse effect in its activities, the financial position, the results of operation, its cash flows, its perspectives and/or the market price of the Shares.

Development and strengthening of the collective share system could adversely affect our operations

Since 2011, there is a legal framework in Mexico allowing to exercise collective shares with respect to the consumption of goods or services and environmental matters. This may result in the filing of collective actions vs. the Company by its clients or other market participants (including organizations that protect the environment). Due to the failure of court precedents in the interpretation and application of such laws, the Company cannot anticipate the filing of collective actions against it, the result of any collective action filed against it under such laws, including the scope of any liability and the impact of such liability in its activities, the financial position, the results of operation, cash flows, its perspectives and/or the market price of its Shares.

Fluctuations in the value of the peso against the U.S. Dollar and other currency could adversely affect our financial position and results of operations

As of December 31, 2021, 2020 and 2019, 100% of the total debt with cost of the Company was in US Dollars. In case of a devaluation or depreciation of peso, the sales and profits for the Mexican market could be negatively affected, but the income of the tequila sales abroad would be benefited as they are invoiced in US Dollars. As the Company invoices most of its products abroad, we think that the devaluation of peso could not negatively affect the results or endanger our liquidity; however, it may change in the extent that the Company

depends on the Peso in the future. As long as the interests or the amortization of the foreign debt is lower than the profit generated by sales abroad, the company will maintain a natural coverage for debt in US Dollars.

Banco de México may participate in the exchange market to reduce the volatility and promote an ordered market. Banco de México and the Mexican government have also promoted devices based on the market to stabilize the exchange rates in foreign currency and provide liquidity to the exchange market. However, the Peso is currently subject to significant fluctuations against Dollar, and may be subject to these fluctuations in the future.

The monetary policy decisions of the U.S. Federal Reserve to decrease or increase the interest rates may affect the exchange rate of Peso vs. Dollar.

Fluctuations of exchange rate could adversely affect the capacity of the Company to purchase assets in other currencies and may adversely affect the performance of the investments in such assets. Therefore, the value in US Dollars of the Company's investments could be adversely affected as a consequence of reductions in the value of Peso vs. Dollar.

Our functional currency is the Mexican peso, with the exception of some subsidiaries located in the United States of America ("USA"), United Kingdom ("UK"), Europe ("EU"), Canada ("CAN"), Australia ("AUS") and China ("CN"), which functional currencies are local currencies, specifically, the US Dollar ("USD"), the Pound Sterling ("GBP"), the Euro ("EURO"), the Canadian Dollar ("CAD"), the Australian Dollar ("AUD") and Yens ("CNY"), respectively. The transactions in foreign currency are translated to the corresponding functional currency of the Company's entities to the exchange rates as of the Audited Financial Statements date. The assets and liabilities denominated in foreign currency as of the Audited Financial Statements are translated to the functional currency at the exchange rate as of such date. The Company is exposed to the exchange risk by the sales, purchase and loans denominated in a currency other than the functional currency of the Company's subsidiaries.

Most of the cash flows of the Company are generated in foreign currency, providing a natural economic coverage without requiring to execute derivative agreements with respect to the exits of cash in foreign currency, the Company may not have a coverage of all its exposure in foreign currency. In addition, the Company has other monetary assets and liabilities in foreign currency, in which the Company tries its net exposure to be maintained at an acceptable level by purchasing and selling foreign currency at exchange rates in cash or "spot", however, there is no certainty that such purchases may reduce the risk to volatility in exchange rates.

Devaluations or depreciations of functional currency of the Company and its subsidiaries may give as a result the interruption of the international currency exchange markets. It may limit our capacity to transfer or to translate Mexican Pesos to US Dollars and other currencies. For example, in order to make prompt payments of interests and capital of the securities of the Company, and any debt in US Dollars in which the Company may incur in the future, devaluations and depreciations could have an adverse effect in our financial position, results of operation and cash flows in the future.

An increase of interest rates in the United States could adversely affect the Mexican economy and, therefore, could have an adverse effect in our financial position and performance

A decision of the U.S. Federal Reserve in increasing the interest rates in the reserves of the banks may give rise to an increase in the interest rates in the United States. The foregoing may redirect the capital flow of emerging markets to the United States, as the investors may obtain greater yields adjusted to the risks in greater and more developed economies, instead of Mexico. Therefore, for the companies in emerging market economies, such as Mexico, it could be difficult and expensive to obtain credits and refinancing of the existing debt. The foregoing may adversely affect the economic growth potential of the Company and the possibility to refinance the existing debt and may adversely affect the activities, the financial position, the results of operation, the cash flows and/or the perspectives of the Company, as well as the market price of its Shares.

Any renegotiation of commercial agreements and other changes in foreign policy in the United States may affect the imports and exports between Mexico and the United States, as well as the rest of the world, and other economic and geopolitical effects could adversely affect the Company

During the last years, we have experienced certain uncertainty with respect to the policies of the United States with respect to the commerce, customs, immigration and foreign affairs with respect to Mexico. The current administration of the United States may cause a series of changes in the relation between Mexico and the United States.

In addition, other government policies of the United States could adversely affect the economic condition of Mexico. The current relation between the governments of Mexico and the United States, as well as the political and economic factors of each country, could result in changes in international trade and investment policies, including new or higher taxes on the products imported from Mexico to the United States.

The previously described events could affect the activities, the financial position, the results of operation, the cash flows and/or the perspectives of the Company, as well as the market price of its securities. Other economic and geopolitical effects could adversely affect the Company.

As the Mexican economy is strongly influenced by the US economy, the implementation of the USMCA and/or another government policies in the United States to be adopted by the Federal Administration, may adversely affect the financial position in Mexico. On September 30, 2018, Mexico, Canada and the United States reached an agreement on the terms and conditions of the USMCA, replacing the NAFTA. On June 19, 2019, Mexico became the first country ratifying the USMCA, followed by the United States on January 16, 2020 and Canada on March 13, 2020. The USMCA became effective on July 1, 2020. The USMCA included a suspension clause of 16 years under which the terms of the agreement will expire or will be suspended after 16 years, and is subject to review each six years, and the United States, Mexico and Canada may decide if they extend the USMCA. The implementation of new terms of the USMCA may have an adverse effect on the Mexican economy, including the level of imports and exports that may significantly affect our operation results and our business. Other economic and geopolitical effects, including those related to the US policy with respect to the commerce, rates and immigration, may adversely affect the Company.

Mexican inflation along with government measures to control the inflation may have an adverse effect on our investments

The current inflation level of Mexico is at its highest level of annual inflation of its main commercial partners. The high indexes of inflation may adversely affect our business, the financial position and results of operation. If Mexico experiences again a high level of inflation in the future, the Company will not guarantee to adjust the prices it collects from its clients for its product to compensate negative effects.

Mexico is experiencing an increase in criminal activity, having an impact in the domestic economy which may affect our operations, as well as our financial and performance condition

In the last years, Mexico has experienced an increase in the criminal activity mainly as a consequence of the organized crime. The increase in violence has had adverse effects on the Mexican economic activity. In addition, the social instability and the social order events and political events occurred in Mexico or affecting Mexico, may significantly affect the Company and our performance. The violent crime acts may give rise to increase in the expenses of the Company in insurances and safety. We cannot assure that the level of violence in Mexico, beyond its control, will decrease or that it will not increase. The increase of crimes may have a significant adverse effect on the activities, the financial position, the results of operation, the cash flows and/or the perspectives of the Company, as well as in the market price of its Shares.

Interest rates in Mexico may increase our financial costs

Interest rates of CETES at 28 days for 2017, 2018, 2019, 2020 and 2021 as of the closing accounted for 7.22%, 8.17%, 7.25%, 4.24% and 5.49%, respectively.

We are subject to different accounting and disclosure of information principles in comparison to other countries

One of the main purposes of the securities market law in Mexico, the United States and other countries, is to promote the disclosure of information on a complete and accurate manner of all the corporate information, including the accounting information. Notwithstanding the foregoing, we could have less or a different public

information available with respect to the foreign securities issuers in comparison to the information regularly published by securities issuers quoted in the United States. The Company is subject to obligations related to the provision of reports with respect to its Shares in Mexico. The accounting disclosure standards required by the BMV and the CNBV in Mexico may be different from those required by the securities exchange of other countries or regions, such as in the United States. As a result of the foregoing, the level of available information may not correspond to the level received by the foreign investors participating in stock exchanges of other countries. In addition, the accounting standards and the information requirements in Mexico are different from those required in the United States and other countries.

Events occurred in other countries and perceptions of risks of investors, especially those in the United States and countries with emerging markets, may adversely affect the market prices of the securities issued by Mexican issuers, including the Company's Shares

The market prices of the securities issued by Mexican issuers may be affected in different extent by the economic condition and market of other countries, including the United States, China, the rest of Latin America and other countries with emerging markets. Therefore, reactions of investors before the events occurred in any of such countries could have an adverse effect on the market price of the securities issued by Mexican issuers. The crisis in the United States, China and countries with emerging markets, may decrease the levels of interest in the securities issued by Mexican issuers—including the Shares of the Company— by the investors.

In the past, the emergence of adverse economic conditions in other emerging countries has given rise to leaks of capital and accordingly, decrease in the value of foreign investment in Mexico. The financial crisis in the United States during the third quarter of 2008, gave rise to a global recession directly and indirectly affecting the Mexican economy and securities market and provoking, among other things, fluctuations in the prices of purchase and sale of securities issued by the companies quoting in the BMV, lack of credit, shortage of budgets, deacceleration of the Mexican economy, volatility in exchange rate and inflationary pressures. The recent crisis in other economies, in Europe and China, may have such effect. The emergence of any of these conditions would affect adversely the market price of the Shares of the Company and could hinder access of the Company to the capital markets to finance future operations, which may have a significant adverse effect in the activities, the financial position, the results of operation, the cash flows and/or the perspectives of the Company, as well as in the market price of the Shares.

In response to the Russian invasion of Ukraine, many jurisdictions, including the United States, the United Kingdom and the European Union have imposed restrictions, export controls, import prohibitions and other commercial restrictions to Russia. Although Mexico has refrained to impose such commercial restrictions to Russia, the conflict in Ukraine and the sanctions related to Russia could affect the international macroeconomic conditions.

The domestic economy is also affected by the economic situation and the markets at a world level in general and the United States, particularly. For example, historically the prices of securities quoted at the BMV have been sensitive to fluctuations in interest rates and the levels of activity in the main securities markets in the United States.

In addition, as a result of the execution of free trade agreements and the increase of economic activity levels between Mexico and the United States, in recent years, the economic situation is related, on a growing basis, to the economic situation of the United States. The existence of adverse economic conditions in the United States or other similar events, could have an adverse effect on the economic situation of Mexico, which, in turn, may have a significant adverse effect on the Company's activities. As a result of the conversations to renegotiate the NAFTA on November 30, 2018 (as it was amended on December 10, 2019) the United States, Canada and Mexico executed the USMCA which was approved by the Chamber of Senators of Mexico by the senate of the United States and by the Canadian Parliament, and became effective on July 1, 2020. The increase or perception of the increase of economic protection in the United States and other countries, may derive in the decrease of the trade, investment and economic growth levels, which may, in turn, have a negative impact on the Mexican economy. Such economic and political consequences could negatively affect our business and the results of operations.

We cannot assure that the circumstances of other countries with emerging markets, in the United States or in any other place, will not have a significant adverse effect on our business, financial position, results of

operations, cash flows, prospects and the market price of shares. The exit of the United Kingdom from the European Union on January 31, 2020 (the “Brexit”); the relation between the United Kingdom and the EU is regulated by the trade and cooperation agreement after the Brexit, covering (among other matters) trade, tourism and immigration. After the Brexit, the United Kingdom and Mexico negotiated and executed a trade agreement, the Commercial Continuity Agreement between the United Kingdom and Mexico, which became effective on June 1, 2021. Although the Brexit long-term volatility risk has decreased in great extent, the long-term risk in the capital markets, the currency markets and the political and general macroeconomic situation are uncertain.

Risks factors related to the Company’s shares

If the securities or industry analysts do not publish investigations or reports on the business, or if they publish negative reports on the business, the price of the shares and the volume of quotes may decrease

The quote market of the Shares depends on the investigation and report published by the securities or industry analysts on the Company or our business. If one or more of the analysts covering the Company reviews the Shares at a low level or publish inaccurate research on our business, the price of our Shares may decrease. If one or more of such analysts cease covering the Company and fail to publish reports on our Company, on a regular basis, the demand for our Shares may decrease, which may cause the price of our Shares and the volume of quotes to decrease.

It should be considered that the Company is controlled by only one family

Most of our outstanding shares belong to the Beckmann family. Accordingly, the Beckmann family has the power to appoint the majority of the members of the Board of Directors of the Company and to approve the matters to be subject to vote by the shareholders. The interests of the major shareholders of the Company may be different to the interests of the rest of the investors.

The future offer of securities or future sale of securities by the shareholders controlling the Company, or the income of such sale, may result in a decrease in the market price of our Shares

In the future, the Company may issue additional securities, including shares or instruments convertible or exchangeable in shares, for financing, acquisition or any other purpose. In addition, the controlling shareholders of the Company may decrease their shares in such Company.

Such issuances or sales may result in a dilution of the economic and corporate rights of the shareholders with respect to the Company, or a negative perception of the market and, potentially, a decrease of the market security of the Company Shares.

Future offers of securities with preemptive rights to the Shares may limit the operative and financial flexibility of the Company and could adversely affect the market price and dilute the value of Shares

If we decide to issue debt instruments in the future with preemptive rights to its Shares, the terms of such debt or financing instruments, may impose on the Company, obligations restricting the operative flexibility and limiting the capacity to make distributions to our shareholders. In addition, any convertible or exchangeable securities issued by the Company in the future may have preemptive rights or have privileges, including with respect to the payment of dividends and distributions, exceeding the holders of Shares of the Company and may result in a dilution of the value of the Shares. As the decision of the Company of issuing securities in the future will depend on the market conditions and other factors beyond the Company’s control, the Company may not predict or estimate the amount, time or nature of any offer or financing in the future, that may reduce the market price of the Shares or reduce the value of the Shares.

The Company may incur in additional debt in the future, which may affect its financial position and capacity to generate cash to comply with payment obligations

As of December 31, 2021, 2020 and 2019, the Company accounted for \$18,598 million, \$9,956 million and \$9,391 million in total debt, respectively. In 2015, the Company issued senior notes in the amount of US\$500 million at a fixed rate of 3.75%, with a maturity in 2025. In the future, the Company may incur in additional debt that may have the following effects.

On March 16, 2021, the Company obtained a loan in the amount US\$150,000 in financing under a new credit facility of a term loan (the "Bank Loan"). The net resources of the Bank loan plus the available cash as of this date were used to finance the purchase of additional interests of EBS.

On September 27, 2021, the Company announced the starting of a tender offer for the acquisition in cash and the request of consent (the "Tender Offer") to the holders of all the Notes 2025 outstanding and with a maturity in 2025 previously mentioned. The Tender Offer was made under the terms and subject to the conditions set forth in the Purchase Offer dated September 27, 2021 and ended on October 25, 2021. The total consideration paid in the Tender Offer accounted for US\$385,600 and included the capital amount of the Notes 2025 validly offered in the amount US\$346,639 (69.3% of the original issuance of US\$500,000), a payment of consent in the amount of US\$50.00 per each \$1,000 of the main amount of Notes 2025 validly offered and accrued and unpaid interests with respect to such purchased Notes 2025.

The Tender Offer was made in connection with a simultaneous offer by the Company of the Notes 2031 in the total amount of the capital of US\$800,000 of Notes 2031, sold in an offer exempted from registry requirements of the Stock Exchange of the US. Law 1933, and its amendments and it also quoted in the Irish Stock Exchange. The Notes 2031 accrue interest at a rate of 2.5% annual payable in April and October of each year, as from April 2022, and expire on October 14, 2031.

The net resources of Notes 2031 were used for: (i) pay, on October 18, 2021, the credit facility of the bank loan in the amount of US\$150,000, (ii) refinance the Notes 2025 validly offered in the amount of US\$346,639 according to the Tender Offer, (iii) to pay fees and expenses incurred in connection with the offer of the Notes 2031 and the Tender Offer, and (iv) for general corporate purposes. In the future, the Company may incur in additional debt that may involve the following effects.

The dividends may be less than those historically ordered and may determine that the Company does not pay dividends and, if applicable, the payment thereof may be made in Mexican Pesos

The payment of dividends and the amount thereof are subject to the approval of the Company's shareholders meeting based on a recommendation by the Board of Directors. As long as the Beckmann family holds the majority of the Shares representing the capital stock of the Company, the Beckmann family will have the power to decide to pay the dividends or, if applicable, to determine the amount thereof. The payment of dividends and the adoption of a dividend policy will depend on different factors, including the results of operation, the financial position, the requirements of cash flows, the business perspective, the tax matters, the financing terms and conditions that may limit the capacity of the Company to pay dividends and other factors that the Board of Directors and the shareholders of the Company may take into consideration. We cannot assure the terms and the term under which the dividends policy will be approved, and also, if such approval will occur or not.

In addition, according to the Mexican laws, the payment of dividends is subject to tax withholding and if the losses in previous years are paid or absorbed, and prior to a distribution of dividends, at least 5% of the net profits of the Company must be separated to the legal reserve fund, until such reserve fund equals 20% of the capital stock. Additional amounts may be assigned to other reserve funds as determined by the shareholders, including the amounts to be assigned to a shares repurchase fund. The balance, if any, may be distributed as dividends.

The share of dividends to the holders of the Company's Shares will be in Mexican Pesos. Any significant fluctuation in the conversion rates between Pesos and Dollars or any other currency could have an adverse effect in the amount received in Dollars or in any other currency by the shareholders when the conversion is made. In addition, the amount paid by the Company in Pesos may not be easily transferred to US Dollars or any other currency. Although the Mexican government does not restrict the capacity of individuals or legal or foreign entities to translate Pesos to US Dollars or any other currency, the Mexican government may determine restrictive conversion control policies in the future. The Company may not predict future fluctuations in the conversion rates and the effect of any policy or restrictive measure to the translation by the Mexican government.

The Company's bylaws include provisions that may delay or prevent a change of control and set forth a liquidated damage and restriction in the corporate or consecution rights in the assumption individuals purchase Shares in violation of the provisions of the Company's bylaws or execute agreements which require prior authorization, without obtaining such authorization

The Company's bylaws set forth that any transaction or disposal of 10% or more of its Shares by any individual or group of individuals acting specifically, must be previously approved by the Board of Directors. Therefore, the investors will not acquire or transfer 10% or more of the Shares representing the capital stock of the Company without the Board of Directors' authorization. Such provisions may derive, delay or prevent a change of control of the Company or a change in its administration, which may, in addition, affect the minor shareholders of the Company and, if applicable, the price of the Shares. In general, the Securities Market Law binds any individual or group of individuals with the intent to purchase the control of the Company, to perform a tender offer of purchase with respect to all the outstanding Shares and to pay the same amount to all the holders selling Shares. This provision may discourage potential future purchases of the Company Shares, or a significant percentage of Shares, and, accordingly, it may adversely affect the liquidity and price of Shares.

All and any individuals purchasing Shares representing the capital stock of the Company or executing agreements requiring prior authorization, in violation of the provisions of bylaws of the Company, will be bound to pay a liquidated damage to the Company up to an amount equal to the price of all the Shares representing the capital stock of the Company, directly or indirectly, owned plus the corresponding amount of the Shares representing the capital stock of the Company subject to the prohibited operation (including of the corresponding agreements), on the date the last purchase occurs. In the event that the operations given rise to the unauthorized purchase of a percentage of Shares representing the capital stock of the Company equals or exceeds ten percent (10%) of the capital stock or the corresponding agreement, on a free loan basis, the liquidated damage will be equivalent to the highest market value of such Shares, on the date the request is submitted to the Board of Directors or on the date occurring 3 (three) working days after the Board of Directors is notified of the purchase or the prohibited agreement. In addition, the Shares representing the capital stock of the Company purchased against the provisions of the bylaws, will not grant any right to vote in any shareholders' meeting and the transfer of such Shares will not be entered in the corresponding registry book of the Company, and the registrations made before without the corresponding authorization will be cancelled and no value will be given to the records referred to in Article 290 of the Securities Market Law, therefore, such records will not prove the ownership of the Shares and will not evidence the attendance right to the shareholders' meeting and will not legitimate the right to any share, including those with procedural nature.

The Company is a controlling company that even when it generates income by its own account, it depends on the dividends and other resources derived from its subsidiaries to pay dividends, in the extent possible

The Company is a controlling company, and its operations are mainly performed through the Company's subsidiaries. As a result of the foregoing, the capacity of the Company to pay dividends mainly depends on the capacity of its subsidiaries to generate income and pay dividends to the Company. The subsidiary companies of the Company are different and separate legal entities. Any payment of dividends, distributions, credits or advance payments by the Company's subsidiaries are limited to the general provisions of the Mexican law related to the distribution of income, including those related to the payment of profit sharing. If a shareholder sues the Company, the compliance of any judgement will be limited to the available assets of the Company's subsidiaries. The payment of dividends by the Company's subsidiaries also depends on the income and business considerations thereof. In addition, the right of the Company to receive any asset from any subsidiary as a shareholder of such subsidiaries, liquidation or reorganization will be effectively subordinated to the creditors'

rights of the subsidiaries of the Company, including the commercial creditors. Noncompliance with the requirements of maintaining the Company Shares quoted at the BMV may result in a suspension of the outstanding Shares.

There are requirements to maintain the quote of Shares at the BMV which noncompliance may result in the suspension of the quote of Shares at the BMV

The applicable law sets forth requirements to be complied by the Company to maintain the quote of the Shares at the authorized quoted securities, which foresees, among other things, that the percentage of the capital stock of the Company must be maintained among the investors and it will not be less than 12% of the capital stock. In the event of noncompliance with such requirements, the CNBV and BMV may, prior hearing of the Company, suspend the quote of its Shares. In the event the Shares of the Company are unquoted, it might not be an active market for such shares and the investors may not be able to sell them at a favorable price or not.

Judgements rendered against the Company in Mexico will be payable in Mexican Pesos

According to the provisions of Article 8 of the Monetary Law of Mexico, an obligation payable in Mexico in a currency other than Peso, as a result of an action filed in Mexico or the execution in Mexico of a judgement obtained abroad, shall be complied in Mexican Pesos at the exchange rate in force on the date such payment is made. Such exchange rate is determined by Banco de México each Working Day and published the following Working Day in the Official Gazette of the Federation. However, it is unclear if the exchange rate applied by a judicial authority is the price corresponding at the time the judgement is rendered or at the time the payment is made. The purpose of such provisions is to limit the capacity of the Company to comply obligations in Mexico as previously described, or if the purpose is to grant any other interested party an additional action right looking for the indemnity and compensation for potential deficiencies giving rise or resulting from fluctuations on the exchange rates, may not be demandable in Mexico.

Risk Factors related to future statements

This Report includes future statements. Examples of such statements in future include, among others: (i) statements related to the results of operations and financial position of the Company; (ii) statements of plans, purposes and goals, including those related to the Company's operations; and (iii) statements of underlying suppositions to such statements. Words, such as, "we advise", "we anticipate", "we look for", "we consider", "we contemplate", "we think", "depends on", "should", "expect", "deem", "try", "goal", "target", "might", "forecast", "project", "pretend", "foresee", "may", "plan", "potential", "prediction", "proposal", "will be", "will have", "would have", as well as similar expressions, will have the purposes to identify future forecasts and statements, but there is not the only mean to identify such forecasts and statements.

Although the Company considers that such estimates and statements in the future are based on reasonable assumptions, by its own nature, future statements contain general and specific risks and uncertainties, and there are risks that the future forecasts, projections and other statements are not attained. The Company warns investors that a relevant number of factors may provoke that the real results significantly differ from the plans, objectives, expectations, estimates and intentions in such statements, including the following factors:

1. The capacity of the Company to execute its corporate strategies;
2. The competitive environment in which the Company operates, especially the competition in the industry;
3. Losses, including non-insured losses beyond the insurance coverages maintained by the Company;
4. The capacity of the Company to maintain or increase sales or income;
5. The capacity of the Company to successfully participate in strategic acquisition and to successfully expand to new markets in Mexico or abroad;
6. The capacity of the Company to sell or provide in any other manner any of its products;
7. Integration of companies to be acquired by the Company in the future;
8. The ability of the Company to successfully make strategic acquisitions;

9. The capacity of the Company to generate cash flows enough to comply with any present or future obligation of the debt service;
10. Performance of the economy, as well as the politics and business in Mexico, the United States and the rest of the world in which we operate;
11. Limitations in access of the Company to financing sources on competitive terms;
12. The performance of financial markets and the capacity of the Company to pay or refinance its financial obligations, as necessary;
13. Restrictions of translation of currencies and remittances;
14. Limitations to interest rates and regulation related to credits and operations of the Company;
15. The amount and profitability of any additional investment;
16. Changes in exchange rate, interest rate of the market and inflation rate;
17. Effect of changes to the International Financial Reporting Standards, new laws, the intervention on the regulatory authorities, the regulatory or government provisions and the monetary or tax policy in Mexico, the United States and the United Kingdom;
18. Changes to the laws affecting the industry in which the Company participates, lack of permits such as those related to the appellation of origin, brands, licenses and other administrative provisions that may affect our operations;
19. Implementation of a price control by the Mexican government, import rates and other measures to facilitate access to raw materials used by the Company;
20. Loss of key personnel;
21. Terrorist and criminal activities, as well as geopolitical events; and
22. Risk factors included in the “Risk Factors” section.

If one or more of these factors or uncertainties are materialized, or if the underlying assumptions are incorrect, the actual results may substantially differ from those described in this Prospectus as advanced, considered, estimated, expected, forecasted or pretended factors.

The potential investors must read the sections of this Report entitled “Summary”, “Risk Factors”, “the Company” and “Comments and Analysis of the Administration on the Results of Operation and Financial Position” for a detailed explanation of the factors that may affect the performance of the Company in the future, the price of Shares in the future, as well as the markets in which it operates.

With respect to such risks, uncertainties and suppositions, the future events described in this Report may not be verified. Such future statements are only stated with respect to the date of this Report and the Company will not assume any obligation of updating and review the project or statement in the future, whether as a result of new information or events or future occurrences. At any time, additional factors may occur affecting the Company’s business making impossible to totally predict such factors or assess the impact thereof in the Company’s business or in which extent any factor or a combination thereof may provoke that the actual results substantially differ from those included in any future statements. It is impossible to assure that our plans, intentions or expectations will be reached. In addition, the statements with respect to the passed trends or activities will not be interpreted as affirmation that such trends or activities will continue in the future. All the future statements, whether written, oral or electronic, attributed to the Company or that may be attributed to individuals acting on its behalf, are expressly and totally subject to this prudential statement.

Risk for adoption of new standards

We have applied the following standards and modifications for the first time for the year starting on January 1, 2021:

- Rent concessions related to COVID-19-Amendments to IFRS 16, and
- Amendment to the reference interest rate – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (phase 2)

Certain new accounting standards, amendments to the accounting standards or interpretations not mandatory for the reporting periods from December 31, 2021 have been published and have not been previously adopted by the group. It is not expected that such standards, amendments or interpretations to have a material impact on the Company in the current or future report periods and in future foreseeable transactions.

Risk Management.

The risk management of the Group is mainly controlled by a central treasury department (Group's Treasury) according to the policies approved by the Board of Directors. The Treasury of the Group identifies, assesses and covers the financial risks strictly cooperating with the business units of the Group. The Board of Directors provides written principles to generally manage the risk, as well as the policies covering specific areas, such as the exchange rate risk, the interest rate risk, the credit risk and the investment in excess of liquidity.

Credit risk

The credit risk is the financial loss risk for the Group, if a client or other party of a financial instrument fails to comply with its contractual obligations and mainly derives from the trades receivable and bank deposits of the Group in financial institutions. The amount in books of the financial assets represents the maximum credit exposure.

If the wholesalers receive an independent rating, such ratings are useful. Otherwise, if there is no independent rating, the risk management area assesses the client's credit quality, taking into account its financial position, the past experience and other factors. The individual risk limits are set forth with respect to the internal or external ratings according to the limits set forth by the Board of Directors. Compliance with the credit limits by the wholesalers is regularly monitored by the Management.

For some trades receivable, the Group may obtain guaranties as promissory notes to which it may use if the other party fails to comply with the terms of the agreement. The Group applies the simplified focus of IFRS 9 to measure the ECL using an estimate of expected losses for life for all the trades receivable

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty for a financial instrument fails to meet its contractual obligations and arises mainly from the Group's trade receivables and the Group's deposits with banks and financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

If wholesalers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The compliance with credit limits by wholesalers is regularly monitored by management.

For some trade receivables the Group may obtain security in the form of guarantees or promissory notes which can be called upon if the counterparty is in default under the terms of the agreement. The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. More than 75% of the Group's customers have been transacting with the Group for several years, and no material impairment loss has been recognized against these customers. In monitoring customer credit risks, customers are grouped according to their credit characteristics, including whether they are a wholesaler, retailer or end-user customer, and their geographic location, industry, years in business, maturity and prior financial difficulties. Occasionally the Group requires guarantees in EMEA and APAC markets in relation to trade debtors.

On that basis, the expected credit loss was determined as follows:

[Translation for informational purposes only]

	Up to date and up to 60 days elapsed (Ps)	More than 61 days of maturity (Ps)	More than 90 days of maturity (Ps)	More than 120 days of maturity (Ps)	Total (Ps)	Total (Ps)
December 31, 2021						
Expected loss percentage	0.93%	4.39%	14.48%	15.24%		
Gross amount – trades receivable	\$ 10,073,471	\$ 113,421	\$ 169,423	\$ (7,195)	\$ 10,349,120	\$ 502,787
Estimate of credit losses	(17,386)	(11,521)	(1,861)	(34,196)	(64,964)	(3,156)
December 31, 2020						
Expected loss percentage	2.60%	5.11%	14.17%	14.92%		
Gross amount – trades receivable	\$ 9,015,911	\$ 95,310	\$ 188,858	\$ 22,430	\$ 9,322,509	\$ 467,324
Estimate of credit losses	(4,876)	(9,182)	(6,600)	(88,136)	(108,794)	(5,454)
December 31, 2019						
Expected loss percentage	1.55%	6.90%	13.06%	14.22%		
Gross amount – trades receivable	\$ 9,073,641	\$ 92,964	\$ 132,419	\$ 67,469	\$ 9,366,493	\$ 497,023
Estimate of credit losses	(20,439)	(5,196)	(1,726)	(44,193)	(71,554)	(3,797)

	December 31			
	2021 (US)	2021 (Ps)	2020 (Ps)	2019 (Ps)
Gross amount of trades receivable	\$ 502,787	\$ 10,349,120	\$ 9,322,509	\$ 9,366,493
Minus: estimate of credit losses	(3,156)	(64,964)	(108,794)	(71,554)
	\$ 499,631	\$ 10,284,156	\$ 9,213,715	\$ 9,294,939

The conciliation of credit loss estimate is the following:

	December 31			
	2021 (US)	2021 (Ps)	2020 (Ps)	2019 (Ps)
Initial balance as of January 1	\$ 5,285	\$ 108,794	\$ 71,554	\$ 74,825
Increase recognized in results during the year	(182)	(3,744)	43,672	8,453
Cancellation of trades receivable recognized as non-collectible	(1,939)	(39,918)	(9,183)	(11,348)
Exchange effects	(8)	(168)	2,751	(376)
Final balance as of December 31	\$ 3,156	\$ 64,964	\$ 108,794	\$ 71,554

As of December 31, 2021, 2020, and 2019, the maximum exposure to credit risk for trade receivables by counterparty type is as follows:

	December 31			
	2021	2021	2020	2019
	(US)	(Ps)	(Ps)	(Ps)
Wholesalers	\$ 438,905	\$ 9,034,201	\$ 7,468,557	\$ 6,921,335
Retailers	60,812	1,251,725	1,741,169	2,418,053
Other	3,070	63,194	112,783	27,105
Total	<u>\$ 502,787</u>	<u>\$ 10,349,120</u>	<u>\$ 9,322,509</u>	<u>\$ 9,366,493</u>

As of December 31, 2021, 2020 and 2019, the most important client of the Group represented 16.8% for the two first years and 11.5% of the third year, the total value of the commercial trade receivables.

The Group has not clients classified as “high risk”, for which credit special conditions should be applied.

In Mexico, the Company directly distributes to the channels, supermarkets, price clubs, wholesalers and convenience stores through its own sales force, covering a high percentage of the stores selling spirits in the country. In addition, the promotion force reaches 2,630 main stores and wholesalers of supermarkets to control display and promotion at the point of sale.

In the United States of America, there is a three-tier system implemented by federal and state laws, which limits the nature and scope of relationships between alcoholic beverage, suppliers, wholesalers, and retailers. These laws and provisions prohibit transactions and relationships that are common in the alcoholic beverage industry in other legal jurisdictions, as well as in other consumer sectors in the United States of America. In 23 states, the Company distributes principally through wholesalers associated with three major distributors networks, in 10 states the Company distributes through independent distributors, and in the remaining 17 states (and certain local jurisdictions), the state (or the relevant local authority) controls the distribution of distilled alcoholic beverages.

In the rest of the world, the Company distributes via local In-Market companies (IMCs) and third-party distributors. The IMCs sell to customers, on-trade and off-trade, in the country of incorporation. In countries where we do not have local IMCs, the Company enters into strategic distribution agreements with local distributors in each country.

In countries where the Company currently does not have the capacity to operate a direct distribution model, in general terms, the Company's distribution strategy consists of entering into distribution agreements in each country.

The Group uses a provision matrix in order to measure the ECL of wholesalers, retailers and others under a portfolio approach. Impairment rates are calculated separately for exposures in different segments based on common characteristics of credit risk, geographic region, length of the relationship with the customer and type of product purchased.

Cash and cash equivalents

The Group's investments in debt instruments are low risk. The investments' credit ratings are continuously monitored to be aware of for credit impairment. The Group limits its exposure to credit risk by investing only in Mexican governmental debt, corporate and bank debt with maturity of less than 90 days and only with counterparties that have a good global credit rating. The purpose of the Group's treasury policy is to mitigate its risk exposure, ensure the operating requirements and obtain the best market conditions, even when it is not aimed to maximize the return from its investments.

Fair value estimates

The financial instruments in the statement of financial position are recorded at fair value based on the following hierarchy.

- Level 1 fair values are derived from prices quoted (not adjusted) in active markets for identical liabilities or assets.
- Level 2 fair values are derived from indicators different from the quoted prices included in Level 1, but that include indicators that are observable directly to quoted prices or indirectly derived from these prices; and
- Level 3 fair values are derived from valuation techniques that include indicators for assets or liabilities that are not based on observable market information.

	Amortized cost		Fair value with changes in results		Fair value		
	(US\$)	(Ps)	(US\$)	(Ps)	Level 1 (Ps)	Level 2 (Ps)	Level 3 (Ps)
December 31, 2021							
Financial assets:							
Cash equivalents	\$ 621,434	\$ 12,791,283					
Trades receivable	499,631	10,284,156					
Related parties	689	14,174					
Other trades receivable	9,470	194,917					
Financial liabilities:							
Senior Notes	\$ 903,523	\$ 18,597,660					
Accounts payable	223,186	4,593,948					
Related parties	3,439	70,788					
Other accounts payable	320,770	6,602,572					
Other long-term liabilities *	18,946	389,982	14,714	302,873			302,873

	Amortized cost		Fair value with changes in results		Fair value		
	(US\$)	(Ps)	(US\$)	(Ps)	Level 1	Level 2	Level 3
December 31, 2020							
Financial assets:							
Cash equivalents	\$ 383,299	\$ 7,646,318					
Trades receivable	461,870	9,213,715					
Related parties	2,868	57,214					
Other trades receivable	11,249	224,412					
Financial instruments at fair value with changes in results			14,756	303,739			303,739
Investments of capital at fair value			581	11,969		11,969	
Financial liabilities:							
Senior Notes	\$ 499,076	\$ 9,955,908					
Accounts payable	153,516	3,062,436					
Related parties	8,499	169,551					
Other accounts payable	241,096	4,809,560					

[Translation for informational purposes only]

Other long-term liabilities *	18,446	367,964	6,823	140,437	140,437
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	Amortized cost		Fair value with changes in results		Fair value		
	(US\$)	(Ps)	(US\$)	(Ps)	Level 1	Level 2	Level 3
December 31, 2019							
Financial assets:							
Cash equivalents	\$ 37,724	\$ 710,923					
Trades receivable	493,226	9,294,939					
Related parties	5,481	103,294					
Other taxes and other trades receivable	33,813	637,217					
Investments of capital at fair value			1,950	36,748		36,748	
Financial liabilities:							
Senior Notes	\$ 498,312	\$ 9,390,788					
Accounts payable	115,823	2,182,716					
Related parties	3,629	68,382					
Other accounts payable	209,316	3,944,604					
Other long-term liabilities *	1,510	28,463	8,615	162,360			162,360

In the years ended December 31, 2021, 2020 and 2019, there were no transfers between levels 1 and 2.

Changes in other long-term liabilities are as follows:

	December 31			
	2021 (US)	2021 (Ps)	2020 (Ps)	2019 (Ps)
Initial balance as of January 1	\$ (6,823)	\$ (140,437)	\$ (162,360)	\$ (301,204)
Increase	(7,892)	(162,436)	21,923	138,844
Balance as of December 31	\$ (14,714)	\$ (302,873)	\$ (140,437)	\$ (162,360)
Deferred income tax				
Initial balance as of January 1	\$ 2,163	\$ 44,524	\$ 50,114	\$ 74,479
Decrease of deferred income tax	-	-	(5,590)	(24,365)
Balance as of December 31	\$ 2,163	\$ 44,524	\$ 44,524	\$ 50,114

Changes of other long-term liabilities – Net of taxes

Decrease	\$ -	\$ -	\$ 21,923	\$ 138,844
Decrease of deferred income tax	-	-	(5,590)	(24,365)
Changes of other long-term liabilities	\$ -	\$ -	\$ 16,333	\$ 114,479

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring additional financing costs or risking damage to the Group's reputation.

Normally, the Group ensures that it has sufficient available cash to cover expected operating expenses for a 60-day period, which includes payment of its financial obligations. The aforementioned excludes the possible impact of extreme circumstances that are not reasonably predictable, such as natural disasters.

The Company believes that the cash generated by its operations is sufficient to fund its operating and capital requirements in the near term.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of uncommitted credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

In order to preserve liquidity during the health contingency caused by COVID-19, the Company implemented the following measures: a) restriction of operating expenses to the minimum necessary; and b) extension of the payment term to some suppliers.

Exposure to liquidity risk

The table below includes a summary of the remaining contractual maturities of non-derivative financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

	Net value		Contractual cash flows					
			Total		1 month to 1		More than 3	
					year	1 to 3 years	years	
(US)	(Ps)	(Ps)	(Ps)	(Ps)	(Ps)	(Ps)		
December 31, 2021								
Senior Notes	\$ 903,523	\$ 18,597,660	\$ 1,233,223	\$ 25,384,053	\$ 653,166	\$ 5,063,658	\$ 19,667,229	
Accounts payable	223,186	4,593,948	223,186	4,593,948	4,593,948			
Related parties	3,439	70,788	3,439	70,788	70,788			
Other accounts payable	320,770	6,602,572	320,770	6,602,572	6,602,572			
Lease liabilities	127,677	2,628,030	245,168	5,046,420	747,240	1,784,031	2,515,149	
Other long-term liabilities	33,661	692,855	33,661	692,855			692,855	
December 31, 2020								
Senior Notes	\$ 499,076	\$ 9,955,908	\$ 595,277	\$ 11,875,000	\$ 375,000	\$ 1,125,000	\$ 10,375,000	
Accounts payable	153,516	3,062,436	153,516	3,062,436	3,062,436			
Related parties	8,499	169,551	8,499	169,551	169,551			
Other accounts payable	241,096	4,809,560	241,096	4,809,560	4,809,560			
Lease liabilities	123,374	2,461,141	210,513	4,199,469	541,257	1,289,432	2,368,780	
Other long-term liabilities	25,485	508,401	25,485	508,401			508,401	
December 31, 2019								
Senior Notes	\$ 498,312	\$ 9,390,788	\$ 582,401	\$ 11,618,141	\$ 374,534	\$ 746,588	\$ 10,497,019	
Accounts payable	115,823	2,182,716	109,416	2,182,716	2,182,716	-	-	
Related parties	3,629	68,382	3,428	68,382	68,382	-	-	
Other accounts payable	209,316	3,944,604	197,737	3,944,604	3,944,604	-	-	
Lease liabilities	114,003	2,148,404	238,205	4,751,889	461,276	1,163,303	3,127,310	
Other long-term liabilities	10,126	190,823	9,566	190,823			190,823	

Operational Risk

The Agave Azul plant is the most important raw material in the production of Tequila and takes six to eight years to reach maturity for harvest, which is the optimum age, when most of the sugars have been concentrated in the "pineapple" of the plant.

Agave Azul must be planted and produced in the territory of the Appellation of Origin for Tequila in Mexico. The agave plantations are exposed to: a) climate risks, such as severe weather variations or natural disasters, droughts, unusually cold weather, torrential rains, floods and earthquakes; and b) agricultural risks, such as seed and land selection risks, unhealthy seeds or soil nutrient deficiencies, improper application of fertilizers and herbicides, risks of bacteria, disease outbreaks, pestilence and other occurrences. If any of the risks occurred, it could have a material adverse effect on the supply of Agave Azul, affecting our production of tequila or increasing our costs. The Company has strategically distributed its Agave Azul plantations across the territory of the Appellation of Origin for Tequila, to minimize any shortage risks arising from climate conditions or crop diseases. This geographical diversification and vertical integration, together with quality optimization processes, helps to ensure the Group's current and future Agave Azul supply and therefore tequila production to meet yearly demand.

As there is no formal market for the purchase of Agave Azul, it is the Company's policy to be integrated in Agave Azul in order to meet internal production requirements without depending upon third-party suppliers. However, due to variability in growing conditions, from time to time, the Company rebalances its Agave Azul plantations to ensure consistency in plant age and growth across the territory of the Appellation of Origin for Tequila in which the Company operates plantations. To meet its production requirements during this period of inventory rebalancing, the Company has had to procure Agave Azul from third parties.

The Company leases the land where its Agave Azul and mezcal plants are cultivated but reserves the absolute control of all the processes and investments related to its cultivation. The Agave Azul and mezcal plantations are not affected by title restrictions of any kind, nor have they been pledged as a guarantee for financial liabilities.

The Company also stores some reserves of aged tequilas at its facilities in Mexico, holds substantial reserves of Irish whiskey at the Bushmills facility, and holds substantial volumes of maturing American whiskey and Canadian whiskey at various locations in the United States of America and Canada. Aged tequilas, such as reposado and añejo, must be matured for at least twelve months, while Irish whiskey and Canadian whiskey must be matured for at least three years. American whiskey has more complex aging requirements. Any loss of all or a portion of our inventory of tequilas or whiskeys in reserve (for example, as a result of contamination, fire or other natural disaster or destruction resulting from negligence or the acts of third parties) may also lead to a substantial decrease in the supply of those products.

Market Risk

Market risks are the risks that changes in market prices, foreign exchange rates and floating interest rates, will affect the Group's income or the value of its financial instruments. The purpose of market risk management is to identify, assess, control and review risk exposure within acceptable parameters to optimize profitability.

Foreign exchange risk

As a global distributor of spirits, the Company is exposed to the risk of transacting in multiple currencies. In particular, the Company is exposed to the fluctuation of U.S. dollars, British pounds and Euros against the Group's functional currency Mexican peso.

Part of the Group's cash outflows are committed in foreign currencies; however, a significant portion of the Group's cash inflows is generated in foreign currencies, providing an economic hedge without entering derivative financial instruments, therefore, hedge accounting is not applied.

Regarding other monetary assets and liabilities denominated in foreign currencies, for which no economic hedge is generated, the Group's policy is to ensure that its net exposure is kept to an acceptable level. The Group buys and sells foreign currencies at spot rates when necessary, to address short-term imbalances.

Hedge of net investment in foreign entity

As from January 1, 2020, the Company designated the Notes 2025 as a hedging instrument for its net investment in Sunrise Spirits Holding, Inc., with the objective of mitigating the exchange rate risk arising between the functional currency of these operations and the functional currency of the holding company that has such investment.

On September 27, 2021, Becele announced the starting of a cash acquisition tender offer and a consent request to the holders of all and any Notes 2025. The Company paid a total amount of capital of US\$346,639 of the Notes 2025 validly offered (69.3% of the original issuance of US\$500,000). Therefore, the hedge assigned by this bond was in the amount of US\$153,361.

On October 31, 2021, the Company appointed a new hedge in the amount of US\$346,639, which is part of the new issuance of the Company of Notes 2031, as a hedge instrument for net investment in Sunrise Spirits Holdings, Inc.

The Company appointed and formally documented the relation of the hedge, setting forth the targets, the risk coverage strategy, the identification of the hedge instrument, the hedged element, the nature of the risk to be hedged and the methodology of the effectiveness assessment. As of December 31, 2021 and 2020, the strategy of the Company is a dynamic hedge strategy, with remaining maturities of 4 and 10 years, as described as follows. Due to the fact that the relation of the hedge to the exchange rate is clear, the method used by the Company to assess the effectiveness consisted in a qualitative effectiveness test by comparing the critical terms among the hedge instruments and the hedged elements. There is no lack of effectiveness to be registered as hedges of net investments in foreign entities.

Effects of hedge accounting on the financial position and performance

The effects of the foreign currency-related hedging instruments on the Group's financial position and performance are as follows

The effects of the foreign currency-related hedging instruments on the Group's financial position and performance are as follows:

Net investment in foreign operation

	December 31,			
	2021		2020	
Net value (Senior Notes)	US\$	500,000	US\$	500,000
Hedge ratio		1:1		1:1
Exchange in the net value of Senior Notes as result of the movements in foreign currency since January 1, recognized in ORI		317,400		551,750
Change in the hedged element value, used to determine the efficacy of the hedge included in ORI	Ps	1,376,629	Ps	(3,270,437)

The Company maintains the hedging relationships described below:

As of January 1, 2020							
Holding company	Functional currency	Hedge instrument	Notional amount		Hedged item	Net assets of foreign operations	
			(Ps)	(US\$)		(Ps)	(US\$)
Becele, S. A. B. de C. V.	Mexican Pesos	Senior Notes	9,974,350	\$ 500,000	Sunrise Spirits Holding	19,715,560	\$ 988,313

As of December 31, 2021							
Holding company	Functional currency	Hedge instrument	Notional amount		Hedged item	Net assets of foreign operations	
			(Ps)	(US\$)		(Ps)	(US\$)
Becele, S. A. B. de C. V.	Mexican Pesos	Senior Notes	10,291,750	\$500,000	Sunrise Spirits Holding	18,338,931	\$890,953
Change in net values of Senior Notes by exchange fluctuations recognized in ORI since January 1			317,400			(1,376,629)	(97,360)

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

The summary quantitative data about the Group's exposure to currency risk in the presentation currency (converted into Mexican pesos), considering the respective functional currencies of the entities comprising the Group as of December 31, 2021, 2020 and 2019, is shown below.

	December 31, 2021			December 31, 2020		
	(US\$)	Euro	Other	(US\$)	Euro	Others
Cash and cash equivalents	\$ 5,911,118	\$ 2,712	\$ -	\$ 1,808,511	\$ 8,082	\$ -
Trades receivable	1,326,888	3,278	-	1,219,129	6,411	-
Accounts payable	(796,005)	(49,048)	(114)	(477,549)	(18,512)	(63)
Lease liabilities	(382,618)	-	-	(333,124)	-	-
Senior Notes	(19,623,506)	-	-	(9,974,350)	-	-

	December 31, 2019		
	(US\$)	Euro	Others
Cash and cash equivalents	\$ 4,484,549	\$ 7,898	\$ -
Trades receivable	2,495,204	42	-
Accounts payable	(455,487)	(33,822)	<164
Lease liabilities	(411,500)	-	-
Senior Notes	(9,422,600)	-	-

The following disclosures provide a sensitivity analysis for the foreign currency exposures of the Group, which are made as of December 31, 2021, 2020 and 2019. A+/- 10% variation of the U.S. dollar against the reporting currency would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. This analysis assumes that all other variables, especially interest rates, remain constant.

Currency	Exchange	ORI effect	P&L effect
December 31, 2021			
US\$	+10%	\$	- \$ 1,361,880
	-10%		(1,361,880)
December 31, 2020			
US\$	+10%	\$	- \$ 776,353
	-10%		(776,353)
December 31, 2019			
US\$	+10%	\$	- \$ 491,595
	-10%		- (491,595)

Exchange rates applied as of and years ended December 31, 2021, 2020 and 2019:

Average exchange rate			Closing exchange rate as of December 31			
	2021 (Ps)	2020 (Ps)	2019 (Ps)	2021 (Ps)	2020 (Ps)	2019 (Ps)
USD	\$ 20.2813	\$ 21.4887	\$ 19.2968	\$ 20.5835	\$ 19.9487	\$ 18.8452
GBP	27.9097	27.5149	24.5813	27.6367	27.1270	24.8262
EUR	24.0032	24.4900	21.5590	23.1730	24.4702	21.2155

Interest rate risk

The Group is not exposed to interest rate risk because the financial liability it holds carries a fixed rate. The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	December 31			
	2021 (US)	2021 (US)	2020 (Ps)	2019 (Ps)
<u>Fixed rate instruments</u>				
Financial liabilities	\$ 903,523	\$ 18,597,660	\$ 9,955,908	\$ 9,390,788

❖ Amounts shown above represent the capital of the long-term debt, principal amount net of debt issuance cost.

Risk management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio: Net debt as per divided by Total 'equity' (as shown in the balance sheet, including non-controlling interests).

The net debt to equity ratio as of December 31, 2021, 2020 and 2019 was as follows:

	2021 (US)	2021 (Ps)	2020 (Ps)	2019 (Ps)
Net debt	\$ 903,523	\$ 18,597,660	\$ 9,955,908	\$ 9,390,788
Total capital	2,839,329	58,443,322	54,745,070	48,592,204
Net debt ratio to capital	31.8%	31.8%	18.2%	19.3%

D) OTHER SECURITIES

As of the submittal date of this Report, the Company has no other securities entered at the RNV. According to the LMV and the Sole Circular of Issuers, the Company has the obligation to submit before the CNBV and the BMV quarter and annual financial information, as well as information related to relevant events and other type of information. As of the date of this Report, the Company has appropriately and promptly complied with the submittal of reports regarding relevant events and the rest of information demanded by the applicable laws.

The Notes 2025 and 2031 issued by the Company in international markets in 2015 and 2021 are quoted in the Official List of the Irish Stock Exchange and are negotiated in the Global Exchange Market, the securities market regulated of the Irish Stock Exchange. With respect to such securities, the Company has the obligation to submit before the beneficiary Citibank, N.A., annual and quarter financial information, as well as returns of compliance with the obligations, as well as the information published in the stock exchange or the regulating securities agency. As of the date of this Report, the Company has complied appropriately and promptly with the submittal of reports regarding relevant events and the rest of information demanded by the applicable laws. See *“Comments and analysis of the administration on operation results and the financial position of the issuer— Liquidity and financing sources”*.

F) PUBLIC DOCUMENTS

The Company will provide copies of this document to any shareholder and/or investor proving its quality under the terms of the applicable law, and requested to the Company's Investors Direction. Mr. Bryan Carlson is the person in charge of the list with investors and may be reached at its offices located at Guillermo González Camarena No.800-4, Col. Santa Fe, C.P. 01210, Mexico City, Mexico, telephone number +52 (55) 5258-7000 ext. 2921 and e-mail: ir@cuervo.com.mx and bcarlson@cuervo.com.mx.

The investors may consult the public documents submitted to the CNBV and the BMV, including periodic information on the financial position and the results of the Company, as well as certain relevant events disclosed by the Company through the BMV. This information is provided to the public at the Information Center of BMV in the Stock Center located at Paseo de la Reforma No. 255, Colonia Cuauhtémoc, C.P. 06500, Mexico City.

The Company has a website including general information thereof, and which address is www.ircuervo.com. In such page, there is information of the Company not part of this document.

2) THE COMPANY

A) HISTORY AND DEVELOPMENT OF THE COMPANY

The Company was incorporated by notarial instrument number 74,489, dated November 5, 2002, attested by Carlos de Pablo Serna, Notary Public number 137 in and for Mexico City, entered in the Public Registry Bureau of Commerce under electronic mercantile folio number 295,310, under the name “Becle” as a business corporation of variable capital. The term of the Company is indefinite. Located at Guillermo González Camarena No. 800, Piso 4, Col. Santa Fe, C.P. 01210, Mexico City, Telephone 5258 -7000.

By means of notarial instrument number 117,951, dated January 25, 2017, attested by Carlos de Pablo Serna, Notary Public number 137 in and for Mexico City, entered in the Public Registry Bureau of Commerce under electronic mercantile folio number 295,310, the total amendment of the Company’s bylaws was made to adopt the Stock Business Corporation and, therefore, the legal system of chapter II, Title II of the Securities Market Law. The foregoing subject to the condition to approve the initial tender offer of the Company, which occurred on February 9, 2017.

The Company is one of the oldest companies in Mexico, led by the same family since then, a legacy and heritage that still define its business, brands and culture. For over 250 years, the Company has been making tequila in Mexico, since its foundation in 1758. In 1795, the King of Spain Charles IV granted José María Guadalupe de Cuervo y Montañón a Royal Warrant to produce and sell tequila, then known as “Vino de Mezcal”, currently known as tequila, generally considered the first license to sell tequila.

The Company exported tequila into the U.S. in 1852 and were the first distiller to bottle tequila in glass bottles in 1880. In 1945, “margaritas” were invented using Jose Cuervo tequila, a drink that reshaped the tequila industry.

The Company is the result of the integration of Becle, S.A. de C.V. and Proximo, derived from the Merger into Proximo. Proximo was founded in 2007 as an independent distribution company distributing local brands in the United States successfully. In 2008, Proximo started to distribute tequila 1800 in the United States, increasing the sales of this tequila of at least 400,000 cases to more than 900,000, in less of 5 years. The direct presence in the United States has permitted the Company to be closed to the consumers of such country, which the Company considers is the most profitable and dynamic country defining the trends in the spirits market worldwide. The advertising campaigns have generated empathy with the consumer, giving as a result a growth in the flagship brand Jose Cuervo since Proximo took its distribution in the United States in 2013.

Acquisition of Pendleton

On December 13, 2017, the Company announced that an agreement with Hood River Distillers, Inc. was executed to acquire the license to use the intellectual property of the brand *Pendleton (Pendleton)* with an indefinite useful life. *Pendleton* is the leader brand of super premium whisky in the United States of America. It was agreed to pay US\$212.8 million for such assets. *Pendleton Whisky* was launched in 2003 and since then, the annual sales volume has increased to 250,000 9-liter cases. In addition to the main presentation of *Pendleton Whisky*, the acquisition includes the presentations *Pendleton Midnight*, *Pendleton 1910* and *Pendleton Directors' Reserve*.

In February 2018, the Company completed the acquisition of the assets of *Pendleton* brand, as from such date, the Company started to consolidate the net assets in its consolidated statement of financial position.

Acquisition of Black Dirt Distilling

On May 7, 2018, the Company reached an agreement to acquire 100% of the shares of Black Dirt Distilling (BDD). BDD is a distiller and bottling facility of bourbon and brandy seated in the State of New York.

The total consideration which was paid amounted to US\$11.4 million and the fair value of the acquired assets, the assumed liabilities and the goodwill determined and recognized as of the acquisition date, accounted for US\$9.9 million, US\$0.6 million y US\$2.1 million, respectively.

The Company started to consolidate BDD net assets in its consolidated statement of the financial position as of September 30, 2018.

Acquisition of Australia distributor

On June 30, 2017, Proximo Australia PTY, Ltd, subsidiary company of JC Overseas, Ltd., acquired L.I.P.S. PTY Limited, the capital stock of i2i. Such company was founded in 2007, and since then it has expanded its portfolio.

i2i is based in the city of Sidney and has the infrastructure of sales in each of the states of Australia. Furthermore, it has a strong presence in the consumption centers, such as distributors, highlighting the two most important chains, Woolworths and Coles.

In 2015, Casa Cuervo, S. A. de C. V. appointed i2i as distributor of brands *Jose Cuervo, 1800, Bushmills, The Kraken and Boodles*. The acquisition of i2i is an essential step to guarantee the future growth of the Company's portfolio in the region.

Acquisition of Maestro Tequilero

On September 23, 2016, the shareholders of the Company subscribed and paid an increase of capital stock, which was paid by contribution in kind to the Company of 78.09% of the shares of Maestro Tequilero, S.A. de C.V. (the "Contribution of Maestro Tequilero"), which they owned. As a result of such contribution, since that date, *Maestro Tequilero is a subsidiary company of Becele*. See "*Description of Capital and the Company's Bylaws — Capital Stock*".

Brand *Maestro Tequilero/Dobel* was established in 2005 and includes the products *Maestro Tequilero Blanco, Maestro Tequilero Reposado, Maestro Tequilero Añejo, Maestro Dobel Diamante, Maestro Tequilero Atelier and Maestro Tequilero Humito*.

In November 2019, the commercial name of the brand changed to Maestro Dobel.

Acquisition of Bushmills

In the first quarter of 2015, the acquisition of the brand *Bushmills* and its facilities was completed, from Diageo plc, giving us the opportunity to enter to the Irish whisky market, which is one of the spirits categories with rapid growth in the industry. The Acquisition of Bushmills represented a new step in the constant diversification of product category and geographical segments of the Company.

Acquisition of Eire Born Spirits

On April 23, 2021 EBS became a consolidated subsidiary. On December 31, 2021, the EBS assets included the intellectual property related to Proper No. Twelve brand, cash and royalties receivable; liabilities of EBS included trades payables to marketing providers, and the expenses of EBS included services and marketing materials, and the only source of income of EBS were royalties.

Investment in associated companies

Virginia Black

The Company, through its PSI subsidiary, holds a share interest of 18.6% in Virginia Black, LLC (VB), a limited liability company domiciled in Delaware.

This investment is considered an equity instrument and is measured at fair value according to IFRS 9. As of December 31, 2021 and 2020, the fair value of the Company investment in VB accounted for US\$0.0, US\$600, respectively.

New Tequila Co.

On May 7, 2021, the Company, through its subsidiary company PSI, acquired the shares of 33.3% in a recently incorporated limited liability company of Delaware (New Tequila Co.), established to develop a new tequila brand with the name to be announced (the New Tequila). The initial purchase price accounted for US\$3,500 and in addition to such amount, the Company agrees to make three contingent payments in the total amount of up to US\$4,000, subject to the compliance of certain milestones of New Tequila. The Company made an initial contribution of capital of US\$5,000 to capitalize the investment. The Company is obliged to pay two deferred additional considerations of US\$2,500 each in the first and second anniversary of the closing.

The Company has two option granting the right, but not the obligation to purchase additional shares of New Tequila Co, owned by third parties, at any time as from January 31, 2026 and January 31, 2029, respectively. Such options will be exercised at contractual prices to be determined, based on the future financial performance of New Tequila. As of December 31, 2021, the options have an intrinsic value due to the fact that the brand has not been traded yet and the investment returns involve a high extent of uncertainty.

As of December 31, 2021, the investment in New Tequila Co is the following:

	2021	
	(US\$)	(Ps)
Purchase base price	\$ 3,500	\$ 69,574
Initial contributions of capital	5,000	99,392
Deferred considerations to be made in the first and second anniversary at current value	4,428	91,139
Fair value of the contingent payments	3,464	71,297
Total investment	<u>\$ 16,392</u>	<u>\$ 331,402</u>

JAJA Spirits

On October 7, 2021, the Company through its subsidiary company PSI acquired 425,895 Series B Preferential Units representing 20% of JAJA Spirits LLC (JAJA Spirits), a Delaware limited liability company, in the amount of US\$15,000. JAJA Spirits is the owner of a tequila brand and the Company also executed a license and distribution agreement with JAJA to acquire certain rights to produce, trade, promote, distribute and supply such brand.

This investment is accounted as an associated investment and, therefore, it was initially recognized at cost and then it was accounted using the participation method adjusting the interest of the Company in the net profit (loss) of JAJA Spirits with the corresponding effect in the statement of comprehensive income.

The Group holds other immaterial investments in the amount of Ps2,203 and Ps4,241, as of December 31, 2021 and 2020, respectively.

Strategy

Our purpose is to continue increasing our global presence and flow generation and profitability focus on the following strategies:

- *Continue leading the development of tequila category.*
- *Building brands.*
- *Continue investing in innovation, product development and premiumization.*
- *Expansion and diversification of the business through organic and inorganic growth initiatives and route-to-market expansion*

We want to continue leading the development of tequila category

With the support of our leadership within the tequila category, we want to continue with the development and expansion of tequila consumption in the world. We are focused on the introduction in existing markets in which the tequila

consumption offers potentially relevant growth, such as the market of the United States. We think that the spirits market in the United States is the more profitable market in the world, and the tequila consumption continues being low in comparison with other spirits categories.

The marketing and distribution strategies are also focused on other geographies in which the *Jose Cuervo* brand has presence, but in which the tequila consumption is low, such as in the case of Europe and Asia Pacific. For example, with the Acquisition of Bushmills and island2island, the Company has strengthened its distribution platform in the United Kingdom, the Republic of Ireland and the Asia-Pacific region and is presently implementing initiatives to increase tequila sales in Europe.

In addition, we want to continue leading and developing the premiumization trend in tequila through the positioning of the brand in Mexico and the United States. We have created the “crystalinos” category (aged products and filtered to be transparent) and the premium and ultra-premium segments are developed in such category. For example, in Mexico, where the tequila category has high levels of penetration, we have identified and expanded a consumer segment who wanted more refined premium products, which are trendy. The premiumization trend is well represented among others, by Maestro Dobel and 1800 Cristalino; both “crystalinos” tequilas launched in 2009 and 2015, respectively, addressed to an ultra-premium segment, and focused on one of the best growth segments within the tequila category.

Building of brands

We promote the development of our brands through unique positioning and marketing strategies for each product, trying to create a different brand essence and avoiding coincidences of positioning. We try to prioritize and focus on own premium brands, as such brands provide more profitability and allow a direct control of the brand value. One of the primary objectives is to ensure that our brands are associated to quality, innovation and style to increase their value and durability over time. Brand building requires substantial time and important investments in positioning brands and familiarizing consumers by rolling out marketing programs that help us build each of the brands images. In order to continue expanding our brand portfolio in the spirits categories and premium segments, such as Irish whiskey and spiced rum, we plan to continue investing in positioning *Bushmills* and *Kraken* to build and develop these important brands.

We believe in sustained long-term investment as the foundation of our brands value, for example, with new and better packaging and trend setting advertising campaigns, in addition of innovation in the existing brands with premium varieties improving the perception of the existing brands. Currently, our marketing and distribution strategies are focused, among other aspects, on improving the image of our products to be perceived as high quality brands, a strategy expecting to be translated into an increase in sale volumes and allowing us to improve prices and generate value. Historically, the investments in marketing, promotion and distribution have increased with our sales. We think that we may use such benefits derived from the global organization to increase the efficacy of our marketing strategy.

In addition, we are focused on demographic changes in consumers and we design new approaching and generation ties with different generations, considering their specific characteristics. We actively participate in social media and digital campaigns, seeking to address the preferences of current generations and raising brand awareness in this segment.

Continued investment in innovation, product development and premiumization

Innovation is part of our DNA, and we have successfully built our product portfolio through a combination of organic growth, including the improvement and extension of existing and new brands and products, and a disciplined inorganic growth, through complementary acquisitions generating value.

We are one of the companies with greatest innovation in the industry, since the creation of categories and new brands to line extensions. Examples of this innovation are the creation of the ready-to-drink margaritas category, in which we used the brand *Jose Cuervo* to introduce a non-alcoholic mixer “*Jose Cuervo Margarita Mix*”, which is the top selling margarita mixer globally, and several ready-to drink cocktails, including *Jose Cuervo Authentic Margaritas*, *Jose Cuervo Golden*

Margaritas and 1800 Ultimate Margaritas. At the same time, we have successfully developed and launched new brands through various categories and price points, including *Maestro Dobel, Kraken rum, Mezcal Creyente* and *b:oot*, among others. We have developed product line extensions, such as *1800 Cristalino* and *Bushmills Steamship*. The inorganic growth trajectory is evidenced with the acquisitions, such as the *Bushmills* Irish whiskey, which represented a relevant stage for its diversification in new product categories and geographic regions, the *Stranahan's* Colorado whiskey and *Hangar 1, Three Olives and Pendleton* vodkas.

We are focused on maintaining and increasing our efforts on product innovation to expand our offering price in the “super-premium”, “ultra-premium” and “prestige” segments. We are a company oriented to consumer and we are convinced of the importance of developing new products and extensions of the existing brands, making us a trending company that understands and anticipate changing tastes and consumer preferences.

We have wide experience in the successful launching of products to the market and we will continue investing in the development of products and innovation, trying to make our response capacity more effective before the different changes in preferences and consumer needs.

Expansion and diversification of the business through organic and inorganic growth initiatives and expansion of route-to-market segment

We have identified key markets that provide us strong organic growth opportunities. We increase our distribution efforts and marketing in markets where we are not leaders. We are also focused on opening markets that we consider that may offer great potential to penetrate our products.

We try to continue expanding the offer of our brands in existing segments and in the segments in which we do not actively participate. In addition, we think that our distribution platform is highly efficient. The critical mass and efficiency allow us to enrich and constantly grow our portfolio with greater value and profitability products and categories and, at the same time, it helps us to optimize our cost base. Therefore, we will continue exploring new options to enjoy distribution network.

Our priority is the organic growth of our portfolio, we are continuously looking for innovations and assessing business opportunity complying with our strict criteria. We always maintain as a principle the financial discipline and the value creation for our shareholders. The Company thinks that the spirits industry offers consolidation and expansion opportunities and we continuously assess opportunities allowing us to extend our product offered and geographical scope in profitable markets at a great scale.

Our presence in Europe was extended with the Acquisition of Bushmills and allows us to increase our approach in certain region creating opportunities to improve our route-to-market strategy, penetrate in existing markets and enter into new markets.

B) DESCRIPTION OF BUSINESS

i) Main activity

We are a leader company globally recognized in the spirits industry and the greatest tequila producer in the world. Our extraordinary portfolio with more than 30 brands of spirits, some of them brands that we own, distributed worldwide and other owned by third parties distributed only in Mexico, has been developed throughout the years to participate in key categories with strong growth perspective, serving to the most relevant spirits market and attending the preferences and key trends for consumers. The strength of our portfolio is based in the profound heritage of our iconic brands internally developed, such as the brand family *Jose Cuervo*, combined with complementary acquisitions, such as *Three Olives*, *Hangar 1*, *Stranahan's*, *Bushmills* and *Boodles*, as well as a key focus on innovation, developing own brands, such as *1800*, *Maestro Dobel*, *Centenario*, *Kraken*, *Jose Cuervo Margaritas* and *b:oozt*, among our brands, some of them are traded and distributed in more than 85 countries. We are one of the oldest companies in Mexico, led by the same family during 11 generations, which heritage and tradition defines our business, brands and culture.

We operate as a producer, trader and distributor of a wide portfolio of internationally recognized spirits brands, ready-to-drink cocktails, as well as non-alcoholic drinks. Within the spirits, the Company is the leader tequila producer globally per retail sales over twice the market share of our nearest competitor and the third greatest producer of Irish whiskey in the world per volume and sales according to IWSR. We generate our greater sales in the United States, country which we think represents the most profitable and dynamic region of the spirits industry. Mexico is our domestic market and also our second most relevant market, in retail sales terms. The recent acquisition of Bushmills positions us ahead for a continuous growth in our business outside the American continent.

In Mexico, the United States, Canada, the United Kingdom, the Republic of Ireland and Australia, we control and operate a direct distribution model. Particularly, in Mexico and the United States, we maintain the second and tenth largest distribution network of spirits per retail sales, respectively, according to IWSR in 2020. In Mexico, we directly distribute to the channels, supermarkets, price clubs, wholesalers and convenience stores through our sales force covering a high percentage of the stores selling spirits in Mexico. In addition, the promotion force reaches 2,206 supermarkets and the most important wholesalers to control the display and promotion at this point of sale. In the United States, we have a three tier system implemented by the federal and state laws known as “tied house laws”, which limit the nature and scope of the relations between spirits importers, producers and wholesalers on the one hand and retailers of spirits on the other. Such laws and provisions prohibit common transactions and relations in the spirits industry in other part of the world, as well as in the consumption sectors in the United States. In 23 states of the United States, we mainly distribute through wholesalers associated with three important distribution companies (Republic National Distributing Company, Southern Glazer's Wine and Spirits and Johnson Brothers Liquor Company), in 10 states of the United States, we distribute through our independent distributors not part of the aforementioned distribution networks and in the remaining 17 states of the United States, the state controls the distribution of spirits. In countries in which we do not have the capacity to operate a direct distribution model, in general terms, our distribution strategy consists in executing distribution agreements in each country, which are exclusive with respect to one or more of our brands.

Geographic Regions

Our operations are divided in three geographical regions (Mexico, the United States & Canada and the Rest of the World) which include the operative segment duty-free global. In 2020, the United States and Canada represented 65% of our consolidated retail sales, and in Mexico it represented 21% and the rest of the world represented the remaining 14%.

Mexico

In Mexico, our tequila brand portfolio –including, among others, the brands *Jose Cuervo*, *Gran Centenario*, *1800* and *Maestro Dobel* – holds the first place in terms of retail sales. In addition, we participate in other 8 categories of products, such as, rum, vodka, gin, American whiskey, Irish whiskey, mezcal, liquors and ready-to-drink cocktails.

Our tequila brands hold the first or second place in each price segment. We are focused on maintain the market share in terms of sales volume and retail sales.

In Mexico, we have our own distribution company, which is one of the largest distributors of premium spirits by sales volume and retail sales according to IWSR. For a description of our distribution activities in Mexico, see “—Distribution Network—Mexico” in this section.

United States

According to IWSR, during 2020, the United States was the third largest spirits market by retail sale globally, behind China and India, and we believe the United States represents the most profitable, dynamic and trendy global spirits market in the world. Our tequila portfolio, including Jose Cuervo and 1800, among other brands, is the largest and third place, respectively, by volumes in the United States according to IWSR in 2020. In 2020, the Company was the leader in the tequila category in the United States, with a 25.4% market share by sales volume according to IWSR. In the United States, the Jose Cuervo brand led the tequila category with a 18.1% share of this segment by volumes. Although the tequila category represents a relatively small category in the United States, only 9.3% of the total spirits industry by volume, we believe it presents good potential for growth with expected tequila growth rates above the spirits average, and, therefore, the Company thinks it has a great potential growth in the United States.

The Company’s portfolio in the United States includes additional brands such as *Kraken rum*, *Stranahan’s Colorado whiskey*, *Hangar 1 vodka*, as well as *Boodles gin*, *Three Olives vodka*, *Pendleton* and *Sexton whiskies*.

Rest of the world

Our products are sold in over 85 markets in our Rest of World region. The largest markets by sales are Brazil, Japan, the United Kingdom, Spain, Greece and Australia. We expect to continue to focus on expanding our sales penetration in markets selected to drive growth of the Jose Cuervo, 1800, Bushmills and Kraken brands. We selectively choose key markets to drive growth. The focus in these markets will be on growing market share and increasing penetration of target consumer groups.

We believe there is a large sales volume opportunity in tequila outside of the Mexican and U.S. markets, which may provide a growth platform for the Jose Cuervo and 1800 brands.

We generally distribute our products in this region (except in the United Kingdom, Northern Ireland, Australia, China and Spain) through a strategic alliance and a distribution arrangement that is exclusive for the relevant brand or brands with an established premium brand distributor in each market.

Bushmills Business

Bushmills has a great tradition of whiskey making dating back to 1608 when the area was granted a license to distill by a concession of the King of England. All aspects of the brand’s production are carried out in the town of Bushmills at the Old Bushmills Distillery, on the northern coast of Northern Ireland. The on-site facilities include a malt whiskey distillery, 17 maturation warehouses, a blending and vatting area, bottling lines, cased goods warehousing and dispatch. Annually, the facility is capable of producing approximately 5 million liters of 100% ABV(alcohol by volume) whiskey and is capable of bottling over 3 million 9-liter cases of whiskey. The Company maintained the main employees and assumed the distillation processes and acquired the know how related to the operation, which helps to maintain the tradition of Bushmills in whiskey production.

Bushmills Irish whiskey is the third largest Irish whiskey in the world and the fourth in the United States, in both cases by volumes. The Bushmills brand’s main markets are the United States and Europe, according to IWSR in 2020. In the year ended December 31, 2020, Bushmills sold 744,756 9-liter cases, according to IWSR in 2020. Worldwide, Irish whiskey was one of the fastest growing major spirits category by sales worldwide from 2015 to 2020 and had a CAGR of 7.7% in terms of retail sales, according to IWSR.

Product and Brand portfolio

Internationally, we offer an array of brands and ready-to-drink cocktails that span across all price segments, allowing us to effectively compete with the strongest portfolio of tequila brands in this growing category. We also offer labels in nine other categories: rum, vodka, gin, Canadian whisky, US whiskey, Irish whiskey, mezcal, liquors and ready-to-drink cocktails.

We own the majority of the brands we offer, while others are agency brands, which we distribute on an ongoing basis for other spirits companies in Mexico. Certain of the agency brands are owned by our affiliates and related parties while others are owned by third parties. The agreements for related party agency brands provide us with the exclusive rights to market and distribute, and in certain cases manufacture and produce, the brand in Mexico. We generally pay all costs associated with the manufacture and distribution of related party agency brands, usually including all marketing and promotional costs, although in certain cases the brand owner makes a contribution to marketing and promotional expense.

Company brands

Tequila Jose Cuervo

Jose Cuervo tequila is the most widely distributed and leading premium tequila brand in the world based on sales volume. The primary markets for the sale of Jose Cuervo tequila are the United States and Mexico. The brand is sold in more than 85 other countries. The largest markets by sales in our Rest of World region include Brazil, Japan, the United Kingdom, Spain, Greece and Australia.

Jose Cuervo Especial Gold, Jose Cuervo Especial Silver, Jose Cuervo Tradicional and Jose Cuervo Reserva de la Familia tequilas are the flagships of the Jose Cuervo brand internationally. Together they represent the largest brand by volume both in the United States and the Rest of World region. Gran Centenario, Jose Cuervo Especial and Jose Cuervo Tradicional are the flagships of the Jose Cuervo brand in Mexico. According to IWSR in 2020 Jose Cuervo is the second market leader by value and the leading tequila brand by volume in Mexico.

The Jose Cuervo brand includes tequilas for all major consumption occasions, allowing us to compete with a strong portfolio of tequilas in this competitive and growing segment. For example, Jose Cuervo Especial Gold is a premium tequila often used in tequila-based cocktails; Jose Cuervo Tradicional Silver and Jose Cuervo Tradicional Reposado are super-premium tequilas often used as aperitifs; and Jose Cuervo Reserva de la Familia is an ultra-premium tequila often consumed after dinner.

Jose Cuervo brand tequila products include Jose Cuervo Especial Gold, Jose Cuervo Especial Silver, Jose Cuervo Tradicional Silver, Jose Cuervo Tradicional Reposado, Jose Cuervo Tradicional Cristalino, Jose Cuervo Tradicional Añejo, Jose Cuervo Reserva de la Familia Platino, Jose Cuervo Reserva de la Familia Reposado, Jose Cuervo Reserva de la Familia Extra Añejo and Jose Cuervo 250 Aniversario.

Gran Centenario

The Gran Centenario brand includes a variety of super-premium tequilas. Gran Centenario Plata is the market leader in Mexico by sales volume in the blanco 100% Tequila category. Gran Centenario Reposado is also the leading brand by volume in the reposado 100% Tequila category. We also offer Gran Centenario Azul, a lower-proof tequila intended for mixing in cocktails, marketed toward younger legal drinking age consumers to encourage them to switch from rum- and vodka-based cocktails. In 2020, Gran Centenario Azul Baby Mango flavor was launched in the market, as a flavored tequila option to compete directly with Smirnoff Tamarindo, which had shown great growth in the market. In turn, brands *Gran Centenario Leyenda* and *Gran Centenario Azul Gran Reserva* are aspiring products that help build the Brand in *Global Travel Retail stores*.

The Gran Centenario brand includes Gran Centenario Plata, Gran Centenario Azul, Gran Centenario Reposado, Gran Centenario Añejo, Gran Centenario Azul Gran Reserva and Gran Centenario Leyenda del Tequilero and *Gran Centenario Gallardo*.

Tequila 1800

In 2020, the super-premium tequila *1800*, which is one of the oldest and more representative brands in Mexico, according to IWSR, was located in the first place in the United States in volume sales within the premium segment.

The 1800 brand has a history of product and marketing innovation. The brand's latest innovations include 1800 Cristalino, a clear añejo tequila, introduced in 2015 to compete in the ultra-premium segment (the second fastest growing tequila segment).

The 1800 tequila product line includes 1800 Silver, 1800 Reposado, 1800 Añejo, 1800 Cristalino, Essential 1800, 1800 Select Silver, 1800 Milenio and 1800 Coconut.

Maestro Dobel

Established in 2005, Maestro Dobel is the newest tequila brand in our distribution portfolio. It is an ultra-premium tequila inspired by the art of producing a great tequila.

Developed with the intention of breaking existing category paradigms, Maestro Dobel uses unique manufacturing processes and packaging and is distinguished by its design. Maestro Dobel Diamante is the first clear tequila in the market that is a blend of "reposado," "añejo" and "extra añejo" tequilas. We recently introduced, Maestro Dobel 50 in clear and "extra añejo" products. Maestro Dobel's most recent innovation is "Pavito," a tequila that uses the same production process as mezcal de "pechuga," with a third distillation that gives it a special flavor due to the seasonal spices it uses.

Maestro Dobel product offerings include Maestro Dobel Blanco, Maestro Dobel Reposado, Maestro Dobel Añejo, Maestro Dobel Diamante, Maestro Dobel Atelier, Maestro Dobel Humito and Maestro Dobel 50.

Ready-to-drink Cocktails

Ready-to-drink cocktails are pre-mixed alcoholic beverages sold in single and multi-serving formats and flavors, including brands such as Authentic Jose Cuervo Margaritas, Jose Cuervo Golden Margaritas and 1800 The Ultimate Margaritas. We have leveraged the strong market positions of the Jose Cuervo and 1800 tequila brands to expand our cocktail offerings, examples of which are our launch of Sparkling Jose Cuervo Margaritas in cans in 2016.

Jose Cuervo Authentic Margaritas, which we launched in 1993, is the leading margarita brand in the world in the ready-to-drink cocktail category, and is available in seven different regular flavors, as well as two additional flavors in the low-calorie line, in order to satisfy different consumer needs. These products are focused on meeting the needs of those consumers who do not have the time or the ability to mix their own cocktails and are perfect to be enjoyed anywhere, anytime. The base for these products is exclusively Jose Cuervo Especial Gold. These products are currently in the process of being re-launched into the market with new and improved premium packaging.

Whiskey

Bushmills

The Bushmills brand's main markets are the United States and Europe. We seek to expand the geographic scope of the distribution of the Bushmills brand and to increase its sales and market share.

In the United States, the largest market for Irish whiskey, Bushmills has embarked upon a revitalized marketing support program since the brand was acquired. This program focuses on Black Bush as the leading variant to grow and capture share not only from Irish whiskeys, but from other whiskeys, which also represent a broader business opportunity. The program includes a new television and digital advertisement campaign, new premium packaging, new offering sizes and innovation in new product offerings.

Bushmills' portfolio includes six brands: Bushmills Original, Black Bush, Bushmills 10-Year Old Single Malt, Bushmills 16-Year Old Single Malt, Bushmills 21-Year Old Single Malt and Bushmills Steamship, which we launched in 2016. Bushmills is uniquely positioned in the category as the only brand that produces and offers single malt and blended products.

Pendleton.

Pendleton Whisky is one of the leading super premium whisky brands in the United States. The brand is recognized as the second leading whisky in the Super Premium Canadian Whisky segment in the United States market, according to IWSR.

Pendleton Whisky was launched in 2003 and has since increased its annual sales volume to more than 250,000 9-liter equivalent cases in 2016. In addition to the main expression of Pendleton Whisky, the brand includes the Pendleton Midnight, Pendleton 1910 and Pendleton Directors' Reserve.

Rum

Kraken

Kraken was launched in 2009 as the first black spiced rum brand, developed entirely by the Company, and is a leading example of our product innovation. Kraken has grown in sales volume and market share in the United States.

Kraken rum product offerings include Kraken, Kraken Ghost and ready-to-drink Kraken Cola. In 2016, we launched the lower proof edition Kraken Dark Label.

Castillo

Ron Castillo is one of the oldest rums in the standard segment in Mexico. Ron Castillo captures value for the Company by introducing new consumers to our portfolio through value pricing. The Ron Castillo rum includes products such as Ron Castillo Imperial Blanco and Ron Castillo Imperial Añejo.

Vodka

Three Olives

In 2007, we acquired Three Olives, a premium vodka made with the highest standards of production that celebrates the martini tradition.

Three Olives Three Olives is a high-quality vodka with tradition for those consumers seeking a return to the classics. Quadruple distilling removes natural impurities, yielding a vodka of exceptional purity and smoothness.

Three Olives has been a leader in the flavored vodka market growing in the United States and has recently introduced new premium packages that present an updated and unified brand image. The introduction of new flavors has recently focused on natural yet uncommon flavors like grapefruit and apple-pear. We have also launched a new promotional campaign to maximize sales opportunities to millennial consumers looking for an affordable vodka brand with premium image and values.

Hangar 1

Founded in Alameda, California, Hangar 1 vodka began production in 2001 in an old World War II aircraft hangar, the inspiration for the brand's name. Hangar 1 introduced its unflavored Straight vodka in 2002 and has since gone on to redefine the flavored vodka category by incorporating just-harvested fruits purchased from California farms. Its core line of flavored extensions includes Mandarin Blossom, Makrut Lime and Buddha's Hand Citron.

The Company acquired *Hangar 1* in 2010 and its sales amounted to 19,124 9-liter cases in 2010 and in 2021 our sales amounted to 30,294 9-liter cases. The Company is currently building a new distillery and a visitor center to promote Hangar 1 in a different hangar close to the original hangar.

Götland

Götland vodka's liquid is imported from the United States. We believe that due to its quality and pricing strategy, Götland has been able to tap into a niche of consumers who are seeking high-quality vodka at a price slightly above the premium segment.

Oso Negro

Oso Negro vodka has a rich tradition in Mexico. Oso Negro vodka is well recognized and holds the leadership position by volume share in the standard segment in the Mexican market. According to our internal estimates, we believe Oso Negro vodka has the second highest brand awareness among vodka brands in Mexico.

The liquid for Oso Negro is imported from the United States and bottled at our EDISA bottling plant. The Oso Negro line includes unflavored traditional vodka, as well as a lime-flavored version. In addition to vodkas, the Oso Negro brand also includes a gin offering.

Other Company brands

In addition to the foregoing brands, we own the following brands: Boodles gin, Stranahan's whiskey, Creyente mezcal, Rompope Santa Clara eggnog cream, the Sperry's series of cream alcohol-based cocktails, the low proof Damiana flower-infused tequila liquor Agavero and Pomar cider.

Boodles Gin

Boodles gin begins as a clean spirit distilled from British wheat and is then infused with a number of traditional herbs and spices including nutmeg, sage and rosemary. These ingredients add a mellow but herbal quality to Boodles, which balances out the essential piney notes from juniper.

Boodles contains no citrus botanicals—a practical decision made by distillers who expected a gin cocktail to include a slice of lemon or lime. Boodles is suitable for any proper drink including a Boodles & Tonic, Churchill Martini, Tom Collins or further mixology for those so inclined.

We acquired Boodles in 2011 and have since grown the brand from sales volume of 11,594 9-liter cases in 2012 to 43,265 9-liter cases in 2021.

Stranahan's

Our American single malt whiskey is produced from barley to bottle, so that we have control of the process every step of the way. Using only the finest resources, Stranahan's whiskey is made from three ingredients: 100% malted barley, yeast and Rocky Mountain water, together with time in the barrel. The barrels are hand selected by our master distiller, ensuring that every batch of Stranahan's is of the highest quality and distinction.

Not everyone is accustomed to the idea of a single malt whiskey coming from the United States; however, Stranahan's has been proudly making whiskey in Denver, Colorado, for over ten years.

We acquired Stranahan's in 2010 and have since grown the brand from sales volume of 5,835 9-liter cases in 2011 to 20,284 9-liter cases in 2021.

Creyente

Creyente Joven mezcal, which we launched in 2016, is the union of two extraordinary mezcals from the regions of Tlacolula and Yautepec in the Mexican state of Oaxaca. The result is a perfect blend, made with 100% Agave Espadín.

The three principal parts of our Creyente mezcal are represented in a new mythological animal. Its soft, velvety and complex body is embodied by the elusive jaguar while sweet, fruity and herbal notes are represented by agile and elegant antelope legs. The sublime flavor of smoked mesquite wood unifies these elements and comes to life in a traditional Mexican symbol, the Golden Eagle (Águila Real). The result of this mixture is a mild-flavored and complex mezcal.

Creating Creyente mezcal begins with the selection and collection of the best Agave from the regions of Tlacolula and Yautepec. After cutting the plant's leaves, its core is cooked in an artisanal manner with mesquite wood in a conical earthen oven for three days, giving it its characteristic aroma and smoky flavor. Its core is then manually crushed in a stone mill, extracting its juice, and then fermented in wooden vats. After fermentation, the mezcal from each region is distilled in small copper stills. Finally, the mezcals from both regions are combined to create this mystical expression.

Tincup

Tincup, which we launched in 2011, is a classic American whiskey, consisting of a blend of "high-rye" bourbon, distilled and aged in the state of Indiana, and a small amount of Colorado single malt whiskey, which is then cut with Rocky Mountains water.

This whiskey is available in the United States, Canada, Mexico and the United Kingdom. We launched our first nationally televised advertisement campaign in the United States in 2015. This campaign showcased the brand's personality and the consumer to which it is directed, young people who enjoy outdoor experiences and the camaraderie of activities like mountaineering, skiing, trekking and fishing, among other activities.

400 CONEJOS

On December 31, 2018 by a Shareholders Meeting of Crista la Santa, S.A.P.I. de C.V., it was approved to increase the variable portion of the capital stock in the amount of 197,315,075 shares with a par value of one Mexican pesos each, which was subscribed by the Company; as a result of such contribution, as from such date, the brand 400 Conejos was integrated as a company brand.

400 Conejos is a young mezcal, made of 100% Agave Espadín with an incredibly smooth flavor, subtle aromas of tropical fruit, a moderate smoky note and slightly herbaceous flavors. As a result, it is currently the best-selling mezcal brand in Mexico, with more than 15% market share and a very good position among consumers.

400 Conejos is produced in the municipality of Santiago Matatlán in the state of Oaxaca, also known as the “World Capital of Mezcal”.

Every morning, the Mezcalero Master combs through the fields to ensure the utmost quality of the Agave. After selecting the Agave, it is harvested and moved to conical wood-fired ovens. Once the Agave cores have been baked, they are ground on a stone wheel pulled by a horse. From there, the mezcal undergoes fermentation, double distillation and hand bottling.

Non-Alcoholic Beverages

Our non-alcoholic offerings are mainly related to our core tequila business. Sangrita Viuda de Sánchez is one of Mexico’s oldest and best-known tequila chasers and Jose Cuervo Margarita Mix is the best-selling margarita mix in Mexico.

Sangrita Viuda de Sánchez

Sangrita Viuda de Sánchez is Mexico’s top-selling sangrita brand. We believe the success of this brand is due to its respect for the essence of the original recipe, including its use of real orange juice and chili peppers. Consumption of Sangrita Viuda de Sánchez is mainly concentrated in the northern region of Mexico.

Traditionally, Sangrita Viuda de Sánchez has been a chaser for tequila. However, it is also a mixer for a wide variety of modern drinks and cocktails such as Rojeña (sangrita, light beer and lemon juice) and Vampiro (sangrita, tequila and soda).

Jose Cuervo Margarita Mix

Jose Cuervo Margarita Mix is a non-alcoholic margarita mix brand. It is distributed in convenience stores that do not sell spirits, wine or beer, which increases our distribution footprint. We anticipate that innovation with new flavors and packaging will generate growth and increase our market share. Both of the brand’s flavors, regular lemon margarita and tamarind margarita, enjoy steady growth in the Mexican and international markets.

b:ooost

In 2002, we entered a segment of the energy drink market through the introduction of b:ooost Active Energy products to our Mexican distribution network. In a relatively short period of time, b:ooost Active Energy has become the third largest brand in this segment by sales volume. In 2017, the Company appointed Jumex as its national distributor. Jumex has extensive experience and scope to distribute brands in the miscellaneous channel. In a relatively short period of time, b:ooost Active Energy has become the fourth largest brand in this segment by sales volume, and the third largest in the premium segment.

The b:ooost Active Energy brand line includes *b:ooost_ Active Energy*, *b:ooost_ Active Energy Pop*.

Third-Party Agency Brands

Ron Matusalem

Ron Matusalem, a brand of great heritage, is the second oldest Cuban rum brand. It is currently produced in the Dominican Republic using the original Cuban formula. Ron Matusalem is one of the fastest growing rums in the Mexican market.

Ron Matusalem rum includes products such as Ron Matusalem Platino, Ron Matusalem Clásico, Ron Matusalem Gran Reserva, Ron Matusalem Gran Reserva 18 and Ron Matusalem Gran Reserva 23. These five different varieties cover all internal price segments: premium, super-premium and ultra-premium. The brand is also relevant across many major consumption occasions. For example, Ron Matusalem Platino is intended to be used in the creation of rum-based cocktails

while Ron Matusalem Gran Reserva 18 and 23 are intended to be used as aperitifs, as well as for dinner and evening occasions. We believe the Ron Matusalem portfolio competes and adds value in the growing rum category.

Other Third-Party Agency Brands

We also distribute Jägermeister, Licor 43, Licor 43 Horchata, Licor Zoco Pacharán, Sambuca Vaccari and Martin Millers in the Mexican market on an ongoing basis for other spirits companies. The terms of the relevant distribution agreements are as follows:

- *Jägermeister* – The agreement has an indefinite term, and it may be terminated at the end of each third year, by written notice six months in advance. Such agreement was terminated by the parties on December 31, 2021.
- *DZ Licores, S.L. with respect to Licor 43, Licor Orochata, Licor Zoco (“Pacharán”) and Martin Millers Gin* – The agreement was amended in 2019 to set forth an indefinite term as from June 30, 2020, with special conditions for its eventual termination.
- *Sambuca Vaccari* – The agreement was effective up to June 30, 2021; date on which it was renewed by re-conduction and has a current indefinite term. A new agreement is negotiated.
- *Tito’s Handmade Vodka* – The agreement was executed on October 1, 2021 with a term of 3 years, therefore, it will be effective up to September 30, 2024.

Raw Materials

Tequila Production

Agave Azul Production

The main raw material used in manufacturing tequila is Agave Azul, which must be planted and grown in the territory of the appellation of origin for Tequila and certified by the CRT.

Our vertical integration of the Agave Azul agriculture process allows us to gain control over critical inputs such as land selection, sprout (*hijuelo*) selection, agricultural land labors, fertilizers and herbicides, field maintenance and harvest.

We lease the land we use for plantations but take full control of all agricultural processes and investments. We have developed proprietary agricultural technology, which is reflected in all the inputs applied to the Agave Azul. For seed selection, we choose the sprouts from the healthiest plants between two and four years of age. Maintenance of the plantations is a critical task to avoid diseases and pests. The Agave Azul plant must be harvested at its optimal age when most of the sugars are concentrated in the Agave Azul pine.

As part of our proprietary technology, we have developed application formulas, algorithms and systems to determine the optimal level of crop inventory, as well as a proprietary enterprise resource planning system to control proper growing processes and ensure quality standards are met. Under our crop inventory system, the plantation amount depends on (i) the expected Agave Azul demand growth based on demand estimates and estimates of the relative demand for Tequila and 100% Tequila, (ii) the projected agave yield represented by the weight of the plant and its sugar content and (iii) the agricultural cycle expressed in years to harvest the mature plant. Depending on the particular soil and climate conditions of each region, the agricultural cycle varies from approximately five to eight years for plants to reach maturity for harvest.

To minimize any shortage risks arising from climate conditions or crop diseases and pests, we have strategically distributed our Agave Azul plantations across six different geographical areas, all located in the territory of the appellation of origin for Tequila.

We believe that our inventory of Agave Azul, together with Agave Azul that is available on the market, will be sufficient to satisfy our production requirements for the next seven years, which is the average Agave Azul growing cycle.

Suppliers

We generally have longstanding relationships with our suppliers. We generally purchase our supplies using short and mid-term arrangements. It is customary for us to have at least three suppliers for each major ingredient or raw material when the nature of the product supply allows it. We have a permanent program of dual sourcing development for the supply of our main dry goods and ingredients. This program allows us to have supply alternatives for packaging and raw materials. With this strategy, we limit the risk of dependence on any supplier and incentivize competition among them, which we believe translates to increased quality, service and value. We constantly evaluate specific parameters for current and potential suppliers in order to guarantee competitive market conditions. For the year ended December 31, 2021, approximately 80% of our supply procurement was through our 129 largest suppliers.

Most of our transactions with suppliers in Mexico are denominated in Mexican pesos. All purchases for production in the United Kingdom are denominated in British Pounds and purchases for production in the United States are denominated in U.S. Dollars. In 2021, 83% of expenditures for industrial suppliers in Mexico were Mexican peso-denominated. We do not presently enter into forward contracts or other derivatives to hedge exposure to fluctuations in energy and other commodities prices.

In addition to Agave Azul, other important raw materials used in the production of tequilas are (i) energy and, in the case of Tequila, sugar for distillation, (ii) oak casks for maturation and (iii) bottling and packaging materials.

In addition to malted barley, other important raw materials used in the production of Irish whiskey are (i) energy, (ii) oak casks for maturation and (iii) bottling and packaging materials.

Energy and Distillation Materials

Energy supply is generally controlled by the Mexican government; private sector suppliers are only allowed to operate in the country in certain circumstances. We obtain most of our required energy supply from the government at set prices. Sugar and dextrose have formal markets and are available from a wide range of suppliers.

Maturation Materials

We generally use American oak casks to age our products. We have not encountered material difficulties procuring the necessary supply of these casks. We also use French oak and port casks to age certain products. We use a relatively small number of these casks and have not encountered material difficulties procuring the necessary supply.

Bottling and Packing Materials

We require bottling and packaging materials both for our tequila products and for other products, which we acquire in bulk from third parties. The principal packaging materials are glass, caps, labels and cartons (corrugated boxes). Glass and packaging suppliers in the Mexican market are generally large Mexican or international companies. This supply channel is well diversified and reliable.

Bushmills Production

The principal raw materials used in manufacturing Bushmills Irish whiskey are malted barley and water. We also purchase whiskey produced from maize to blend with the whiskey produced from malted barley at the distillery. We believe these materials are generally readily available and currently none is in short supply. We implement different purchasing techniques depending on the availability and source of the raw material, such as centralized negotiation, long-term contracts and, if appropriate, spot buying.

The principal raw materials used in bottling and packaging our Irish whiskey products are glass, caps, labels and cartons (corrugated boxes). Glass and packaging suppliers in the Irish market are generally large Irish or international companies. This supply channel is well diversified and reliable. We generally use new and used American oak barrels to age our Irish whiskey. These oak barrels are sourced from various suppliers in the United States and are readily available.

We continuously seek to diversify the supply of these raw materials to increase competition, secure supplies and improve contingency plans.

Production and Bottling Agreements

We have co-packing agreements with third parties for the production of bulk rum, mixers and cider. For example, for the production of Matusalem rum, we have entered into agreements with the successor in interest of J. Armando Bermudez & Company (Govelit) and with Alza Investments, LLC, for the production of Matusalem rum in bulk that is produced in the Dominican Republic; with Grupo Jumex for the production of boost active energy products and with Valle Redondo, S.A. de C.V. for the production of “Pomar” cider.

We lease certain land for the cultivation of Agave Azul from one of our shareholders. This land does not represent a significant proportion of our total leased land.

One of our bottling facilities in the United States bottles vodka for a third party.

Our distillery and bottling facility in Northern Ireland has an annual sales commitment of 1 million liters (100% alcohol) of malt whiskey and an annual bottling commitment of up to 500,000 cases. In addition, it has a commitment to purchase 2 million liters (100% alcohol) of grain whiskey. These obligations arose from Diageo's prior acquisition of Bushmills from Pernod Ricard and can only be terminated with ten years' advance notice.

Quality Assurance

We believe that consistent and improving quality assurance is integral to our success. It is our view that quality must be present at all stages in the production process and must be a priority for everyone involved in the production process. In the case of tequila, quality starts with the selection of the lands and seeds of the Agave Azul for the new plantation and continues through the distillation and maturation of the tequila and the bottling process.

We seek to ensure that our production facilities and other properties are up-to-date. We have a food safety and quality management system implemented across all our units certified to GMPs (Food Safety) and ISO 9000 (Quality) through which it seeks to ensure the high quality of its products and processes. Jose Cuervo products are kosher certified by Kosher Maguen David and the Company is Hazard Analysis & Critical Control Points (HACCP) certified by Det Norske Veritas GL. These certifications support continuous improvement across all of our operating procedures. Our quality management system is regularly audited by internal management teams as well as by an external accreditation agency.

Inventory

Because some tequila, Irish whiskey and rum varieties are aged for different periods of time, we maintain substantial inventories of maturing tequila, Irish whiskey and rum in warehouse facilities. Additionally, we keep a large inventory of growing Agave Azul plants. Production of maturing inventory is generally scheduled to meet

demand years into the future and production schedules and cask inventory are adjusted from time to time to bring inventories in balance with estimated future demand.

Marketing and Branding

We believe that global brands are our most valuable and important asset. We utilize marketing and promotions as our main investment to protect the market positions of our brands and create future demand. We believe that the Jose Cuervo brand demonstrates that a longstanding brand, when properly managed, marketed, advertised and promoted, becomes timeless. There are few globally recognized spirit brands and it takes time, consistency and significant capital investment to have a new brand achieve a global scale.

Strategic and effective marketing and branding are fundamental to our business and we believe they are key to our future growth. Our worldwide marketing and promotion expenditure for 2021 totaled \$8,688 million.

We believe that we can leverage the benefits of being a global organization in order to drive marketing effectiveness, which is essential to compete against larger competitors. We believe that constant and consistent focus on brand positioning, visibility, consumer messaging and communication, quality and pricing are key factors in creating and maintaining a global brand.

We believe that brands must be managed centrally to ensure strategic positioning and to ensure that marketing strategies are applied consistently across all markets. Our brands' core marketing and positioning must be consistent and reliable. However, applications and messaging may vary across regions or markets. We develop our brands globally but act locally to maximize consumer demand.

Mexico

Marketing and branding activities in Mexico are coordinated by Mexico Distribution, a decentralized business unit focused on marketing strategy and brand leadership, revenue, marketing and promotional investment and brand contribution in the Mexican market.

United States

We have personnel dedicated to the marketing and branding of each of our brands that are distributed in the U.S. and Canadian markets. This experienced marketing team has a high level of expertise in the spirits market and implements local execution of our global brand strategies. The execution of these strategies is divided into two components: (1) enhancing long-term brand health and value through broad-based marketing campaigns and (2) growing sales through tactical promotional activities.

Rest of the world

The marketing of our brands in the Rest of World region is managed centrally by our International Distribution business unit. Brand strategies are developed and implemented by our marketing teams in cooperation with our distribution partners. We determine the strategic direction and supply support materials in the form of marketing collateral, social media platforms and marketing and promotional materials.

Key Campaigns

We focus on marketing the specific attributes of each of our brands that differentiate us from competing products in the same category and segment.

Channels

The main marketing channels include:

- traditional advertising through television, radio and printed media;
- internet, social media and other digitally based communications;
- visitation of our facilities and experiential events;
- on-site promotion, including sponsorship of premier events;
- out-of-home billboard displays;
- celebrity endorsements; and
- international sponsorship programs.

- Our marketing teams are constantly pursuing new ways to communicate the value of our brands to consumers.
- For example, we continue to increase our use of digital communication, including through social media platforms.

Local Distributors

The local distributors for our brands play a significant role in the consistent and constant application of the tactical aspects of our marketing plan. Distributors implement tactical marketing and promotional investment of the branding and sales strategy and oversee its application through their dealings with retailers and wholesalers. We devote significant attention and time to properly manage our relationships with our distributors with the aim of ensuring that the distributors properly implement the marketing and branding strategies of our brands in local markets.

Cyclical Behavior and seasonability

Our different operating segments are subject to varying seasonality, causing increases in sales during certain months of the year, in accordance with the consumption habits of the various geographies in which we operate. In Mexico, for example, we generally have higher sales between the “national holidays” until Christmas (i.e., between September 15 and December 31 of each year). As a result, our sales in that segment increase slightly before September 15 (when we begin distributing our products) through December. In the United States, we typically experience relatively higher sales during the early summer, from May 5 through July 4. In our Rest of World region, consumption of Irish whiskey increases during November and December, causing an increase in sales during the fourth quarter. Given the different consumption habits of our various operating segments, the impact of seasonality on an annual basis is minimized when considering our overall operations. However, the first and third quarter of each year generally feature lower net sales and profit relative to those of the second and fourth quarters.

ii) Distribution Channels

Distribution Network

We have a robust global distribution network. Our global reach and distribution scale in our leading markets allow us to efficiently distribute our products in the major premium spirits markets worldwide. Our products are distributed to independent wholesalers and retail outlets worldwide, including major grocers, convenience stores, hotels, restaurants and duty-free shops.

México

In Mexico, we distribute our own brands as well as certain agency brands and third-parties through our own extensive distribution network. Our sales volume of distribution has more than doubled in size over the past 12 years and our network distributed 6,730,944 9-liter cases of spirits per year.

The hub of our Mexican distribution network is its distribution center in Guadalajara, Jalisco, which holds approximately 85% of the total sales volume of product in our distribution network. This distribution center serves to replenish the inventory of the rest of the logistics network with nodes in the State of Mexico, Nuevo León and Baja California.

We do not own our transportation fleet for the delivery of finished goods; instead, we contract with major carriers for the transportation of product to distribution centers, wholesalers and retailers. The only exception to this is the transportation of bulk tequila from our production facilities in Mexico to our bottling facility in the United States, for which purpose we own bulk train tanks. We contract with rail transportation service companies to arrange for the transportation of these bulk train tanks.

United States, Canada, United Kingdom, Republic of Ireland, Australia, China and Spain

We have a strong distribution network and an experienced team of sales representatives. In the United States, we sell spirits to wholesalers in open states and to state liquor commissions in those states that control alcohol sales. In Canada, the Company sells to the provincial commission of liquor of all the Canadian provinces. The Company has a distribution center in London, directly selling the products of the Company to wholesalers and retailers in the Republic of Ireland, as well as a distribution center in Australia since 2017, recently, we incorporated 2 new nodes of distribution in China and Spain in 2019 and 2020, respectively

In 2007, we founded Proximo as an independent distribution company in the United States that began by distributing local brands. In 2008, Proximo began to distribute 1800 in the United States, taking the brand from sales of under 400,000 cases to over 900,000 cases in five years. Our direct presence in the United States, which we believe is the most profitable, dynamic and trend-setting spirits market in the world, has allowed us to get closer to its consumers. This has been reflected in our advertising campaigns, which resonate with consumers and

make our brands more attractive. Proof of this is the growth that our flagship brand, Jose Cuervo, has had since Proximo took over its United States distribution in 2013, increasing volume from 3.1 million in 2012 to 11.5 million in 2020. Proximo distributes over 15,791 million nine-liter cases per year.

The majority of the total sales volume of products distributed in the United States is distributed through our distribution center in Lawrenceburg, Indiana.

We do not own a fleet of trucks for the distribution of our finished products; instead, we hire logistics or trucking companies that handle delivery to the distribution centers of the state governments or distributors in open states.

Rest of the world

In the Rest of the World, we have an independent distributors network covering 85 markets. We maintain strategic alliances with these established third-party distributors through distribution agreements that are exclusive for the relevant brand or brands. These distribution partners are carefully selected on a market-by-market basis to ensure appropriate levels of high-quality distribution in each country. We work with the third-party distributors to seek to ensure that our brands are appropriately represented in each market and that commercial performance targets and controls are achieved.

We regularly review our distribution strategy in the region to ensure that we have the best distribution models by market for our growing brand portfolio. Our subsidiary JC Master Distribution Limited (“JCMD”) is devoted to the distribution of our products in over 85 markets outside of North America. JCMD consists of a team of 15 professionals. JCMD’s headquarters are located in Dublin, Ireland and its operations are divided into three regions: Europe/Middle East/Africa, Asia-Pacific and Central and South America. The acquisition of Bushmills generated economies of scale that allowed us to leverage its presence and market penetration.

The *Bushmills* Brand is distributed to the territories where the Company has not own distribution units directly from the factory, through logistic services contracted to third parties.

iii) Patents, licenses, brands and other agreements

We own a large portfolio of trademarks, registered designs, copyrights, know-how and domain names. We believe that our trademarks, which include the brand names under which our products are sold, distinguish our products as leading spirits to the consumer. Our business is therefore substantially dependent on the maintenance and protection of our trademarks and all related intellectual property rights. We believe that our trademarks are registered or otherwise protected in all necessary commercial respects in the markets in which we operate.

We own the trademarks to the majority of brands that we use in our business. Particularly, we hold the rights of the tequila brands Jose Cuervo, 1800 and Gran Centenario. Jose Cuervo and related trademarks are registered in more than 150 countries.

Our registered designs are largely aimed at supporting our brand protection by covering drawings and designs for bottles. We prefer to protect our formulae and production processes as trade secrets. This is common practice in the spirits industry.

Our key brands are:

Grupo Cuervo Brands

- Jose Cuervo: Jose Cuervo Especial (Reposado & Silver); Jose Cuervo Tradicional (Reposado, Plata, Cristalino, Añejo); Reserva de la Familia (Platino, Reposado, Extra Añejo); Jose Cuervo 250 aniversario. Jose Cuervo Margarita Mix (Limon, Tamarindo), Jose Cuervo Paloma (RTD). *With a term of registry rights of the brand up to March 24, 2024.*
- Centenario (Gran Centenario Plata, Gran Centenario Reposado, Gran Centenario Añejo, Azul Centenario, Azul Centenario Baby Mango, Gran Centenario 40, Gran Centenario Leyenda). *With a term of registry rights of the brand up to July 31, 2029.*
- Reserva Tequila 1800 (1800 Blanco, 1800 Reposado, 1800 Añejo, 1800 Cristalino, 1800 Milenio, 1800 Essential). *With a term of registry rights of the brand up to February 24, 2027.*
- Maestro DOBEL (Maestro Dobel Blanco, Maestro Dobel Blanco Humito, Maestro Dobel Pavito, Maestro Dobel Reposado, Maestro Dobel Diamante, Maestro Dobel Añejo, Maestro Dobel Atelier, Maestro Dobel 50 Cristalino, Maestro Dobel 50 Ediciones, Maestro Dobel Grandes Maestros). *With a term of registry rights of the brand up to October 24, 2031.*

- *Bushmills (Black Bush, Bushmills 10YO, Bushmills 12 YO, Bushmills 16 YO, Bushmills 21 YO) With a term of registry rights of the brand up to November 27, 2024.*
- *Boodles (Boodles Dry Gin, Boodles Rose, Boodles Mulberry). With a term of registry rights of the brand up to October 24, 2024.*
- *Creyente (Espadin, Cuishe, Tobala). With a term of registry rights of the brand up to March 04, 2023.*
- *Sangrita viuda de Sanchez. With a term of registry rights of the brand up to August 11, 2030.*
- *b:ooost (Boost, Boost Zero, Boost Sabores). With a term of registry rights of the brand up to November 28, 2028 and it will be promptly renewed for 10 years more.*
- *Ron Castillo (Ron Castillo Blanco, Ron Castillo Imperial). With a term of registry rights of the brand up to March 30, 2024 and it will be promptly renewed for 10 years more.*
- *400 Conejos (400 conejos Espadín, 400 Conejos Cuishe, 400 Conejos Tobalá). With a term of registry rights of the brand up to November 13, 2027.*
- *Oso Negro (Oso Negro Vodka, Oso Negro Vodka Tamarindo, Oso NegroGin). With a term of registry rights of the brand up to November 15, 2022 and it will be promptly renewed for 10 years more.*
- *Agavero. With a term of registry rights of the brand up to July 03, 2021 and it will be promptly renewed for 10 years more.*

Proximo Brands

- *Hangar 1. With a term of registry rights of the brand up to January 12, 2030.*
- *Three Olives. With a term of registry rights of the brand up to June 04, 2027.*
- *Stranahan's. With a term of registry rights of the brand up to July 19, 2023.*
- *Kraken. With a term of registry rights of the brand up to March 28, 2028.*
- *Tin Cup. With a term of registry rights of the brand up to September 04, 2023.*
- *The Sexton. With a term of registry rights of the brand up to June 09, 2027.*
- *Old Camp Whisky. With a term of registry rights of the brand up to November 08, 2027.*
- *Proper No. Twelve. With a term of registry rights of the brand up to May 08, 2028.*
- *Owney's Rum. With a term of registry rights of the brand up to January 15, 2028.*
- *Bentwing. With a term of registry rights of the brand up to January 23, 2028.*
- *Black Dirt Whisky. With a term of registry rights of the brand up to December 25, 2022 and it will be promptly renewed for 10 years more.*
- *Playamar. With a term of registry rights of the brand up to August 22, 2027.*
- *Pendleton. With a term of registry rights of the brand up to March 20, 2028.*

Likewise, in accordance with the distribution agreements that we have entered into in connection with the third-party brands that we distribute in Mexico, we have a limited license under which, subject to its terms, we may use the relevant brand. Such brands include:

- *Licor 43. With a term of registry rights of the brand up to July 01, 2031.*
- *Zoco. With a term of registry rights of the brand up to May 18, 2023.*
- *Vaccari. With a term of registry rights of the brand up to December 19, 2028.*

- *Martin Miller's. With a term of registry rights of the brand up to May 30, 2025.*
- *Ron Matusalem. With a term of registry rights of the brand up to July 27, 2025.*
- *Tito's. With a term of registry rights of the brand up to April 11, 2027.*

Research and Development

Innovation forms an important part of our growth strategy, playing a key role in positioning our brands for continued growth in both the developed and emerging markets. The Company's innovation strategy is implemented primarily through new product development programs and upgrades of existing brands, jointly with specific procedures.

iv) Main Clients

We maintain a strong relationship with our clients and strive to understand and meet their specific needs. We have a diversified list of clients in the countries where we operate, which includes hypermarkets, price clubs, self-service chains and other large retailers, convenience stores, institutional clients, including restaurants and fast-food chains, vending machine operators and traditional customers (sundries, grocery stores, etc.).

As we have a diversified and extended base of clients as mentioned above, we do not only depend on one of them, as there is no client representing 10% or more of our total consolidated sales.

v) Applicable law and tax situation

Our activities are subject to a great number of federal and local regulatory requirements, mainly in the countries where we perform most of our activities (Mexico, the United States and Northern Ireland), including production, liability for damages caused by products, distribution, import, promotion, labeling, advertising, business relations, health and safety, retirement funds and environment.

Mexico

Appellation of Origin.

The tequila is protected by the Appellation of Origin of "Tequila", under the terms of the Industrial Property Law and according to the statement issued for such purposes. The protection granted to appellations of origin starts with the statement issued by the competent authority and the illegal use thereof is sanctioned under the terms of the applicable law.

The General Declaration of Protection of the Appellation of Origin was issued in 1974 and substituted by the Declaration published in the Official Gazette of the Federation on October 13, 1977. According to the Industrial Property Law, the term will be determined by the substance of the conditions giving rise thereto and it will be ineffective with other declaration by the Mexican Institute of Industrial Property (IMPI).

Therefore, the term must be considered as indefinite until we have the conditions giving rise to such declaration and as long as there is an IMPI declaration in this sense.

The tequila has been recognized as a distinctive product in the United States and by the Appellation of Origin officially accepted by the countries of the European Union, as well as other countries. Presently, there are analysis with respect to the formal additional recognitions by certain countries of the Asia-Pacific region.

With respect to the ownership, it is granted to Mexico, as set forth in the Industrial Property Law and it may be only used by authorization issued by IMPI. The term of the use authorizations of the appellation of origin will be 10 extendable years, as from the presentation date of the application of the IMPI, and may be extended for equal periods.

The authorizations to make use an appellation of origin may be ineffective by (i) nullity thereof (if granted against the provisions of the Industrial Property Law or with false data and documents); (ii) cancellation for making use of the appellation of origin differently to the use set forth in the Declaration, and (iii) expiration of the term.

We have obtained all the necessary authorizations, which are effective and were issued by the competent authority in favor of Tequila Cuervo, S.A. de C.V. and Casa Cuervo, S.A. de C.V. to make use of the Appellation of Origin with respect to the production of tequila in its different categories and classes.

Regulatory Aspects Corresponding to the Production of Tequila.

In order to carry out our production activities, we must obtain various permits, licenses and certifications. As preliminary matter, the production of tequila on an industrial and commercial level is regulated by the *Norma Oficial Mexicana* (Official Mexican Standard) NOM-006-SCFI-2012, Alcoholic Beverages-Tequila- Specifications (the “NOM-Tequila”). The NOM-Tequila standard applies to all processes and activities relating to the supply of Agave Azul, as well as the production, bottling, marketing, information and other commercial practices relating to tequila.

The production of tequila may only be carried out by an authorized producer. In order to be an authorized producer, an individual or legal entity must have the corresponding authorizations issued by the General Standards Office of the Ministry of Economy (*Dirección General de Normas de la Secretaría de Economía* (“DGN”) and the Mexican Patent and Trademark Office (*Instituto Mexicano de la Propiedad Industrial* (“IMPI”).

Therefore, in addition to obtaining authorization from the IMPI to use the appellation of origin for Tequila described above, it is necessary to obtain authorization to produce tequila from the DGN in accordance with numeral 6.7 of the NOM-Tequila and pursuant to the procedures in effect at the time the application is submitted.

Furthermore, in addition to the authorizations from the IMPI and the DGN, any party that produces and markets tequila must obtain the prior authorization of the CRT. The CRT’s authorization is established upon issuance of a Certificate of Conformity to Standard (“Certificate of Conformity”), which must be renewed annually pursuant to the provisions of the NOM-Tequila. Parties may only apply to receive a Certificate of Conformity after receiving the necessary authorizations from the IMPI and DGN described above.

In order to comply with applicable regulations and become an “authorized producer,” various steps in processing tequila must comply with regulations of the CRT. For example, the facilities of the authorized producer must be located in the appellation of origin territory, Agave Azul fields and plants must be certified by the CRT and the distillation process must be supervised by the CRT.

In addition, the NOM-Tequila prescribes various requirements that must be satisfied in the production process, such as statistical metrics relating to quality control, the use of the specific installations and specifications regarding the characteristics of water used in the production process.

We comply with all applicable requirements and certifications necessary for the production and bottling of tequila and, to the extent we partner with third parties for certain steps in our production process, we ensure that they also comply with any such requirements.

Regulatory Aspects Corresponding to the Marketing of Tequila.

Pursuant to the NOM-Tequila and as described above, marketing tequila is prohibited without the prior issuance of a Certificate of Conformity, issued by the CRT.

Relevant law provides that the bulk distribution of tequila may only be conducted by individuals or legal entities that are “authorized producers” in compliance with the NOM-Tequila and under the supervision of the CRT.

With regard to the bottling of tequila, the NOM-Tequila provides that any third-party bottling company must have a Certificate of Approval of Bottlers of Tequila (*Certificado de Aprobación de Envasadores de Tequila* (“CAE”). That certificate is granted by the Mexican Ministry of Economy after it obtains sufficient evidence that the existence, functioning and operation of the bottling facilities will comply with applicable regulations.

Companies holding a CAE must furnish detailed quarterly reports to the Conformity Assessment Organization (*Organismo Evaluador de la Conformidad*), in this case the CRT, describing shipments of tequila from their installations, inventory and other metrics.

Applicable law provides that all tequila must be identified with a number and an official trademark under the terms of NOM-106-SCFI that includes a registration (assigned by the Conformity Assessment Organization) identifying the relevant “authorized producer.” An official trademark is a distinctive mark that allows consumers to verify that the product has complied with the official standards applicable under Mexican law.

With respect to labeling, tequila bottlers must comply with the specific labeling requirements contained in the NOM-Tequila in addition to any requirements imposed by laws of the country to which the tequila may be exported. The NOM-Tequila primarily requires each tequila bottle to have a legible label featuring certain information, such as: (i) the word “tequila;” (ii) indication of the category and class to which the tequila belongs; (iii) the volume; (iv) the alcohol content, represented by a percentage; and (v) the legend “Made in Mexico,” among other applicable requirements.

We have the necessary certifications and authorizations to market tequila within Mexico in accordance with applicable regulatory requirements.

Regulation Applicable to the Export of Tequila

Exporting tequila requires compliance with certain provisions set forth in the NOM-Tequila. In particular, having an export certificate issued by the Conformity Assessment Organization, in this case the CRT, is a fundamental requisite.

Each export certificate is only valid for a specified lot composed of up to four different types of categories, classes, alcohol content or brands.

If the Conformity Assessment Organization or the competent Agency determines a non-compliance of the respective obligations, it will not issue the export certificate.

Each export certificate must be issued in a sufficient number of duplicates to allow for its submission to various relevant regulators, to accompany the corresponding shipment and to be delivered to authorities in countries to which the tequila is destined.

Additionally, the brand under which the export in question will be made must be duly registered before the IMPI.

Each application for an export certificate must comply with the following requirements: (i) the applicant must be an “authorized producer,” as described above, and have a Certificate of Conformity in accordance with the NOM-Tequila; (ii) the trademark of the tequila to be exported must be duly registered with the IMPI; and (iii) when applicable, any third-party bottler employed in the production process must have a CAE, as described above.

Health specifications and health and commercial labeling rules applicable to all alcoholic beverages marketed in Mexico.

In addition to the production and marketing of tequila, we are dedicated to importing and marketing various alcoholic beverages. Those activities and those products, in addition to tequila and its marketing, are subject to health regulations pursuant to the General Health Law (*Ley General de Salud* (“GHL”). These regulations relate to training, education, sampling, verification and, as applicable, application of safety measures and sanctions exercised by the Mexican Ministry of Health in accordance with Mexican laws, rules and regulations, and together with the participation of relevant producers, traders and consumers.

Marketing alcoholic beverages in Mexico must comply with the Regulation of Health Control of Products and Services (*Reglamento de Control Sanitario de Productos y Servicios* (“Health Control Regulation”) and by the Mexican Official Rule NOM-142-SSA1/SCFI-2014 (*Norma Oficial Mexicana NOM-142-SSA1/SCFI-2014* (“NOM-142”).

The objective of the Health Control Regulation is to establish the health specifications applicable to the processing, import and export, as well as the activities, services and establishments of various products, which include alcoholic beverages.

The regulation specifies the beverages that are included in the law’s definition of “alcoholic beverages,” as well as the applicable classification according to the beverage’s alcohol content (low, medium or high) pursuant to certain parameters established therein.

With respect to NOM-142, its purpose is to establish health specifications applicable to various products, which include alcoholic beverages marketed within Mexican territory.

All individuals and legal entities dedicated to the production and importation of alcoholic beverages must comply with the Health Control Regulation, and only those that produce alcoholic beverages solely for export are exempt.

One of the various requirements by the NOM-142 is the obligation of producers to demonstrate that a product has not been adulterated during its preparation and bottling, as well as during the course of its marketing, before sold or otherwise consumed.

The regulation also provides that bottling must be done in sanitary receptacles, prepared with materials resistant to the various stages of the production process, in such a manner that they do not react with the product or alter its physical, chemical or other sensory characteristics.

In addition, labels for alcoholic beverages must feature warning legends concerning health risks, disclosing the identity of the applicable importer, indicating the alcohol content and including certain other information for consumers.

Lastly, it is expressly established that the verification units authorized and approved by the Mexican Ministry of Economy may assess the compliance of the provisions in NOM-142 by those bound to it.

Mexican Standards “NMX”

The Mexican Standards (“NMX”) are technical documents that permit the establishment of certain quality specifications relating to processes, products, services and systems for distilled alcoholic beverages. We and other companies in the industry utilize the NMX as guidelines or reference points in the production of alcoholic beverages.

In particular, we and other companies often refer to the NMX when determining the composition of our products in terms of alcohol, sugar, aldehyde, ester, methanol or other content.

Tax Regulation on Alcoholic Beverages

Alcoholic beverages are subject to the payment of import duties and special taxes in a majority of markets worldwide. Most countries apply special taxes to distilled alcoholic beverages, although their form varies substantially. Any changes in applicable import duties or special taxes may have a considerable impact on our sales.

In Mexico, for the purpose of the Law of the Special Tax on Production and Services (*Special Tax on Products and Services Law* (“LIEPS”), taxes are imposed on individuals or legal entities that sell or import goods, including alcoholic beverages, into Mexico.

In terms of LIEPS, manufacturers, producers, bottlers and importers of alcoholic beverages must be registered in the Roll of Alcoholic Beverage Taxpayers that is maintained by the Ministry of Finance and Public Credit.

Taxpayers producing bottled alcoholic beverages must attach seals to each bottle of up 5,000 milliliters immediately after its bottling, unless the beverage is solely destined for export. The seal is a distinctive sign of compliance with tax and health regulations. For imported alcoholic beverages, taxpayers must attach applicable seals or tags prior to receiving the products in Mexico.

In order to maintain control over the required seals, bottlers and importers of alcoholic beverages must submit quarterly reports to the Ministry of Finance and Public Credit in the months of April, July, October and January of the relevant year, detailing specific information about the seals and tags that were obtained, used, destroyed or otherwise not employed during the preceding quarter.

There are additional tax regulations applicable to the production and bottling of alcoholic beverages. The LIEPS provides that manufacturers, producers and bottlers must submit an annual report every January to the Mexican Tax Administration Service that details the characteristics of the equipment they will use for the production, distillation, bottling and storage of relevant products, as well as the containers used for the storage thereof when it is not a question of equipment.

Regulation Applicable to the Advertising and Sale of Alcoholic Beverages

The advertising and sale of distilled alcoholic beverages is subject to various restrictions in different international markets. These restrictions span from a ban on the sale of alcoholic beverages in some countries to regulations of the content of advertisements and media depictions in others.

In Mexico, the GHL requires that advertising relating to the existence, quality and characteristics, as well as to promote the use, sale or consumption, directly or indirectly, of alcoholic beverages, among other regulated products, is subject to regulation by the Ministry of Health.

The GHL further establishes various minimum requirements to be observed, which include: (i) limiting advertising to providing information as to the characteristics, quality and technique of preparation of the product; (ii) preventing advertising from presenting alcoholic beverages as “health” products, or associating them with civic or religious celebrations; (iii) preventing alcoholic beverages from being associated with creative, sports, household or work activities; and (iv) preventing the advertisement from depicting the product being ingested or consumed.

Any party responsible for the advertisement of alcoholic beverages must prove, when so required by the Health Ministry, the assertions that it makes in its advertising campaigns relating to quality, origin, purity, conservation, among other things, as well as any objectives or goals to which it directs its advertising, for which it must submit technical and scientific verification requested by the Ministry of Health.

Additionally, the advertising of alcoholic beverages is subject to certain specific requirements relating to the format and medium of transmission provided in the GHL in advertising matters.

Any advertising of alcoholic beverages that is transmitted by radio or television is subject to schedule restrictions that correspond to the alcohol content of the relevant beverage. In addition, each advertisement must be accompanied by an approved message encouraging social responsibility when consuming alcoholic beverages.

Any advertisement in printed media must include precautionary legends relating to the product's consumption, which legends must form an integral part of the advertisement and must be plainly visible.

Advertising alcoholic beverages requires a permit granted by the Federal Commission for Protection against Health Risks (*Comisión Federal para la Protección contra Riesgos Sanitarios* ("COFEPRIS")). Any request for a permit must be submitted in accordance with the regulation in advertising matters and must comply with any applicable requirements established therein. Permits are granted indefinitely unless the characteristics of the respective advertisement or publicity change.

As part of our membership in the Commission for the Wine and Liquor Industry (*Comisión para la Industria de Vinos y Licores, A.C.* ("CIVYL")), we benefit from a self-regulation agreement in relation to the advertisement of alcoholic beverages with the Mexican Ministry of Health (through COFEPRIS).

As part of that agreement, we pledged (i) not to disseminate advertising messages that are not authorized by COFEPRIS; (ii) to comply with design, production and dissemination requirements applicable to alcoholic beverages; (iii) to comply fully with the principles and obligations included in the GHL and its regulations in advertising matters; and (iv) to abstain from advertising and otherwise promoting the consumption of alcoholic beverages in places that are generally attended by minors, among other commitments assumed by producers and marketers of alcoholic beverages on the subject of manufacturing, design, production and broadcasting of advertising material of its products.

Regulation Applicable in Matters of the Use of Water

The Law of National Waters (*Mexican Water Law* ("LAN"), applicable throughout Mexico, provides that, in conformity with the public nature of water resources, the exploitation and use of national waters by individuals or legal entities requires a concession granted by the Water National Commission (*Comisión Nacional del Agua* ("CONAGUA")).

Article 82 of the LAN expressly confirms that the exploitation and use of national waters in industrial, aquaculture, tourism and other productive activities may be carried out by individuals or legal entities that have obtained the requisite concession and operate in accordance with applicable regulations.

Industrial use is defined as the use of national waters in factories or companies that effect the extraction, conservation or conversion of raw materials or minerals, the finishing of products or the production of goods, as well as the water that is used in industrial parks, boilers, cooling apparatuses, washing, baths or other services, any brine used for the extraction of any type of substance and the water – even in the form of steam – used for the generation of electrical energy or for any other use or conversion.

Concessions granted in accordance with the LAN may range from five to 30 years, and the specific duration is determined by the CONAGUA taking into consideration the conditions of the source of supply, the order of priority of existing uses in the corresponding region and any expectation of increases in those uses.

Concessions may be extended for consecutive equal time periods as long as: (i) holders have not become subject to any of the grounds for termination provided in the LAN; (ii) holders comply with the requirements established in the LAN; and (iii) such extension is requested within the last five years prior to expiration of the concession.

In addition, a discharge permit, issued by a competent authority, is required to permanently or intermittently discharge wastewater.

Furthermore, any party discharging wastewater must comply with certain additional obligations stated in NOM-001, such as: (i) treating the wastewater prior to its discharge when necessary to comply with the provisions of the corresponding discharge permit; (ii) operating and maintaining, itself or through third parties, the installations necessary for the handling and, as applicable, the treatment of the wastewater, as well as to ensure the quality control of such water prior to its discharge; (iii) informing the relevant authority of the contaminants present in the wastewater generated by the industrial process or service being operated, in addition to those specified in the corresponding permit; and (iv) complying with any other applicable legal provisions.

The Company has obtained all necessary concessions for the use of water in our production activities and for each of the installations that require it on the basis of their characteristics and operations.

Our concessions are sufficient to address our demand for water in order to carry out our activities and are in full force and effect in accordance with their terms. Likewise, we have permits to discharge wastewater, with comparable duration to that of our water concessions.

Landholding

The NOM-Tequila features various requirements applicable to the agave and the fields where it is cultivated for the production of tequila.

First, the land destined for that purpose must be registered in the Registry of Planting of Lands (the "Registry") maintained by the Conformity Assessment Organization. Any owner or holder of agave plantations must update or confirm its registry of plantations and fields of agave annually, including by indicating their condition, their dates of registration and changes, if any, in inventory of Agave Azul. The owner or holder of agave is responsible for the registration of this identification in such registry.

We have various fields utilized in the cultivation of Agave Azul. Those fields are duly recorded in the Registry in compliance with the provisions of the NOM-Tequila. Furthermore, with respect to the agave that we acquire from third parties, we comply with our obligation to verify and ensure that the plantations have been appropriately recorded in the Registry.

International Regulations

In many countries, the sale of alcohol is only permitted through licensed outlets, both for on- and off-premise consumption. Throughout most of the European Union, the sale of alcohol for off-premise consumption is accomplished through state-controlled outlets and an establishment must be licensed by the state to sell alcohol for on-premise consumption. In the United States, one of our largest markets by sales and volume, the distribution and sale of alcoholic beverages is highly regulated through the imposition of a three-tier system. In the United States, the importer or producer, as the case may be, sells either to a wholesaler (in open states) or to state liquor commissions (in controlled states). Wholesalers or state liquor commissions, as the case may be, sell the product to retailers for off-premise consumption and restaurants and bars for on-premise consumption. Establishments must be licensed by the relevant state for on-premise consumption. Some state liquor commissions have their own retail outlets.

This three-tier system is enforced in part by various federal and state “tied house” laws, rules and regulations, which restrict the nature and extent of dealings between spirits importers, producers and wholesalers on the one hand and spirits retailers on the other hand. These “tied house” laws, rules and regulations prohibit transactions and relationships that are common in the spirits industry in many other countries, as well as in other consumer products businesses in the United States.

In Northern Ireland, the sale of alcoholic beverages is regulated by Licensing Order No. 1996. We currently have licenses: (i) for sales on restaurant premises and (ii) for sales carried out in gift shops located within restaurant facilities. Information available at the public office responsible for such licenses confirms that both licenses are currently in full force and effect.

Antitrust Regulation

The Mexican Economic Competition Law (*Ley Federal de Competencia Económica* (“LFCE”) and its related regulations regulate free competition, antitrust matters, monopolies and monopolistic practices, and require Mexican Government approval for certain mergers and acquisitions. The LFCE grants the government the authority to establish price controls for products and services of national interest through presidential decree.

On May 23, 2014, a new LFCE was published in the Mexican Official Gazette and became effective on July 7, 2014. This law was issued in order to implement the recent amendment to article 28 of the Mexican Constitution regarding antitrust matters, whereby the Mexican Government was entitled to establish the COFECE in substitution of the former Mexican Federal Antitrust Commission, which will have all powers necessary to fulfill its purpose, regulate access to essential materials and order any sale of assets, rights, ownership interests or shares of economic firms, as necessary to eliminate any anti-competitive effects. Mergers and acquisitions and other transactions that may restrain trade or that may result in monopolistic or anti-competitive practices or combinations must be approved by the COFECE.

Social Responsibility

We believe that social responsibility is a key aspect of good corporate citizenship. We are committed to active participation in key industry and government bodies, especially on the issue of responsible drinking, including tackling underage drinking as well as drinking and driving, while also looking for innovative ways to communicate with consumers on these topics.

In Mexico, we are a member of the CNIT, the CIVYL and the Fundación de Investigaciones Sociales A.C. Through these organizations we promote the responsible consumption of our products by developing industry programs with the goal of preventing, among other things, the consumption of alcoholic beverages by minors, the consumption of alcoholic beverages by pregnant women and drinking and driving. We also participate in similar organizations internationally. In addition, we are actively involved in government-sponsored initiatives, the goal of which is generally to achieve an effective practical solution that meets regulatory objectives.

In addition, we support Fundación Jose Cuervo, which develops a variety of social programs in the areas where we operate. These programs are focused on the promotion of, among other things, family values, Mexican traditions, responsible consumption of alcoholic beverages and education, among other things.

In addition, for 11 consecutive years, we have met the standards established by the CEMEFI in the key areas of corporate social responsibility. Since 2007, we have been afforded the distinction of “Empresa Socialmente Responsable” (Socially Responsible Company), in connection with our commitment to promote our employees’ quality of life, as well as in the areas of ethics and corporate governance, community engagement, care and preservation of the environment and responsible consumption.

We consider it essential that our growth takes place in the context of effective responsibility and environmental sustainability. To date, we have made significant investments in the treatment and disposal of sewage water, improving waste disposal, water conservation and the reduction of greenhouse gas emissions. We comply with applicable environmental regulations and, if possible, exceed such standards. Our facilities have received environmental certifications such as ISO 9000 and APPCC.

Commitment to sustainability and corporate culture of continuous improvement

We believe that a culture of continuous improvement, efficiency and effective execution is crucial to continue driving productivity and profitability, and further consolidate our leading position. A cost-efficient structure is a key element in optimizing resources, identifying opportunities to release value, supporting our sustainability efforts, and creating a resilient business model to strengthen our brands and support our volumes and profitability. We strive to continue reducing waste, improving and simplifying our production processes, as well as our supply chain and distribution network, in order to become

a low-cost, efficient and highly productive company operating under the highest environmental standards. We periodically invest in our plants, equipment and IT infrastructure to improve the efficiency across our value chain. Our goal is to consolidate a spending culture that supports long-term growth and transformation through the reallocation of relevant savings to value added sustainable initiatives that support our long-term goals. We strive to maintain a low-cost operation with a focus on environmentally sustainable and effective cost controls that will create value that we can extend to our consumers.

vi) Human Resources

Relevant directors

Our administrative structure consists of four tiers. The first tier is represented by the Board of Directors. The second and third tiers are represented by the General Director and the CEO, respectively. The fourth and last tier is represented by a group of executives responsible for different centralized corporate areas, or else, decentralized business units.

Most of our directors have an average experience of more than 11 years, their professional carriers have elapsed mainly in big size companies with leader brands in the consumer goods industry of high rotation in Mexico and abroad.

Workers and employees

In Mexico, we have unionized workforces at each of our distilleries, bottling facilities and warehouses. Our merchandisers in Mexico are also unionized. We believe we have a sound relationship with our unionized workers. We have not had a labor-related stoppage of our operations in the last 20 years. We have individual collective union contracts for each distillery and bottling facility in Mexico.

As of December 31, 2021 we had approximately 8,422 employees worldwide. We believe we have sound employee relationships, and our turnover rates are lower than those of other larger consumer goods companies in Mexico.

The following table sets forth the number of employees by division as of December 31, 2021:

Division	As of December 31, 2021
Integrated Supply Chain Division.....	6,851
Proximo Distillers	397
México & Latam Commercial Division	649
Proximo USA	231
Proximo Canada	28
Proximo UK	25
Proximo Australia	33
JC Master Distribution.....	41
Corporate and management	167
Total employees	8,442

It is worth mentioning that from the 8,422 employees that we have, 10.4% (821) are unionized and 90% (7,601) are not unionized.

Due to the foregoing, on November 12, 2020, the Mexican Government proposed significant amendments to the tax and labor laws to the outsourcing structures, defined as a Mexican entity contracting services with an individual or legal entity related or not related when the services provider's employees are to the disposition and benefit of the service receiver (Outsourcing). The business sector, the government and labor representatives negotiated several months the terms of such amendments, and it was approved in April, 2021 by the Congress including amendments to the Income Tax Law, the Labor Law and others. Such amendments were published in the Official Gazette of the Federation on April 23, 2021.

We have made several changes to the personnel structure and contracting according to the guidelines set forth in the Labor Amendment regarding Outsourcing, which have not generated a significant impact on our financial statements.

In addition, the subsidiaries contracting such eligible personnel have been authorized as Specialized Services Companies in the Specialized Service Providers Registry, as set forth in the Labor Reform.

vii) Environmental Matters

The alcoholic beverage industry is regulated by a wide range of environmental laws and regulations, mainly in the fields of water, air, waste management and noise. We conduct an ongoing program designed to comply with applicable environmental laws and regulations. We believe we are in compliance with substantially all applicable environmental laws and regulations, as well as specific permits and decrees. We are highly committed to compliance with environmental regulations. However, we cannot predict whether future changes in environmental laws and regulations, or other future performance requirements, might increase the cost of operating our facilities and conducting our business.

All of our facilities located in Jalisco are parties to the Environmental Voluntary Program established by the Environmental Ministry of the State of Jalisco. Likewise, they are registered in the clean industry program established by the Federal Environmental Protection Agency (*Procuraduría Federal de Protección al Ambiente*) in Mexico.

In Northern Ireland, our facilities operate through an Environmental Management System that complies with the applicable BS EN ISO 14001: 2015 certification.

Our facilities also have the required permit for wastewater discharges dated April 2, 2019, issued by the Water Management Unit of the Environment Agency of Northern Ireland.

viii) Market Information

The market and industry information (other than the information regarding the financial and operative statements of the Company) used throughout this Report are based in independent publications of the industry, government publications, reports prepared by the market research companies and other published independent sources.

Part of the information is also based on our estimates, which derive from our review of polls and internal analysis, as well as independent sources. Although the Company considers that such sources are reliable, the information has not been independently verified and we cannot assure the truthfulness and promptness. In addition, such sources may use terms different than those used by the Company to refer to the relevant markets. The purpose of the information related to the industry, is to provide a general guide although it is inherently inaccurate. Although we think that the estimates were reasonably obtained, investors should not base their trust thereon, as they are inherently uncertain. The sources of figures and statements included in this Report are stated with respect to each figure or statement.

The market and industry information used in this report has been obtained and extrapolated the IWSR reports. IWSR measures the retail sales in the last point of sale and includes the information for “on-trade” and “off-trade” distribution channels. The “on-trade” distribution channels include hotels, bars, clubs and restaurants where the products are consumed in such establishments. The “off-trade” distribution channels include retailers, supermarkets, wholesalers and convenience stores where the products are consumed outside such establishments. To recompile such information, IWSR states that it uses all the available public information (government, associations, international trade and press articles) and it makes interviews personally on annual inspections with investigators.

We operate as a producer, trader and distributor of spirits globally, ready-to drink cocktails and non-alcoholic beverages. The spirits represented 96.5% of the retail sales of the Company for tax year 2021. Within the distilled alcoholic

beverages, we think that we are the largest tequila producer in the world. We also compete in American whisky, Irish whiskey, mezcal, vodka, rum and gin categories, among others. We distribute and sell our products in more than 85 countries, and we generate most of our retail sale in the United States, Canada and Mexico. Jointly, these three markets represented 86% of our sales for year 2021.

Overview of the distilled alcoholic beverages global market

Market Size

According to IWSR, the spirits world consumption reached 2.6 billion 9-liter cases and approximately US\$405,230 million in retail sale in 2020. Individually, Baijiu, a Chinese spirit, represents the largest category worldwide, counting approximately 31.3% of the volume and 46.8% of the retail sale in 2020; followed by whiskey with 15.9% and volume and 17.0% of the retail sale and vodka with 14.6% of volume and 10.3% retail sale. Tequila, the most relevant spirit of the Company, represented 1.3% of volume 2.6% of retail sale in the world spirits market in 2020. The relative importance of each category within the domestic market significantly varies, due to local traditions, consumer preferences and specific trends. Excluding local liquors, tequila represents 1.1% of the volume and 2.3% of the retail sale worldwide. We think that the tequila and Irish whiskey categories continue being considered as sub-represented categories of the spirits.

According to IWSR, the United States represents the third largest market in terms of volume, but the second in retail sale, after China, with approximately US\$59,546 million in 2020 (14.7% worldwide), showing a high average of sale prices and a great purchase power of the local consumer.

Growth of Market and Drivers

IWSR thinks that since 2015 to 2020 the spirits industry has decreased at a CAGR of 2.9% in terms of volume. However, it has grown 5.5% in terms of retail sale. The superiority of the growth of the retail sale in comparison with the volume reached by the spirits world industry shows a *premiumization* trend in the consumption, as consumers substitute products for other of higher price.

The growth rates among the spirits category and geographic areas significantly changed, derived from several factors, including different economic forecasts in different geographic areas; changes in consumer's preferences; changes in regulations and other government initiatives; as well as other specific factors of each category and market.

Tequila, the main category of distilled alcoholic beverages of the Company, experimented a CAGR of 4.8% in volume between 2015 and 2020, above the spirits market. The Irish whiskey category represented 4.5% of the retail sales of the Company for year 2021, which has been one of the most accelerated growth categories in terms of volume within the spirits with a CAGR of 7.7% between 2015 and 2020. We are also a relevant participant in other spirits categories, including mezcal, vodka, rum and gin, among others.

We think that the growth in distilled alcoholic beverages world market is driven by several factors, including cyclical factors, such as the growth of GDP, available increases levels and the consumer's opinion, as well as other more structural drivers, such as changes in preferences of the consumers. Other factors that may have an impact on the spirit consumption, are the changes in regulations and other government initiatives.

The spirits consumption is naturally discretionary and as a result, the growth in the spirits market tends to be correlated to the general performance of the economy. The expense and trust of consumer and the increase in available income are key drivers in the growth of the spirits market. A positive economic environment impacts the spirits consumption both in sales volume growth (consumption per capita), such as the average sales price growth, as the consumers can pay higher prices and substitute their products for *premium* alternatives.

Overview of the main spirits category

Tequila

Tequila is a high-quality, artisanal spirit that must be made from one specific type of agave, Agave Azul, planted and grown only in the territory of the appellation of origin for Tequila. This region of Mexico includes the entire state of Jalisco and some border municipalities in the neighboring states of Guanajuato, Nayarit and Michoacán, as well as some municipalities in the state of Tamaulipas. By regulation, tequila cannot be produced from any other type of agave or in any other region.

There are two types of tequila: (i) tequila distilled from at least 51% Agave Azul sugars, which we refer to as “Tequila,” and (ii) tequila distilled from 100% Agave Azul sugars, which we refer to as “100% Tequila.” Tequila may be bottled outside of the appellation of origin for Tequila; *provided* that it is bottled by a certified bottler authorized by the Mexican Minister of Economy. 100% Tequila must be bottled in the territory of the appellation of origin.

There are five classes of tequila, generally defined by aging process: (i) blanco (white), which does not require any aging process; (ii) joven, which is the result of a blend of white tequila with aged, extra-aged or ultra-aged tequila; (iii) reposado (aged), with an aging process of at least 2 months; (iv) añejo (extra-aged) with an aging process of at least 12 months; and (v) extra añejo (ultra-aged) with an aging process of at least 36 months.

Tequila can generally be consumed on its own or mixed into cocktails, with the margarita being the most widely known tequila-based cocktail. We are focusing intently on expanding awareness of the category’s versatility.

According to IWSR, in 2020 the global sales of tequila reached approximately \$10.5 billion in retail sale and 35.5 million nine-liter cases. The two largest markets for tequila are the United States and Mexico. In 2020, Mexico accounted for 21.6% and 11.3% of the global consumption of tequila in terms sales volume terms and retail value, respectively and the United States represented 67.1% and 76.2%, respectively.

The tequila category experienced positive developments between 2015 and 2020 in its key markets. In Mexico, volume grew at a CAGR of 2.2% and the retail sale grew at a CAGR of 9.8%. In the United States, the category volume grew at CAGR 9.7% and the retail sale grew at a CAGR of 13.9%. Products positioned in the premium and above segments of tequila outperformed the broader category, with a combined growth of 14.4% and 16.5% in sales volume and retail sale in global terms, respectively, over the same period, according to IWSR. These growth rates compare favorably with the CAGRs experienced by the overall spirits industry between 2015 and 2020 of -2.9% and 5.5% in volume and retail sale, respectively. According to IWSR, tequila is expected to continue outpacing the overall industry. We believe the recent growth in tequila consumption has been driven by a number of factors related to changing consumer preferences to premium drinks and for superior quality products with tradition, origin and innovation.

We are confident of our position as the largest tequila producer in the world, with a share of global volumes of 29.3% in 2020, according to IWSR, and number one positions in both Mexico and the United States. Our share of the global tequila market is more than twice that of our nearest competitor.

We compete in the tequila category with a comprehensive brand portfolio covering a broad range of tequila types, classes and price segments, which includes 3 of the 5 largest tequila brands by sales volume worldwide, according to IWSR, Jose Cuervo, 1800 and Centenario. Our brands enjoy leading market positions in both Mexico and the United States.

Irish Whiskey

Irish whiskey is a variety of whiskey made in Ireland. Whiskey is a type of distilled alcoholic beverage made from fermented grain mash. Various grains (which may be malted), including barley, corn (maize), rye and wheat, are used for different varieties of whiskey. Whiskey is typically aged in wooden casks.

According to the Irish Whiskey Act of 1980, which established key regulations with regard to the definition of Irish whiskey and its production, Irish whiskey must be distilled and aged in Ireland, which includes Ireland and Northern Ireland.

Consumption of Irish whiskey is global. According to IWSR drinks market analysis (Spirits, May 2021), the United States, Republic of Ireland and Russia represented the three largest markets for Irish whiskey in 2020, and accounted for 43.2%, 5.2% and 4.7% of worldwide volumes, respectively. The global travel Retail is an important channel and the sales of points known as “duty free” represented 1.6% of the global retail sales in 2020.

Compared to other whiskey categories (including Scotch whisky, American whiskey, Canadian whisky, among others), Irish whiskey remains underrepresented in many markets, where it accounts for a small but growing share of total spirits and whiskey consumption. In 2020, the category represented 2.7% of global whiskey in value terms and 5.2% of the retail sale and the overall retail sale of the whiskey market was approximately U.S.\$68,902 million in 2020, according to IWSR.

Compared to other whiskey categories (including Scotch whisky, American whiskey, Canadian whisky, among others), Irish whiskey remains underrepresented in many markets, where it accounts for a small but growing share of total spirits and whiskey consumption. In 2020, the category represented 7.7% of global whiskey in sales retail sale terms, and the overall retail sale of the whiskey market was approximately U.S.\$58.1 billion in.

Overview of the Key Geographics Spirits Markets

United States

According to IWSR figures, the United States represents the third largest spirits market under the terms of volume and the second largest market in terms of retail sales, after China. In 2020, the spirits market in the United States reached 257 million 9-liter cases and approximately US\$594,546 million of marketing value, representing 9.7% and 14.7% of the spirits world consumption in terms of volume and retail sales, respectively.

Vodka represents the largest spirits category in the United States, approximately representing 32.1% per consumption volume in 2020, after the American whiskey (15.6%) and the Canadian whisky (9.6%). Tequila currently represents 9.3% of the total volume.

We think that the spirits market in the United States represents the best potential market with respect to the profits of the world. The sales price average of most of the spirits category in the United States tends to exceed the average of prices globally, according to IWSR. In addition, we think that the United States is the most dynamic and trendy market of spirits in the world.

The spirits market in the United States maintained a CAGR rate of 3.3% in volume and 5.6% in retail sales, between 2015 and 2020 according to IWSR. We think that the sales growth shows the change to premium spirits with higher prices derived from a higher available income and a structural change in the consumer's preferences in favor of better quality and innovating products. For example, the average sales price to a 9-liter case consumer of tequila in the United States increased from US\$278 in 2015 to US\$336 in 2020. Between 2015 and 2020, the consumption sales along with the *premium* and *super premium* segments maintained a CAGR of 16.5% and the retail sale a CAGR of 14.6% for the same period, exceeding the largest market.

Tequila and Irish whiskey experimented growth rates in the market per volume between 2015 and 2020, with a CAGR of 9.7% and 9.5%, respectively.

The spirits market in the United States is relatively fragmented. The three largest spirit companies represented approximately 36.8% of the market volume in 2020.

We compete in the spirits market in the United States with a diversified portfolio of products and brands in categories, such as tequila, Irish whiskey, vodka, American whiskey, rum and gin. Our tequila brand portfolio, including *Jose Cuervo* and *1800*, among others, is the largest per retail volume in the United States. We are the tequila leader in the United States), with a market share of 25.4% per volume in 2020. The tequila category still represents a relatively small category in the United States, only with 9.3% of the total spirits industry per volume according to IWSR in 2020. Notwithstanding, we think that tequila has a good growth potential with expected growth rates exceeding the average of the rest of the spirits.

In the United States, the Company has its own distribution company, which is the ninth largest spirits distributor per retail sales and the tenth largest distributor of spirits in terms of retail volume and value.

Mexico

According to IWSR figures, the consumption of spirits in Mexico reached 32 million 9-liter cases and approximately US\$2,985 million of sales in 2020. Tequila is the greatest individual category of spirits, approximately representing 24.1% of the volume and 39.9% of the retail sales in 2020; excluding sugar cane in liquors, whiskey is the second most representative spirit with 13.6% of the volume and 23.4% of the retail sales.

The spirits market in Mexico grew at a CAGR of 1.0% between 2015 and 2020 in terms of volume, and 5.0% in terms of retail sales. The key factors driving the sales growth include, increase in available income levels and tend to *premium* products in different spirits categories, driven, particularly, by young consumers.

Tequila experimented retail sales growth, between 2015 and 2020, of a CAGR of 9.8%. Tequila, the positive performance was, among other factors to the fact that the main producers captured successfully the market share of young consumers, through the refining of *premium* tequila offer, driven market initiatives and innovation.

The tequila brand portfolio is the largest in Mexico for sales, including *Jose Cuervo*, *Gran Centenario*, *1800*, *Maestro Dobel*, among others. The Company is also present in other 8 spirits categories, alcoholic and non-alcoholic: Irish whiskey, rum, vodka, gin, whiskey, mezcal, liquors and ready-to drink cocktails. The tequila brands of the Company are in the first or second place of each formal price segment and we have leader brands in rum, vodka and whiskey categories.

In Mexico, we have our own distribution company, which is one of the largest spirits distributors in terms of volume and retail sales.

Rest of the World

Our products are sold in over 85 countries outside of North America which, collectively, represent our Rest of World region. The largest markets by sales in the region include Brazil, Japan, the United Kingdom, Spain, Greece and Australia. According to IWSR, we are the leading tequila producer in the Rest of World region, with a 30.2% share of tequila sales volume in 2020. We hold strong position in Irish whiskey through the *Bushmills brand*.

Generally, we distribute our products in the “Rest of the Worlds” region through strategic alliances and exclusive distributions agreements with dealers in each market.

Competition

The spirits industry is highly competitive. It has seen significant consolidation during the past two decades, resulting in spirits companies that own multiple brands in multiple categories with a global reach. We believe that further industry consolidation and further acquisitions of smaller regional and local companies and brands by the global market participants are likely to take place in the future. We believe our position as a global company, our brands’ performance and our marketing and promotion strategies will enable us to compete effectively and grow in relation to our main competitors. We compete on the basis of brand image, product quality, price, service and innovation in response to consumer preferences. The irrefutable leadership of the Company in the tequila category places it in the best position to attain its goals in the market and to attract new consumers.

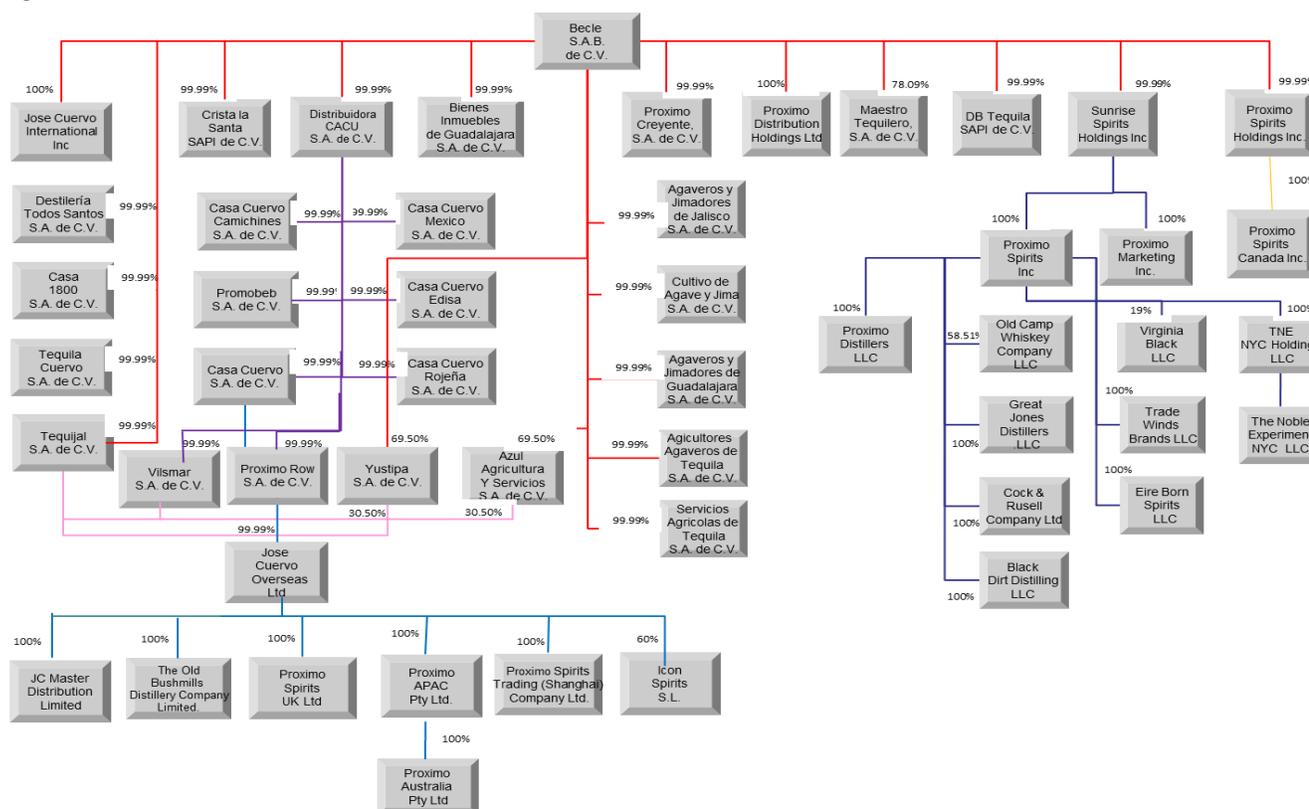
We consider our main competitors to include globally Diageo, Beam Suntory, Pernod Ricard, Brown-Forman, Campari, Grants and Bacardi. In addition, we face competition by different local companies in the markets where we participate.

We consider our competitors in the US are Diageo (*Don Julio*, *Smirnoff*, *Capitan Morgan*), Beam Suntory (*Sauza*, *Sauza Hornitos*), Bacardi (*Cazadores*), Pernod Ricard (*Absolut*, *Jameson*, *Altos*), Brown-Forman (*El Jimador*, *Herradura*), Campari (*Sky*, *Espolon*, *Cabo Wabo*), Patrón and William Grant & Sons Ltd. (*Tullamore Dew*, *Milagro*, *Sailor Jerry*).

Corporate Structure

The Company is a controlling company. Below there is a diagram showing our simplified corporate structure as of December 31, 2021, including the effects of the Merger between several Companies of the Group made in November 2019

and December 2021. The graph does not include sub-controlled companies without assets and those that do not perform significant transactions.



ix) Descriptions of the Key Assets

Production and Distribution Facilities

Currently own and operate two tequila distilleries in two locations and a processing and bottling facility in one location in Mexico, all located within the territory of the appellation of origin for tequila. The distilleries located in Mexico are mainly dedicated to the distillation of tequila. The processing and bottling facility is involved in the production of all products (tequila, rum, vodka, “Rompopo” (i.e. an alcoholic eggnog), Sangrita Viuda de Sanchez, margarita mix, etc.). We also own a production and bottling facility located in Northern Ireland dedicated to the production of Bushmills Irish whiskey, as well as two distilleries (one for whiskey in Colorado and one for vodka in California) and a bottling facility in Indiana, in the United States.

We also operate facilities in Mexico and Northern Ireland that are dedicated to other parts of the production process such as distribution centers, maturation sites and warehouses. Some of these facilities are located at or near the production facility where the actual product is made.

Our distilleries in Mexico are specialized between the production of tequila and 100% tequila. We realize that prudent and timely capital expenditures and periodic maintenance expenditures are required in order to continuously upgrade and maintain our plants with up-to-date technology and standards to operate efficiently.

The production and distribution facilities have various insurance policies that seek to minimize the risks to which they are exposed.

Tequila Distilleries

The Los Camichines Distillery, located in La Laja, Jalisco, specializes in the production of tequila and 100% tequila using modern industrial processes. The production process generally consists of the extraction of Agave Azul syrup through

crushing, Agave Azul juice hydrolysis, fast fermentation and distillation by column and pot still. This distillery is the largest in the industry with a daily production of 165,000 liters of tequila and 85,000 liters of 100% tequila. It also has capacity to store 23 million liters and to mature 3.3 million liters.

The La Rojeña Distillery, the oldest distillery in Mexico, located in Tequila, Jalisco, specializes in the production of 100% tequila. The production site is composed of two facilities: “Old Rojeña,” which is our historic flagship production facility, and “Rojeña 2,” which is a state-of-the-art modern production facility. The two facilities have the same production process: cooking, crushing and milling, slow fermentation and double copper pot still distillation. Rojeña 2 has been fully standardized and completely automated. The two facilities have a combined daily production capacity of 55,000 liters of 100% tequila. The La Rojeña Distillery has a combined storage capacity of 8.5million liters and a combined maturation capacity of 5 million liters. In addition, the La Rojeña Distillery also has a visitor center.

We are committed to the highest standards of quality in each of our distilleries. We are also committed to maintaining high standards of environmental compliance. The Los Camichines and Old Rojeña distilleries are equipped with a system to recover alcohol from fermentation and is equipped to burn methane gas, a by-product of the anaerobic part of the distillation process, in its boilers. It also has a vinasse treatment plant that complies with the highest standards for water disposal in Mexico.

The Company, also committed to its highest quality and sustainability standards, is in the process of building and engineering for its new distillery with the most cutting-edge technology in the tequila production process, with the start-up planned for the second half of 2021.

Each distillery is about 50 kilometers away from our processing and bottling facility in the state of Jalisco’s capital city of Guadalajara.

Processing and Bottling Facility

The processing plant and the bottling plant are located together at our EDISA facility. The processing plant performs the chilled filtering of all tequilas we produce. The facility also produces gin, rum, vodka, “sangrita” and eggnog, which are then sent to the bottling plant.

The tequila produced at the Los Camichines and La Rojeña distilleries, along with the gin, rum, vodka, “sangrita” and eggnog produced at the processing plant, is bottled at EDISA, where we bottle all of our products for the Mexican market and for our more than 85 export markets. The line is capable of producing the highest selling SKUs of our most important brands, which are Jose Cuervo Especial, 1800, Jose Cuervo Tradicional and Gran Centenario Azul. EDISA also has a water treatment plant to treat water from the cleaning activities that complies with the highest standards for water disposal in Mexico.

Distribution and Warehousing Facilities for Mexican Market

We operate warehouses at the bottling facilities and distribution centers in Guadalajara and other Mexican cities with a joint capacity of over 30,000 square meters. We also lease additional warehousing space from third parties in connection with our distribution activities in Mexico. In order to meet our customers’ needs in terms of quality, timing and quantity, our main distribution center in Guadalajara holds 80% of the volume of our products and serves as a buffer which we use to replenish small distribution centers in Mexico City, Monterrey, Merida and Tijuana and a network of 16 cross docks throughout the country, which provides nationwide coverage.

Bushmills Distillery and Related Facilities

All aspects of the Bushmills brand’s production are carried out in the town of Bushmills, on the northern coast of Northern Ireland. The on-site facilities include a malt whiskey distillery, 17 maturation warehouses, a blending and vatting area, packaging and bottling lines, cased goods warehousing and dispatch. The facility site covers approximately 26 hectares and also houses an award-winning visitors center, a bar and a restaurant.

Capital Investments

We have proposed that our production facilities are up to date and we make investments of capital in the extent necessary to modernize and to maintain such facilities.

Recently, we determined an important capital investment program in Mexico mainly involving the following: (1) the installation of two new distillation towers in each of our distilleries in Mexico, to improve the quality of the distillation process; (2) the installation of a new facility to treat the vinasse in each of our tequila distilleries, as well as a new water treatment plant at EDISA facility; (3) the purchase of additional casks and the extension of maturation warehouses in Mexico to comply with the expected demand; (4) installation of a bottling line with state-of-the-art technology to improve quality and efficacy of the bottling process and to comply with the demand, (5) opening of a new Distribution Center close to Guadalajara with better capacities than the one we have to support the future growth of sales, (6) replacement of the extraction system in the Camichines plant, looking for a better efficiency in the process, (7) Bottling facility, replacement of Labeling machine to high precision and technology equipment, (8) a New Distillery in Tequila

The bottling facility located in Lawrenceburg, Indiana was acquired in 2011. In 2013, we adapted in tanks and another equipment to bottle the volume of Jose Cuervo Especial and in 2014 we made adaptations to bottle the ready-to drink and *Margarita Mix* products. The factories in the United States have the capacity to comply with the projected demand.

The Bushmills factory, acquired in February 2015, has been appropriate maintained, however, we foresee future investments related to the visitor's center and the expansion of the distillation and maturation capacities.

We have planned to continue making investments of capital to contain costs, make maintenance and increase the capacity of the Company in the extent the demand exceeds the actual capacity of our distilleries and bottling facilities.

Guaranties

As of the date of this report, we have not granted any asset in guaranty under any financing, whether owned or by third parties.

x) Legal, Administrative or Arbitration Proceedings

We are subject to lawsuits, arbitrations, claims and other legal proceedings in the ordinary course of our business. Some of the legal actions include claims related to intellectual property, taxation, environmental and product liability matters. A substantial adverse judgment or other unfavorable resolution of these matters could have a material adverse effect on our business, financial position and results of operations. Our management believes that there are no legal proceedings and arbitrations that could have a material adverse effect on our activities, financial position, results of operations, cash flows and prospects or in the price of our Shares.

The Company is not subject to any assumption set forth in Articles 9 and 10 of the Bankruptcy Law or Ley de *Concursos Mercantiles*, to be declared in bankruptcy, and it has not been declared in bankruptcy before.

xi) Shares representing the capital

At the ordinary general meeting held on April 30, 2019, the Company's stockholders approved the cancellation of 34,400,000 shares. As a result of this, the Company reduced its capital stock by Ps108,086,388.98, that is to say, a reduction of the capital in the amount of \$3.14204619137236 pesos per each cancelled share.

The shares are owned, issued by and payable by Mexican or foreign investors.

On November 25, 2019, the Merger between Becele, S.A.B. de C.V. as merging company and Lanceros, S.A. de C.V., Sunrise Distillers, S.A.P.I. de C.V., José Cuervo, S.A. de C.V., Tequila Cuervo la Rojeña, S.A. de C.V., Ex Hacienda los Camichines, S.A. de C.V. and Corporativo de Marcas GJB, S.A. de C.V. as merged companies and which was effect by the Parties on November 30, 2019. As a result of such merger, the capital stock will be maintained in the amount of \$11,373,075,105.25 MXP from which the amount of \$50,000.00 MXP corresponds to the minimum fixed portion of the capital stock and the amount of \$11,373,025,105.25 MXP to the variable portion, represented by 3,619,639,691 (shares in which the amount of 15,913 shares correspond to the fixed portion of the capital stock and 3,619,623,778 shares represent the variable portion. It is pending to be registered in the Public Registry Bureau of Property.

In the general ordinary shareholders' meeting held on June 22, 2020, we approved the cancellation of 28,463,390 shares. In addition, as a result of the cancellation of the shares, we approved to decrease the capital stock in the nominal amount of \$89,433,286.14 MXP, that is to say, a reduction of capital in the amount \$3.14204619137 Mexican pesos per each cancelled share. After such movement, we have not experienced any change in the capital stock of the Company.

xii) Dividends

The decree of dividends and, if applicable, the amount thereof is subject to the approval of the General Ordinary Shareholders' Meeting, prior recommendation of the Board of Directors, with the affirmative vote of the majority of the votes attending in such Meeting, which, in turn, to be considered legally convened, it requires the representation of at least half of the capital stock of the Company. According to the applicable law, the Company only pay dividends (1) charged to the profits retained reflected in the financial statements approved by the shareholders in a general shareholders' meeting; (2) once amortized or absorbed the losses of previous years, if applicable; (3) provided the shareholders approve the payment of dividends with withheld profits; and (4) prior separation of 5% of the net profits of the year to be a legal reserve, up to the amount of such reserve be equivalent to 20% of the capital stock. As the Company is controlled by the Beckmann family, the controlling shareholders have the exclusive capacity, regardless the vote of other shareholders, to determine, if applicable, the payment of any dividend.

The capacity of the Company to pay dividends may be adversely affected by the provisions included in the instruments related to the debt to be contracted by the Company in the future, the applicable tax provisions and the capacity of the subsidiary companies to generate profits and to pay dividends to the Company.

Although the Company does not have a formal dividend policy yet, and there are no plans to adopt such policy, we have the intent to declare dividends annually and pay such dividends in one or several payments during the year. The payment of dividends and any policy of formal dividends to be adopted in the future, will be subject to the law requirements (above referred) and will depend on different factors, including the operation results, the financial position, the cash needs, the future

projects, the taxes payment obligations and the current or future contractual commitments, as well as the de capacity of our subsidiaries to pay dividends and the other factors that the board of directors and the shareholders deem convenient. We cannot guarantee that dividends will be paid in the future or if they will be paid in what amount.

On April 30, 2019 the payment of a dividend in cash to the shareholders was approved in the amount of \$2,000,000,000.00 MXP to be paid not later than May 10, 2019.

On June 22, 2020 the payment of a dividend in cash to the shareholders was approved in the amount of \$1,115,355,900.00 MXP, to be paid not later than July 2, 2020.

On April 27, 2021 the payment of a dividend in cash to the shareholders was approved in the amount of \$1,545,613,200.00 MXP, to be paid not later than August 5, 2021.

On April 29, 2022 the payment of a dividend in cash to the shareholders was approved in the amount of \$1,510,158,900.00 MXP, to be paid not later than August 04, 2022.

The shareholder exercising the control of the Company has the power to determine the result of the votes with respect to the payment of dividends.

3) FINANCIAL INFORMATION

A) SELECTED FINANCIAL INFORMATION

The following tables include consolidated financial and operative information of the Company as of the dates and for the periods indicated. Such tables must be read along with the Company's Financial Statements and the notes included in this Report, and are subject to the full information included therein.

The selected financial information related to the consolidated statements of comprehensive income for the years ended as of December 31, 2021, 2020 and 2019, derives from the Audited Financial Statements of the Company, which were prepared according to the IFRS.

Investors must read this information along with the information included in sections entitled "*Comments and analysis of the administration on the financial position and results of operation*", and the Company' Audited Financial Statements, included in this Report.

It is important to highlight that there are uncertain factors or events that may make that the presented information be not an indicative factor of the future performance of the Company, therefore, such information must be jointly read with section: "*1) General Information—c) Risk Factors—Risks Related to the Future Statements*".

[Translation for informational purposes only]

Becle, S.A.B. de C.V. and subsidiary companies
Consolidated Statements of Comprehensive Income
For the years ended as of December 31, 2021, 2020 and 2019

(Thousands of Mexican Pesos (\$), except profit per share)

	At December 31,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net sales	\$ 39,419,400	\$ 35,036,139	\$ 29,704,781
Cost of sales	<u>18,145,221</u>	<u>16,790,114</u>	<u>14,039,147</u>
Gross profit	21,274,179	18,246,025	15,665,634
Expenses:			
Advertising, marketing and promotion	8,688,948	6,688,049	6,424,715
Distribution	2,028,053	1,379,692	1,040,914
Sales	1,417,221	1,404,296	1,195,568
Administration	2,073,675	1,972,970	1,754,087
Other expenses (income) - Net	<u>(54,920)</u>	<u>(91,595)</u>	<u>(159,790)</u>
Total expenses	<u>14,152,977</u>	<u>11,353,412</u>	<u>10,255,494</u>
Operating income	<u>7,121,202</u>	<u>6,892,613</u>	<u>5,410,140</u>
Interest income	(250,671)	(143,666)	(191,321)
Interest expense	698,707	544,809	528,551
Changes in the fair value of financial instruments		(303,739)	-
Foreign exchange (loss) - Net	<u>(234,440)</u>	<u>(58,997)</u>	<u>(74,461)</u>
Financing comprehensive income	<u>213,596</u>	<u>38,407</u>	<u>262,769</u>
Interest in income of associated companies	<u>-</u>	<u>-</u>	<u>-</u>
Profit before taxes	<u>6,907,606</u>	<u>6,854,206</u>	<u>5,147,371</u>
Profit taxes	<u>1,873,743</u>	<u>1,702,162</u>	<u>1,429,518</u>
Consolidated profit, net	\$ 5,033,863	\$ 5,152,044	\$ 3,717,853

Other comprehensive income, net of taxes:

Components to be classified after the income

Foreign transactions – Reserve of exchange rate

[Translation for informational purposes only]

Foreign currency	\$ 249,750	\$ 1,913,777	\$ (1,145,931)
Components not reclassified after income			
Changes in the fair value of equity investments at fair value through other comprehensive income – net of income tax	(60,980)	26,931	(46,513)
Employee benefits – net of income taxes	<u>21,226</u>	<u>35,243</u>	<u>25,713</u>
Other comprehensive income	<u>\$ 209,996</u>	<u>\$ 1,975,951</u>	<u>\$ (1,166,731)</u>
Consolidated comprehensive income	<u>\$ 5,243,859</u>	<u>\$ 7,127,995</u>	<u>\$ 2,551,122</u>
Net income attributable to:			
Controlling interest	\$ 5,019,732	\$ 5,146,020	\$ 3,712,022
Non-controlling interest	<u>14,131</u>	<u>6,024</u>	<u>5,831</u>
	<u>\$ 5,033,863</u>	<u>\$ 5,152,044</u>	<u>\$ 3,717,853</u>
Comprehensive income attributable to:			
Controlling interest	\$ 5,229,728	\$ 7,121,971	\$ 2,545,291
Non-controlling interest	<u>14,131</u>	<u>6,024</u>	<u>5,831</u>
	<u>\$ 5,243,859</u>	<u>\$ 7,127,995</u>	<u>\$ 2,551,122</u>
Basic and diluted earnings per share (pesos)	\$ 1.40	\$ 1.43	\$ 1.04

Becle, S.A.B. de C.V. and subsidiary companies
Consolidated Statement of Financial Position
As of December 31, 2021, 2020 and 2019

(Thousands of Mexican Pesos (\$), except profit per share)

	As of December 31,		
Assets	<u>2021</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 12,791,283	\$ 7,646,318	\$ 9,628,169
Accounts receivable	10,284,156	9,213,715	9,294,939

[Translation for informational purposes only]

Related parties	14,174	57,214	103,294
Tax receivable	-	624,405	782,106
Other taxes and accounts receivable	965,770	1,291,221	637,217
Inventories	12,093,628	11,193,822	9,438,092
Financial instruments at fair value with changes in income	-	303,739	-
Biological assets	933,397	291,882	915,393
Advance payments	1,076,837	1,004,644	850,902
Total current assets	38,159,245	31,626,960	31,650,112
NON-CURRENT ASSETS:			
Inventories	6,588,473	5,959,914	4,990,747
Biological assets	5,866,734	4,895,421	2,719,349
Investments in associated companies	648,351	1,567,796	230,383
Investments in shares at fair value	-	11,969	36,748
Property, plant and equipment - Net	11,854,967	10,169,488	6,944,677
Intangible	20,627,687	15,447,299	14,229,951
Goodwill	6,991,770	6,891,070	6,253,088
Lease assets	2,371,205	2,351,770	2,046,169
Deferred income tax	1,934,567	2,357,279	1,313,980
Benefits to employees - Net	434,690	234,809	250,939
Other assets	61,879	67,893	58,792
Total assets	57,380,323	49,954,708	39,074,823
Total assets	95,539,568	81,581,668	70,724,935
Liabilities			
SHORT-TERM LIABILITIES			
Senior Notes	\$ 102,363	\$ 48,833	\$ 46,131
Accounts payable	4,593,948	3,062,436	2,182,716
Related parties	70,788	169,551	68,382
Lease liabilities	787,853	617,268	445,582
Other accounts payable	6,602,572	4,809,560	3,944,604
Total short-term liabilities	12,157,524	8,707,648	6,687,415
LONG-TERM LIABILITIES			
Senior Notes	18,495,297	9,907,075	9,344,657
Lease liabilities	1,840,177	1,843,873	1,702,822
Environmental reserve	140,311	126,414	117,924
Other long-term liabilities	692,855	508,401	190,823
Deferred income tax	3,770,082	5,743,187	4,089,090

Total liabilities	37,096,246	26,836,598	22,132,731
Stockholders' equity			
Capital stock	11,283,642	11,283,642	11,514,467
Premium in shares issues	14,486,570	14,486,570	15,364,892
Capital reserves	4,302,893	4,302,893	5,758,171
Accumulated profits	22,089,778	18,615,653	11,880,337
Other comprehensive income	6,187,664	5,977,668	4,001,717
Stockholders' equity attributable to the controlling interest	58,350,547	54,666,426	48,519,584
Non-controlling interest	92,775	78,644	72,620
Total stockholders' equity	58,443,322	54,745,070	48,592,204
Commitments and contingencies	-	-	-
Total	95,539,568	81,581,668	70,724,935

Other Financial Information
As of December 31, 2021, 2020 and 2019

(Thousands of Mexican Pesos (\$))

	As of December 31,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operation profit	\$ 7,121,202	\$ 6,892,613	\$ 5,410,140
EBITDA ⁽¹⁾	7,938,170	7,607,072	6,095,565
Cash flow generated by operation activities	4,338,987	3,745,850	2,369,189
Cash flow used for investment activities	(5,657,031)	(5,069,794)	(1,758,028)
Net cash flow generated by (used in) financing activities	5,984,529	(1,318,393)	(2,609,424)
Net cash flow ⁽²⁾	4,666,485	(2,642,337)	(1,998,263)
Operation margin ⁽³⁾	18%	20%	18%
EBITDA margin ⁽¹⁾⁽⁴⁾	20%	22%	21%
Debt ratio ⁽⁵⁾	2.34	1.31	1.54

Other data

As of December 31, 2021, 2020 and 2019

(Thousands of Mexican Pesos (\$))

	As of December 31,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Volume ⁽⁶⁾			
United States ⁽⁶⁾	15,790,556	15,230,400	12,459,698
Mexico ⁽⁶⁾	6,730,944	6,237,311	7,296,706
Rest of the world ⁽⁶⁾	3,035,253	2,186,864	2,560,427
	<hr/>	<hr/>	<hr/>
Total volume ⁽⁶⁾	25,556,753	23,654,576	22,316,831

- (1) For the Company's purposes, EBITDA represents the net profit *plus* depreciation and amortization, profit taxes, interest expense, *minus* interest income, plus (minus) loss (profit) in changes, net, minus profit in sale of a joint business and plus loss in associated interest. The Company presents EBITDA as it is an index generally accepted by the available funds to be paid for the debt service. However, EBITDA is not recognized by the IFRS as financial items or as a liquidity and performance indicator. Although, EBITDA provides useful information, it should not be assessed on isolated basis and should not be considered as a substitute of the net profit of the Company by assessing the operating performance, or as a substitute of the cash flows generated by transactions of the Company by assessing the liquidity. It is possible that the Company calculates EBITDA differently than other issuers, which may affect the comparison of such information. The following table includes calculation of EBITDA:

EBITDA

for the years ended as of December 31, 2021, 2020 and 2019

(Thousands of Mexican Pesos (\$))

	As of December 31,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net profit	\$ 5,033,863	\$ 5,152,044	\$ 3,717,853
Plus: Depreciation and amortization	816,969	714,459	685,425

[Translation for informational purposes only]

Plus:	Profit taxes	1,873,743	1,702,162	1,429,518
Plus:	Interest expense	698,707	544,809	528,551
Minus:	Interest income	250,671	143,666	191,321
Minus:	Changes at fair value of financial instruments	-	303,739	-
Plus/Minus:	Loss (profit) in changes, net	(234,440)	(58,997)	(74,461)
Minus:	Profit in joint business sale	-	-	-
Plus:	Loss in interest in associated party	-	-	-
		<hr/>	<hr/>	<hr/>
	EBITDA	7,938,171	7,607,072	6,095,565
		20%	22%	21%

(2) The net cash flow equals the sum of (i) the cash flow generated by operation activities, (ii) the cash flow used by investment activities, and (iii) the net flow generated by (used in) financing activities.

(3) The operation margin represents the profit ratio of operation/sales.

(4) The EBITDA margin represents the EBITDA/sales ratio.

(5) The debt ratio represents the total debt ratio at the end of the period/EBITDA of the last 12 months of the period.

(6) The sales volume represents the number of 9-liter cases sold.

B) FINANCIAL INFORMATION PER BUSINESS LINE, GEOGRAPHIC ZONE AND EXPORT SALES

Becle is an international spirits manufacturer and distributor. The information per segments presented is coherent with the management reports provided to the Management Committee (the responsible party of operative decision making (MCOM). The Management Committee considers the business from a geographic perspective based on the third parties sales location and the business analysis is presented per geographic segment. The MCOM reviews the results of the segments on a basis that highlights the segment profit and, therefore, it is the segment profit.

The MCOM considers its operations in terms of three operative segments: (i) Mexico, (ii) the United States of America and Canada, and (iii) the rest of the world.

In Mexico, our operations consist in the production and distribution of our own brands, as well as the production and distribution of certain brands of third parties considered as agent.

In the United States of America and Canada, we exclusively distribute our products through our subsidiaries. Proximo US sells our products to wholesalers, if possible, and to the state and local authorities of spirits, when so required, by the law. Proximo Canada makes all its sales to the spirits authorities of each province.

In the rest of the world markets, we manage a distributor network, independent wholesalers and retailers covering more than 85 countries. These distributors are carefully selected market per market guarantee high quality in the distribution in each country. Local distributors implement the marketing promotion, focused on market niche, as sales promotions, displays at point of sale and other printed media.

The following information corresponds to the last three years:

(Thousands of Mexican pesos)	2021			
	USA and Canada	Mexico	Rest of the World	Total
Net sales	\$ 25,775,770	\$ 8,234,250	\$ 5,409,380	\$ 39,419,400
Cost of sales	10,861,958	4,954,628	2,328,635	18,145,221
Gross profit	14,913,812	3,279,622	3,080,745	21,274,179
Advertising, marketing and promotion	6,268,940	1,139,367	1,280,641	8,688,948
Distribution	1,444,715	412,641	170,697	2,028,053
Segment profit	\$ 7,200,157	\$ 1,727,614	\$ 1,629,407	\$ 10,557,178

(Thousands of Mexican pesos)	2021			
	USA and Canada	Mexico	Rest of the World	Total
Total assets	\$ 24,629,744	\$ 28,810,392	\$ 42,099,432	\$ 95,539,568
Total liabilities	7,653,937	26,353,970	3,088,339	37,096,246

(Thousands of Mexican pesos)	2020			
	USA and Canada	Mexico	Rest of the World	Total
Net sales	\$ 24,630,618	\$ 6,604,460	\$ 3,801,061	\$ 35,036,139
Cost of sales	11,147,810	3,982,129	1,660,176	16,790,114
Gross profit	13,482,808	2,622,332	2,140,885	18,246,025
Advertising, marketing and promotion	5,078,955	785,853	823,241	6,688,049
Distribution	885,714	341,605	152,373	1,379,692
Segment profit	\$ 7,518,139	\$ 1,494,873	\$ 1,165,271	\$ 10,178,283
	=====	=====	=====	=====

(Thousands of Mexican pesos)	2020			
	USA and Canada	Mexico	Rest of the World	Total
Total assets	\$ 25,677,864	\$ 27,982,039	\$ 27,921,765	\$ 81,581,668
Total liabilities	5,950,073	18,401,784	2,484,741	26,836,598

(Thousands of Mexican pesos)	2019			
	USA and Canada	México	Rest of the World	Total
Net sales	\$ 18,513,817	7,248,229	3,942,735	29,704,781
Cost of sales	8,012,232	4,466,143	1,560,772	14,039,147
Gross profit	10,501,585	2,782,086	2,381,963	15,665,634
Advertising, marketing and promotion	4,393,260	1,112,250	919,205	6,424,715
Distribution	546,020	359,761	135,133	1,040,914
Segment profit	\$ 5,562,305	1,310,075	1,327,625	8,200,005
	=====	=====	=====	=====

(Thousands of Mexican pesos)	December 31, 2019			
	USA and Canada	Mexico	Rest of the World	Total
Total assets	\$ 20,743,151	26,005,854	23,975,930	70,724,935
Total liabilities	4,063,229	16,352,048	1,717,454	22,132,731

C) REPORT OF RELEVANT CREDITS

As of December 31, 2021, we have a total debt in the amount of \$18,598 million (US\$953 million of principal), accrued interest at a weighted rate of 2.70% annually.

The main purpose of Notes 2025 was the acquisition of 100% of the Bushmills shares and the new Notes 2031 was mainly for the refinancing and corporate uses in general.

In 2021, 2020 and 2019, we had a long-term debt in the amount of \$18,495 million, \$9,907 million and \$9,345 million, respectively. The Company is up to date in the payment of above referred debt interest.

Senior Notes

On May 6, 2015, we issued the Notes 2025 in the total amount of US\$500,000, with an interest rate of 3.75% annually payable each six month period in May and November of each year. The Notes 2025 were offered to qualified institutional purchasers in the United States of America, as defined in Rule 144A, and certain individuals outside the United States of America, according to Regulation S and are guaranteed by Beclé subsidiaries. In addition, we submitted an application to quote Notes 2025 in the Irish Stock Exchange and we used the obtained funds to refinance a bridge credit contracted to acquire the Bushmills shares.

On March 16, 2021, we obtained a loan in the amount of US\$150,000 in financing under new credit facility at a term (the "Bank Loan"). The net resources of the Bank loan, plus the cash available as of such date, were used to finance the acquisition of EBS additional shares.

On September 27, 2021, the Company announced the starting of a tender offer to acquire cash and request the consent (the "Tender Offer") to the holders of all the Notes 2025 outstanding and with maturity in 2025 above referred. The Tender Offer was made under the terms and subject to the conditions set forth in the Purchase Offer dated September 27, 2021 and ended on October 25, 2021. The total consideration paid in the Tender Offer amounted to US\$385,600 and included the amount of capital of the Notes 2025 validly offered in the amount of US\$346,639 (69.3% of the original issuance of US\$500,000), a consent payment of US\$50.00 per each \$1,000 of the principal of the offered Notes 2025 and accrued in an unpaid interests with respect to such purchased Notes 2025.

The Tender Offer was made in connection with a simultaneous offer of the Notes 2031 in a total amount of capital of US\$800,000 of Notes 2031, sold in an offer exempted from registry requirements of the US Stock Exchange, Law 1933 and its amendments and also quoted at the Irish Stock Exchange. The Notes 2031 accrue an interest of 2.5% annually payable in April and October of each year, as from April 2022, and they expire on October 14, 2031.

The net resources of Notes 2031 were used to: (i) pay on October 18, 2021, the credit facility of the bank loan in the amount of US\$150,000, (ii) refinance the Notes 2025 validly offered in the amount of US\$346,639 according to the Tender Offer, (iii) to pay fees and expenses incurred in connection with the offer of Notes 2031 and Tender Offer, and (iv) for general corporate purposes.

According to IFRS 9, the repurchase of Notes 2025 was recognized as an amendment to the debt. The restructured debt value was estimated by discounting the cash flows from the Notes 2031

at an effective interest rate of the original debt, representing an income for the restructuring in the amount of US\$9,241 included in interest income.

The payment of capital and interests of Notes 2025 will be totally and unconditionally guaranteed by the Company's subsidiaries.

Contractual obligations and commercial commitments

The following table describes the contractual obligations and commercial commitments which are relevant for the Company as of December 31, 2021:

<u>December 31, 2021</u>	<u>Contractual cash flows</u>				
	<u>Net value</u>	<u>Total</u>	<u>1 month to 1 year</u>	<u>1 to 3 years</u>	<u>More than 3 years</u>
Senior Notes	\$ 18,597,660	\$ 25,384,053	\$ 653,166	\$ 5,063,658	\$ 19,667,229
Accounts payable	4,593,948	4,593,948	4,593,948	-	-
Related parties	70,788	70,788	70,788	-	-
Other accounts payable	6,602,572	6,602,572	6,602,572	-	-
Leasing liabilities	2,628,030	5,046,420	747,240	1,784,031	2,515,149
Other long-term liabilities	692,855	692,855	-	-	692,855

The most relevant contractual obligations and commercial commitments of the Company as of December 31, 2021 are the following:

In 2016, the Company and Tampico Renewable Energy, S. A. P. I. de C. V. signed a three year agreement to purchase electricity as from June 15, 2017.

On February 7, 2020, the Company and Iberdrola Clientes, S. A. de C. V. executed a purchase agreement of electricity for three years as from the date the electric supply is provided for the first time, that, since the issuance of the Financial Statements, has not occurred.

On February 23, 2021, the Company notified the exercise of its option to complete the Transaction, to be financed with a combination of the net resources of the Line plus the available cash. The Transaction is still subject to certain regulatory conditions, as well as other normal closing conditions. The details of the Transaction are confidential and the Company foresees to make an additional announcement as of the closing thereof. Although the Line expires in March 2022, it may be prepaid at any payment day of interest without any penalty.

Net income of the Line, plus the available cash, will be used to finance the incremental acquisition of the capital stock of Eire Born Spirits LLC ("EBS"), transaction to be closed during the second quarter 2021 (the "Transaction").

On April 23, 2021, the Company completed the year at its purchase option to acquire an additional interest of EBS. EBS holds and markets brand Proper No. Twelve Irish Whiskey.

The Company is committed to maintain a strong balance with financial flexibility to attain its long-term growth strategy. As of December 31, 2021, the Company accounted for \$12,791 million Mexican pesos in cash and cash equivalents. The net leverage index (defined as Net Debt/EBITDA) as of the same date accounted for 0.7x.

**For reading convenience, translation of figures was made using the exchange rate of \$20.5835 Mexican pesos per each US Dollar.

D) COMMENTS AND ANALYSIS OF THE ADMINISTRATION ON OPERATION RESULTS AND FINANCIAL POSITION

The financial information submitted in this section derives from the historical financial statements of the Consolidated Entities. For additional information on the financial performance of the Company and the basis to prepare the Financial Statements read “Selected Financial Information” and the Audited Financial Statements of the Company, as well as the corresponding notes.

Investors must read the following information along with the Company’s Financial Statements, as well as the “Summary of Financial Information and Other Information” and “Selected Financial Information” and the Audited Financial Statements included in this Report.

This section includes statements with respect to the future showing the plans, estimates and considerations of the Company, carrying risk, uncertainties and suppositions. The actual results may substantially be different from those stated in the statements or future estimates of the Company. The factors may contribute these difference including, among others, those detailed below and other sections of this report.

General description

We are a globally recognized spirits company and the largest tequila producer in the world (IWSR as of December 31, 2018). Our extraordinary portfolio of more than 30 spirits brand, some of them own brands, distributed worldwide and some other owned by third parties and distributed only in Mexico, has been developed throughout the years to participate in key categories with strong growth perspective, serving the most relevant spirits markets in the world and attending the key preferences and consumer trends. Our strength of the brand portfolio is based on the profound heritage of our internally developed iconic brands, such as the brand family *Jose Cuervo*, combined with complementary acquisitions, such as *Three Olives*, *Hangar 1*, *Stranahan’s*, *Bushmills*, *Boodles* and the most recent acquisition of *Pendleton*, as well as the key focus in innovation which throughout the years has helped us to internally develop world known own brands, such as *1800*, *Maestro Dobel*, *Centenario*, *Kraken*, *Jose Cuervo Margaritas* and *b:oot*, among the Company’s brands, some other are marketed and distributed in more than 85 countries. We are one of the oldest companies in Mexico led by the same family during eleven generations, which legacy and heritage still defines our business, brands and culture. Our history started more than 250 years ago, since the foundation in 1758. In 1795, King of Spain, Charles IV, granted José María Guadalupe de Cuervo y Montañó a Royal Warrant to produce and sell “vino de mezcal”, currently known as tequila, generally considered as the first license to sell tequila. Furthermore, we are an innovating company in the evolution of tequila, our first export to the United States was in 1852, and in 1880 we became the first distiller in bottling tequila in glass bottles, and in 1945 we invented the margaritas using tequila *Jose Cuervo*.

We operate as a producer, trader and distributor of a wide internationally known brand portfolio of spirits ready-to drink and non-alcoholic beverages. Within the distiller spirits, the Company is the largest tequila producer globally per volume over twice the market share of our nearest competitor and the third largest producer of Irish whiskey in the world per volume and sales, according to IWSR in 2020. We generate most of our sales in the United States, country that, we think represents the most profitable and dynamic region of spirits industry. Mexico is our domestic market and also our second largest market in retail sales terms. The Acquisition of Bushmills, position us ahead for a continuous growth of our business outside the American continent.

In Mexico, the United States, Canada, the United Kingdom, the Republic of Ireland and Australia, we control and operate the direct distribution model. Particularly, in Mexico and the United States, the Company maintains the second and ninth largest spirits distribution network per retail value, respectively. In Mexico, we have more than 4,200 points of sales and we manage more than 30 brands (including third-party brands distributed by the Company, such as *Jägermeister* and *The Macallan*) in eight categories. For the countries in which we do not have a direct distribution network, our strategy is to execute distribution agreements per each country, which are exclusive with respect to such brands. In 24 states of the United States, we mainly distribute through associated wholesalers with five relevant distribution companies (Breakthru Beverage Group, Republic National Distributing Company, Southern Glazer's Wine and Spirits, Young's Market Company and Johnson Brothers Liquor Company), in 9 states of the United States we distribute through independent distributors not part to the above referred distribution networks and in the remaining 17 states of the United States, the State controls the spirits distribution.

Our operations are divided in three geographical regions (Mexico, United States and Canada and Rest of the world). In 2021, the United States and Canada accounted for 65% of the retail sales of the Company, and Mexico represented 21% and rest of the world represented 14%.

As of the closing of 2021, we reported a total sales of 25.6 million 9-liter cases. We obtained total sales in the amount of \$39,419 million and a net profit of \$5,034 million and EBITDA in the amount of \$7,938 million (with a margin of EBITDA of 20%). As of December 31, 2021, our total assets accounted for \$95,205 million and our stockholders' equity accounted for \$58,443 million.

COVID-19 Impact

COVID-19 pandemic has influenced our business, financial position and results of operations for the first and second quarter ended as of March 31 and June 30, 2020, respectively, and due to the differences in macroeconomic contexts, as well as affectations or restrictions to consumption due to COVID-19 virus in different regions where we operate, it is difficult to predict the impact on the third quarter and the rest of 2020. Uncertainty with respect to the future behavior of the markets is the most common variable in the industry. Some public companies of spirits have retired their financial and/or operative metric estimates for 2020.

We cannot assure that the banking financing, capital market and other financial market conditions will not be deteriorated as a result of the pandemic; or that access to capital or other financing sources will not be restricted, which could negatively affect the availability and the future credit terms renewals or refinancing. Furthermore, the deterioration of world economic conditions as a result of the pandemic may, in last instance, reduce the demand of our products in our different segments as the clients reduce or postpone the expense.

Social distancing policies like "quédate en casa" and other lockdown policies to reduce the spread of COVID-19 pandemic have been implemented or recommended by the Mexican government entities and other countries of the world, affecting the capacity of employees, suppliers and clients to make our duties and to perform our business as we used to do. The Mexican Government ordered the suspension of all non-essential economic activities from March 30, 2020 to April 30, 2020, and then it extended such suspension until May 30, 2020 for most of the Mexican territory, including the biggest Metropolitan areas. In addition, the federal government has determined a local application signal, to determine for each state and on a weekly basis, the activities to be performed, as well as the applicable restrictions for the development of such activities. Agroindustry is not included in the suspension as it is considered an essential economic activity. Notwithstanding, we have continued operating our essential businesses, promoting the "quédate en casa" policy, if

possible, to adopt safety measures and precaution with our employees. We have adopted strict control and health precautions for our personnel with the need to work on-site in the operation of essential activities.

As a result of the social distancing policies applied or recommended by the Mexican government and other countries of the world, sale of our products has been affected in different channels due to the lack of possibility of some distributors to continue freely selling such products. Finally, we have observed a limitation to the transit of our products throughout the Mexican territory and other countries.

The result of the impact on our business will depend on the duration and extension of the COVID-19 pandemic, as well as the impact of the federal government actions, the state and local governments, and the foreign governments actions, including the continuation of distancing policies or reactivation of such activities in the future, additionally to the consumers' behavior as a response to the COVID-19 pandemic and the already mentioned government actions. Due to the changing and uncertain nature of this situation, we are not able to estimate the total impact that the COVID-19 pandemic will have, but it could have a material adverse effect on our business, our financial position and the results of operations at short, medium or long-term.

Logistics aspects post-pandemic COVID-19

Recently, the World Trade Organization (WTO) generally informed its previsions in connection with trade and international logistics for year 2022, stating that, although the forecasts are elevated and considering that trade and international logistics are close to resume the rhythm prior to the pandemic within a long-term, 2 issues will be recurrent, which have been throughout these last two years: risks of COVID-19 and the issues with the supply chain.

In addition to this, the WTO stated that during year 2021, international trade became a driver of global economy, after it was not reached in the last years, according to the WTO information. Due to the foregoing, 2022 forecasts have been increased.

Other important data provided by the organization is that the risks of such forecasts are low predominantly. However, we have to consider the increase of shipping tariffs, lack of containers and congestions of ports.

Although the world economy recovered in 2021 as the number of contagion was low, it lost strength in the second semester due to the new outbreaks of the pandemic, the bottlenecks in the supply chains, lack of capacity of labor and slowness in the deployment of SARS-CoV-2 vaccines, especially in developing and low income countries.

Interruptions in the supply chain have developed an essential role in the stagnation of world recovery in year 2021. Congestion in maritime transport, along with the shortage of containers and the strong rebound of the demand, once the restrictions related to the pandemic were relaxed, have provoked that producers are obliged to look for components and raw materials everywhere, increasing the pressure on logistic chains moving the goods from one country to other, which exercises a pressure to increase the prices to continue moving such goods.

In addition to the logistic and forecast topics for year 2022 in aspects related to the pandemic, we have a new challenge and tension, derived from the Russia and Ukraine situation, causing high speculation in markets and increases of domestic and international transportation prices, therefore, we will have to follow the impacts that this geopolitical aspect will have, which will be an important scope in the international trade and the supply chain costs.

Economic environment of Mexico and the world

We have operations in more than 85 countries, and we are exposed to the global economic environment. Furthermore, the geographical diversity and markets of our company, favorably position us to face volatility of the world environment, reducing exposure to the behavior of only one geography. In addition, elasticity of alcoholic products to reductions in the economic growth is lower than the elasticity of high rotation consumption products and capital goods.

We have our base in Mexico, but we are a global company, as we are an international business of large dimensions. This protects us from the impacts of the volatility of the Mexican economy, capitalizing then, the strengthening of our main market, the United States of America.

The US economy reduced 3.5% in 2020 and grew at a rhythm of 5.7% in 2021. With respect to the Mexican economy, it decreased 8.5% in 2020 and increased 5.0% in 2021. Both countries showed a recovery versus 2020.

In great extent, this recovery was due to the growth of demand of exportations as a result of the improvement of industrial production in the United States and derived in a growth in many sectors of the Mexican economy.

Basis to present the financial information

Audited Financial Statements of the Issuer

Exhibit 1 hereto includes the audited consolidated financial statements of the Issuer as of December 31, 2021, 2020 and 2019 and for the terms ended on such dates, as well as the notes that include a summary of the significant accounting policies and other explanatory information, which is presented according to the International Financial Report Standards, its adaptation and interpretations, issued by the International Accounting Standards Board.

EBITDA

The Company calculates the EBITDA as a net profit *plus* depreciation and amortization, profit taxes, interest expense, *minus* interest income, plus (minus) loss (profit) in changes, net, minus profit in joint business sale and plus loss in associated interest.

EBITDA is presented as it shows an appropriate measure of the ability of the debt service of the Company, although it is not recognized under the IFRSs. Even when such measurement provides a useful information, EBITDA should not be considered as an alternative item of (i) the net profit of the Company, by assessing its operative performance, or (ii) the cash flows generated by the operations of the Company, by assessing its liquidity.

We think that EBITDA facilitates the comparison of our operative performance in combined terms in different periods, but it is possible that we calculate this item distinctly from other issuers, as the comparability may be affected.

Currency, Exchange Rate and Other Data

Except, otherwise stated, the financial information included in this Report is stated in Mexican Pesos. This Report includes the translations of amounts in US Dollars, Canadian Dollars, Australian Dollars, Euros and Pound Sterling, to Mexican Pesos, at the exchange rate exclusively for reading purposes. These translations should not be construed as a statement in the sense that the amounts denominated in US Dollars, Canadian Dollars, Australian Dollars, Euros and Pound Sterling

effectively amounts the corresponding amounts in Mexican Pesos or that may be converted to Mexican Pesos currently or in the future, at such exchange rates.

Except otherwise stated, the conversion used for translation purposes are: (i) with respect to any information included in any of the consolidated statements of financial position included in this Report and (ii) with respect to the financial information other than that included in any of the consolidated statements and financial position included in this Report the average exchange rate for the relevant period, both items according to the following table:

	Average exchange rate			Exchange rate at the closing		
	2021	2020	2019	2021	2020	2019
U.S. Dollar	\$ 20.2813	\$ 21.4887	\$ 19.2968	\$ 20.5835	\$ 19.9487	\$ 18.8452
GBP	27.9097	27.5149	24.5813	27.6367	27.1270	24.8262
Euro	24.0032	24.4900	21.5590	23.1730	24.4702	21.2155

Except otherwise stated, when the figures included in this Report are stated in thousands, millions or billions of Mexican Pesos, US Dollars or Pound Sterling, all the amounts below to one thousand, one million or one billion, as the case may be, are rounded up. All the percentages are rounded up to one percent, the tenth of one percent to one hundredth of one the closest one percent, as the case may be. It is possible that in some cases the amounts and the percentages in the tables included in this Prospectus are not exactly summed up as they are rounded up.

Net sales

Our net sales were made in the currencies of each market.

The following table shows the volume, the net sales and the corresponding growth rate of the Company in our different geographic regions as of the closing of year 2021, 2020 and 2019:

Volume - Region (thousands of 9-liter cases)	As of December 31,		
	2021	2020	2019
Total	25,557	23,655	22,317
<i>Growth %</i>	<i>8.04%</i>	<i>6.00%</i>	<i>4.90%</i>
United States	15,791	15,230	12,460
<i>Growth %</i>	<i>3.68%</i>	<i>22.20%</i>	<i>3.70%</i>
Mexico	6,731	6,238	7,297
<i>Growth %</i>	<i>7.90%</i>	<i>-14.50%</i>	<i>8.20%</i>
Rest of the World	3,035	2,187	2,560
<i>Growth %</i>	<i>38.77%</i>	<i>-14.60%</i>	<i>1.70%</i>

Net Sales - Region (figures in thousands of Mexican pesos)	As of December 31,		
	2021	2020	2019
Total	39,419,400	35,036,139	29,704,781
<i>Growth %</i>	12.5%	17.9%	4.9%
United States	25,775,770	24,630,618	18,513,817
<i>Growth %</i>	4.6%	33.0%	2.8%
Mexico	8,234,250	6,604,460	7,248,229
<i>Growth %</i>	24.7%	-8.9%	15.8%
Rest of the World	5,409,380	3,801,061	3,942,735
<i>Growth %</i>	42.3%	-3.6%	1.6%

Cost of sales

We manufacture our products in Mexico, Northern Ireland and the United States.

The main components of the cost of sales of our Company are:

- Raw materials:
 - Own Agave (rent of land, labor and fertilizers), which are quoted in Mexican Pesos.
 - Water, electricity, Agave and sugar for Tequila, which are quoted in Mexican Pesos.
 - Water, electricity, barley and grain broth for Irish whiskey, which are quoted in Pound Sterling.
 - Water, electricity, grain and grain broth for American whiskey, which are quoted in US Dollars.
 - Casks for aging for tequilas, whiskeys and rums, which are mainly quoted in US Dollars.
 - Packaging material (glass, caps, labels and corrugated boxes), which are mainly quoted in the local currency of the bottling companies, respectively.
- General expenses (distilleries and bottling factory expenses), these expenses are incurred in the local currency of the bottling companies, respectively; and
- Other manufacturing expenses.

As of December 31,			
(Figures in thousands of Mexican pesos)	2021	2020	2019
Net Sales	39,419,400	35,036,139	29,704,781
<i>Growth %</i>	12.5%	17.9%	5.5%
Cost of Sales	18,145,221	16,790,114	14,039,147
<i>As % of sales</i>	8.1%	47.9%	47.3%
Gross Profit	21,274,179	18,246,025	15,665,634
<i>Margin %</i>	54.0%	52.1%	52.7%
<i>Growth %</i>	16.6%	16.5%	-3.2%

Operation expenses

We operate decentralized distributors in Mexico, United States, Canada, the United Kingdom, the Republic of Ireland and Australia. For the rest of the markets, we directly export to third party distributors. The tequila is exported from Mexico, the Irish whiskey is exported from Northern Ireland and the Proximo brands are exported from the United States. Most of the expenses are incurred in the local currency of each distributor.

The main components of the sales, development and administration expenses of the Company are:

- Distribution expenses (freight and storage): Such expenses incurred by the Company related to the delivery of products to its clients; and
- Investment in advertising (publicity, marketing and promotion): These are the expenses of investment in the brands, including expenses in advertising, consumption in marketing, market research, public relations, trade supermarkets, trade wholesalers, institution relations, consumption centers and expenses of sale, marketing and administration (salaries, bonds and expenses).

Year ended as of December 31,			
(Figures in thousands of Mexican pesos)	2021	2020	2019
General Expenses			
Advertising, marketing and promotion	8,688,949	6,688,049	6,424,715
Distribution	2,028,053	1,379,692	1,040,914
Sale	1,417,221	1,404,296	1,195,568
Administration	2,073,675	1,972,970	1,754,087
Other expenses (income), net	-54,921	-91,595	-159,790
Total general expenses	14,152,977	11,353,412	10,255,494
<i>Growth %</i>	24.7%	10.7%	-3.6%
<i>As % of sales</i>	35.9%	32.4%	34.5%

Expenses and Interest Income, Changes and Exchange Rate

The Company generates Mexican Pesos, US Dollars, Canadian Dollars, Australian Dollars, Euro and Pound Sterling for the sales to its clients and incurs in expenses of local inputs as previously explained.

In Mexico, the Company consumes all the Mexican Pesos generated for sales to finance the transactions in Mexico and occasionally it must be complemented exchanging US Dollars to Mexican Pesos to pay local expenses or working capital. Therefore, the Company maintains, in most of the cases, a short position in Mexican Pesos and a long position in foreign currency, mostly in US Dollars. In Europe, the Company consumes Pound Sterling in the production and distribution of products and Euro and Pound Sterling in investments in advertisement and management expenses. The Company maintains the exceeding amount of Pound Sterling and Euros generated from the exports of whiskey in the Republic of Ireland. Exceeding amounts of cases generated for exports of tequila are maintained in the US. Therefore, the Company is naturally covered in the event of exchange fluctuations.

The income of finance expense of the Company is comprised of:

- Interests expense mainly related to the amount of principal of the contracted debt and the current interest rates;
- Interest income collected from exceeding amounts of cash, as well as interests generated for the investments of the Company; and
- Earnings (loss) for exchange rate, net, including net earnings or losses related to the movements of exchange rate of foreign currency.

Year ended as of December 31,

(Figures in thousands of pesos)	2020	2020	2019
Interest income	\$ -250,671	\$ -143,666	\$ -191,321
Interest expense	698,707	544,809	528,551
Changes in fair value of financial instruments	-	-303,739	-
Loss in changes, net	-234,440	-58,997	-74,461
Total	213,596	38,407	262,769

Taxes

The sale of alcoholic beverages is subject to various sales, value added, excise and special taxes on import and income tax.

In Mexico, applicable value added, general tax on the import and excise taxes, both federal and statewide, are ad valorem and paid against our cash flows. The taxes arise upon invoicing and are payable when payment is collected. The income tax is calculated based on the accrual, invoicing, and/or collection, whichever happens first. The current value added tax rate is 16% and the excise tax rate is 53% for alcoholic beverages with 20% ABV (alcohol by volume) proof and higher, at federal level, and 4.5% at the state level, while the income tax rate is 30% on taxable income.

In the United States, states impose various sales taxes that are generally incurred by consumers upon retail purchase, and excise taxes are further imposed at both the federal and state levels. Such excise taxes typically are based on the alcohol content of the relevant product. The income tax is calculated based on invoicing and applies at both the federal and state levels. The sales

tax rate varies from state to state but generally ranges from 4.5% to 9.5%. For income tax, it is accrued at a rate of 21% at the federal level and an average rate range of 2.5% and 12% at the state level.

In the United Kingdom and the Republic of Ireland, value-added taxes are incurred upon invoicing and excise taxes are based on the alcohol content of the relevant products, whereas the income tax is based on billing. The income tax in England is 19% on taxable income and in the Republic of Ireland is 12.5% on taxable income for 2021 and 15% for 2022.

In Australia, the sales and service tax is incurred upon invoicing, the same as the income tax, and they are calculated by applying the rates of 10% to sales value and 30% to taxable income, respectively.

The main component of our tax expense consists of income tax in Mexico. Our tax expense is integrated by income tax incurred and deferred, calculated pursuant to the requirements of International Accounting Standards 12 – “Income Taxes,” in which the said Standards form part of the accounting framework of the IFRS, and IFRIC 23 rules of interpretation in force as of 2019, as explained in more detail in Note 18 to our financial statements.

Deferred tax represents the effects of income taxes that will be reversed for or by us in the years in which applicable deductible and taxable temporary differences materialize, respectively.

(Figures in thousands of pesos)	As of December 31,		
	2021	2020	2019
Profit tax			
On tax base	\$ 3,531,508	\$ 1,152,059	\$ 796,393
Deferred	(1,657,765)	550,102	633,128
Total profit tax	\$ 1,873,743	\$ 1,702,161	\$ 1,429,518
As % of Profit Before Taxes	27.13%	24.8%	27.8%
<hr/>			
Net Profit	\$ 5,033,863	5,152,044	3,717,853
As % of Net Sales	12.77%	14.7%	12.5%

EBITDA

Below there is a net profit (loss) conciliation to EBITDA for years ended as of December 31, 2021, 2020 and 2019:

EBITDA		for years ended as of December 31, 2021, 2020 and 2019 (Thousands of Mexican Pesos (\$))		
		As of December 31,		
		<u>2021</u>	<u>2020</u>	<u>2019</u>
	Net profit	\$ 5,033,863	\$ 5,152,044	\$ 3,717,853
Plus:	Depreciation and amortization	816,969	714,459	685,425
Plus:	Profit tax	1,873,743	1,702,162	1,429,518
Plus:	Interest expense	698,707	544,809	528,551
Minus:	Interest income	250,671	143,666	191,321
Minus:	Changes in fair value of financial instruments	-	303,739	-
Plus/Minus:	Loss (profit) in changes, net	(234,440)	(58,997)	(74,461)
Minus:	Profit in sales of joint business	-	-	-
Plus:	Loss in associated participation	-	-	-
	EBITDA	<u>7,938,171</u> 20%	<u>7,607,072</u> 22%	<u>6,095,565</u> 21%

i) Operating results

Results for year ended as of December 31, 2021 compared with the year ended as of December 31, 2020 y 2019.

(Figures in thousands of pesos)		As of December 31,		
		2021	2020	2019
Net sales	\$	39,419,499	\$ 35,036,139	29,704,781
Sale cost		18,145,221	16,790,114	14,039,147
Gross profit		21,274,179	18,246,025	15,665,634
Expenses		14,152,977	11,353,412	10,255,494
Operating profit		7,121,201	6,892,613	5,410,140
Financing comprehensive income		213,596	38,407	262,769
Loss in associated participation		-	-	-
<i>Profit before profit taxes</i>		6,907,606	6,854,206	5,147,371
<i>Net profit</i>		5,033,862	5,152,044	3,717,853

Net sales

For the year 2021, we recorded net sales in the amount of Ps.\$39,419 million, representing a growth of 12.5% in comparison with the previous year.

In terms of net sales, US and Canada grew 4.6% with respect to the previous year. The net

sales in this region represented 65% of the total net sales value of the Company in 2021. Mexico represented 21% of the total net sales and obtained a growth of 25% in comparison with 2020. The Rest of the World region represented 14% of the total net sale and obtained a growth of 42%.

The dynamism of the US market was due to the performance of our brands 1800, Maestro DOBEL, Gran Centenario, Kraken and Bushmills which grew in terms of sales above the average growth of our sales in the region.

In 2021, Jose Cuervo brand dominated our portfolio with 34% of the total net sales and obtained a growth of 6.1% in comparison with the previous year, due to the strengthening of our brands in the more dynamic regions for the tequila category in the World. Our other tequila brands grew 27.9% and represented 29.6% of total net sales.

The sum of our Other Alcoholic Beverages grew in 2021 19.5% in comparison with the previous year and represented 22% of the net sales of the year. Due to the strategy of the Company in different categories of distilled alcoholic beverages, highlighting the growth in Irish whiskey and American whiskey. We think that the general growth of our portfolio is because it is present in one of the most dynamic categories in the regions with most growth in the world, driven by the constant strategic investment of resources in our brands.

The following table shows the volumes, sales and growths of categories and regions:

Family	Volume (Thousands of 9-liter cases)				Net Sales (Figures in millions of Mexican pesos)					
	2021	% Growth	2020	% Growth	2019	2021	% Growth	2020	% Growth	2019
José Cuervo	7,909	8.0%	7,325	0.4%	7,296	\$ 13,555	6.1%	\$ 12,771	19.4%	\$ 10,697
1800	2,289	22.2%	1,873	24.5%	1,504	6,766	24.3%	5,444	38.8%	3,921
Other Tequilas	2,242	20.3%	1,863	-10.0%	2,069	4,910	33.2%	3,686	4.0%	3,543
Tequila Portfolio	12,440	12.5%	11,061	1.8%	10,869	\$ 25,231	15.2%	\$ 21,901	20.6%	\$ 18,161
Bushmills	934	22.1%	765	-6.1%	815	\$ 1,772	25.5%	\$ 1,412	5.1%	\$ 1,343
Kraken	951	6.3%	895	8.1%	828	1,696	12.6%	1,506	16.0%	1,298
Other alcoholic beverages	2,874	7.1%	2,684	-4.4%	2,808	5,161	20.0%	4,302	4.3%	4,125
Non-Tequila Portfolio	4,759	9.6%	4,344	-2.4%	4,451	\$ 8,629	19.5%	\$ 7,220	6.7%	\$ 6,766
Ready to drink cocktails	4,878	-0.2%	4,890	59.1%	3,074	\$ 4,175	-6.7%	\$ 4,473	78.3%	\$ 2,509
Non-alcoholic beverages and others	3,430	3.6%	3,360	-14.3%	3,922	1,384	-4.0%	1,442	-36.5%	2,270
Total	25,557	8.0%	23,655	6.0%	22,316	\$ 39,419	12.5%	\$ 35,036	17.9%	\$ 29,706
USA	15,791	3.7%	15,230	22.2%	12,460	\$ 25,776	4.7%	\$ 24,630	33.0%	\$ 18,514
Mexico	6,731	7.9%	6,238	-14.5%	7,297	8,234	24.4%	6,619	-8.7%	7,248
Rest of the World	3,035	38.8%	2,187	-14.6%	2,560	5,409	42.8%	3,787	-4.0%	3,943
Total	25,557	8.0%	23,655	6.0%	22,317	\$ 39,419	12.5%	\$ 35,036	17.9%	\$ 29,705

Cost of sales

For the year 2021, the cost of sales increased 8.1% with respect to the same period of the previous year, and the sales increased in 12.5%. Mainly showed by the increase in the agave prices in the cost of sale and in lesser extent in depreciation of Mexican pesos to US Dollars, with an impact in our net sales. For the year 2020, the cost of sales increased 19.6% with respect to the same period of the previous year, as long as the sales increased 17.9%. Mainly showed by the increase in the agave prices in the sales cost and in lesser extent in the appreciation of the Mexican Pesos to US Dollar with an impact in our net sales.

Gross profit

During 2021, gross profit amounted to Ps.\$21,274 million, which represented an increase of 16.6% as compared to 2020. During 2021, the cost of sales increased 8.1% with respect to the previous year. Mainly showed by the increase in the agave prices in the cost of sales and in lesser

extent the depreciation of Mexican pesos to US Dollar impacting our net sales.

During 2020, the gross profit amounted to Ps.\$18,246 million, which represented an increase of 16.5% with respect to 2019. During 2020, the cost of sales increased 19.6% as compared to the previous year.

General Expenses

As of the closing of 2021, the General expenses increased in 24.7% as compared to 2020, this increase is mainly showed by advertising, marketing and promotion expenses, as well as the increase of distribution and administration expenses.

As of the closing of 2020 the General expenses increased in 10.7% as compared to 2019, this increase is mainly showed by the distribution expenses, as well as the increase of expenses of sales, administration and marketing.

Operating Profit

Due to the foregoing, the operating profit of 2021 amounted to Ps.\$7,121 million, which represented an increase of 3.3% with respect to the previous year.

Due to the foregoing, the operating profit of 2020 amounted to Ps.\$6,893 million, which represented an increase of 27.4% with respect to the previous year.

Financing Result

Our financing result includes interest income mainly for the Bond issued in 2015 (Notes 2025) and for the new Notes 2031, as well as the exchange fluctuation which is the result of converting transactions and balances in foreign currency to other currency and due to the increase of change in the fair value of financial instruments. And the hedge effect of Ps.\$317,400,000.

Profit Tax

In 2021 the effective rate of profit tax increased to 27.1%. The decrease of 2.9 percentage points in connection to the statutory rate of 30% applicable in Mexico is mainly derived from the following permanent items which nature is not expected to be reverted in the future: (i) tax profits pending to be amortized, (ii) credits for taxes paid abroad, (iii) Other.

In 2020 the effective rate of profit tax increased to 24.8%. The decrease of 5.2 percentage points in connection to the statutory rate of 30% applicable in Mexico is mainly derived from the following permanent items which nature is not expected to be reverted in the future: (i) Non-deductible expenses, and on the other hand, the effective rate benefited by, (ii) deductible inflationary losses, (iii) combination effect of statutory rates of foreign jurisdiction, and (iv) Other.

Net Profit

Due to the provisions mentioned above, in 2021 the net profit amounted to Ps.\$5,034 million, lesser than the reported amount in 2020 Ps.\$5,152 million and more than the reported amount in 2019 Ps.\$3,718 million. Due to that mentioned above, in 2020 the net profit amounted to Ps.\$5,152 million, more than the reported amount in 2019 Ps.\$3,718 million and in 2018 in the amount of Ps.\$4,025 million.

ii) Financial Position, Liquidity and Capital Resources

Liquidity and Capital Resources as of December 31, 2021

Our cash net flow for the operating activities amounted to Ps.\$4,339 million for the year ended

as of December 31, 2021. Such cash flow was mainly generated by the increase of working capital in accounts receivable, inventories and payments of profit tax.

The net cash used in investment activities amounted to (Ps.\$5,657) million, mainly for the investment in fixed assets, intangible assets and investment in associated and joint business.

The net cash generated in financing activities during year ended as of December 31, 2021 amounted to Ps.\$5,985 million mainly derived from issued senior notes, received loan, payment of dividends, payment of interests, payment of loans and payment of lease.

For year 2021, the increase in cash and cash equivalents amounted to Ps.\$4,666 million and the cash and cash equivalents as of the closing was Ps.\$12,791 million. Read the Company's Audited Financial Statements for better information on liquidity and our capital resources.

Liquidity and Capital Resources as of December 31, 2020

Our net cash flow for the operating activities amounted to Ps.\$3,745 million for year ended as of December 31, 2020. Such cash flow was mainly generated by the increase of working capital in inventories, accounts receivable and payment of profit tax.

The net cash generated in investment activities amounted to (Ps.\$5,070) million, mainly for the investment in fixed assets and investment in associated and joint business.

The net cash used in financing activities during year ended as of December 31, 2020 amounted to (Ps.\$1,318) million mainly derived from the payment of dividends, payment of interests, payment of lease and repurchase of shares.

For year 2020, decrease in cash and cash equivalents amounted to Ps.\$(2,642) million as long as the cash and cash equivalents as of the closing amounted to Ps.\$7,646 million. Read our Audited Financial Statements for better information on liquidity and our capital resources.

Liquidity and Capital Resources as of December 31, 2019

Our net cash flow for the operating activities amounted to Ps.\$2,369 million for year ended as of December 31, 2019. Such cash flow was mainly generated by the increase of working capital in inventories, accounts receivable and payment of profit tax.

The net cash generated in investment activities amounted to (Ps.\$1,758) million, mainly for the investment in fixed assets.

The net cash used in financing activities during year ended as of December 31, 2019 amounted to (Ps.\$2,609) mainly derived from the payment of dividends, payment of interests, and repurchase of shares.

For year 2019, decrease in cash and cash equivalents amounted to Ps.\$(1,998) million as long as the cash and cash equivalents as of the closing amounted to Ps.\$9,628 million.

Read our Audited Financial Statements for better information on liquidity and our capital resources.

Cash policy

Our liquidity derives from sold goods to our clients in normal business activities, which is presented in an approximate period of 90 days following the sale, less the resources used for the construction of inventory and payment to providers both for commercial and administrative activities.

Policies regulating the treasury

The main responsibility of the treasury department consists in the identification, assessment and coverage of the financial risks cooperating with our business units. In addition, the treasury department uses the resources generated by the Company in normal operation activities, and is in charge of managing such resources to guarantee, in the extent possible, to have the sufficient liquidity to comply with its obligations when they expire, both in normal conditions and under stress conditions, without incurring in additional financial costs or without the risk of damaging the Group's name.

Monetary Resources

We maintain our resources both in domestic currency and in foreign currency. The position of resources in foreign currency represents most of our resources, as the majority of the operations are originated from the sales abroad, specifically in the United States of America, which provides a natural coverage of our obligations in US Dollars, and other currencies, with the flows received from our sales in such currencies.

Dividends

During the year ended as of December 31, 2021, dividends in the amount of Ps.\$1,546 million were paid.

During the year ended as of December 31, 2020, dividends in the amount of Ps.\$1,106 million were paid.

During the year ended as of December 31, 2019, dividends in the amount of Ps.\$1,962 million were paid.

Capital Expenditures

Our internal policy is to make capital investments in order to maintain and continuously improve our distillery and bottling facilities in line with technological development, as well as the most rigorous standards to ensure the efficient and sustainable operation.

For years 2021, 2020 and 2019, the investment expenditures in property, plant and equipment amounted to Ps.\$2,197 million, 3,544 million and \$2,038 million, respectively.

During such period, we continued with the modernization program of our distillery and bottling facilities in Mexico and the US. In Mexico, we performed the construction of a new manufacturing facility. We acquired a new agricultural equipment, transportation equipment and computer

equipment, and we expanded the capacity of storage of barrels, purchasing the corresponding barrels. In the United States, we adapted and expanded the storage capacity of barrels in Colorado and Pine Island facilities, and in addition we included the Kentucky facilities. In Northern Ireland, a new distillery facility was built and we expanded the storage capacity of barrels, acquiring the corresponding barrels.

iii) Internal control

We take seriously the application of internal controls guaranteeing the operation of the company and the appropriate use and maintenance of material, intangible and monetary resources. We have the policies and procedures, an authorization matrix, a letter of conflict of interests, a code of conduct and an ethical line administered by an independent third party.

We have adopted the internal control policies and procedures designed to provide clarity and facility in the financial information flow to prepare the financial statements. We think that our efficient organizational structure provides us the necessary tools to accurately and effectively apply such internal control policies and procedures.

The internal control and procedures policies of the subsidiaries are authorized by the CEO and by the Functional Directions in charge of complying with the organizational and business purposes of each of them. Such policies and procedures promote the clear and correct information flow to prepare the financial information of each subsidiary individually and on a consolidated basis.

Our different operation processes are subject to internal periodic audits. The responsible party of the internal audit of the Company will periodically report to the Audit and Corporate Practices Committee providing to the Administration the reasonable assurance that the operations are subject to, and comply with the rules established by the administration and that the financial statements comply with the IFRS. The matters detected at the subsidiary and the Company's Entities level are analyzed and solved by the corresponding officers.

Quantitative and Qualitative Information with respect to Market Risks

Financing is mainly contracted for acquisitions and specially for investment project or working capital, and such credits are asked in US Dollars to coincide the balance and the flows in excess of the cash of the Company with contracted indebtedness.

As of this date, the Company has not contracted any type of instrument derived from the hedge of exchange risks and/or interest rates. We think that we have a natural hedge due to the origin and geographical position of our sales, as well as the operating expenses.

All the excess of cash are in Mexican Pesos, US Dollars, Pound Sterling and Euro. The excess of cash in US Dollars are deposited in accounts in international banks and are invested in short-term instruments.

The main assets and operations of the Company are insured, based on the advisory of brokers and international insurance companies.

E) ESTIMATES, PROVISIONS OR CRITICAL ACCOUNTING RESERVES

To prepare the Financial Statements and based on the IFRS, it is necessary to make some estimates of events that are not susceptible to be quantified exactly, and that affect different captions or accounts. The estimates include elements of opinion with certain uncertainty and materiality and, therefore, they may be considered critical. The estimates may be modified in the future for change in the election of assumptions to determine the estimates or the economic environment.

The most important estimates are the inventory reserves and accounts receivable, benefits of employees at retirement, useful life of property, machinery and equipment, impairment of long-life assets and intangible assets, contingencies.

We have adopted the IFRS 9 “Financial Instruments” and 15 “Incomes from Agreements with Clients” prospectively, recognizing the effect of initial adoption of this standard as from January 1, 2018. The IFRS 9 replaces the model of “incurred loss” with a model of “expected credit loss”.

Under the IFRS 15 the amount of the estimate of expected returns, as of the date of the financial statements, is updated in the assets and liabilities, accordingly.

Below, there are the estimates that we think that due to the uncertainty extent in the future, it may have a significant effect on the financial information.

1- Recognition of assets for deferred taxes

The opinion by the administration is used to determine if it is required an estimate on recoverability of assets for deferred taxes. The management is also responsible for estimates of corporate taxes payable or receivable. The Company must calculate the income tax in each of the jurisdictions in which it operates. The administration must calculate the amount to be recognized as liabilities or assets taxes in many countries subject to tax audit that due to its nature are complexed and many years may pass to be resolved. The tax calculations and the tax provisions are based on the opinion and interpretation of the administration of the tax legislation of each country and the payment probability. However, actual tax liabilities may differ from provision and, if any, the Company would have the obligation to make an adjustment in a further period that may have a significant impact on the accrued profits of the Company for such year. The assessment of recoverability of assets for deferred taxes requires to make opinions with respect to the availability of accruable future income based on forecasts from 3 to 5 years.

2- Business combination – assignment of purchase price

For business combinations, IFRS requires to make a calculation of the fair value assigned to the purchase price at fair value of the acquired assets and liabilities. Any difference between the paid consideration and the fair value of the net assets identified and acquired, is recognized as goodwill or income in results, if it is a very low price. The calculation of the fair value is made as of the acquisition date.

Due to the nature of the fair value on the acquisition date, the assignment of the purchase price and the measurements of the fair value require significant opinions based on extensive opportunities of complexed variables as of the acquisition date. The Company’s administration uses all the available information to make decisions on the fair value.

3- Estimates of recoverable value of trademarks and other intangible assets with indefinite life

We assess the recoverable value of intangible assets with indefinite life at the end of each period. This assessment is performed with different annual impairment tests or if there are impairment signs. The determination of the recoverable value of intangible assets with indefinite life implies important judgments, such as the estimate of future results and the discount rate applied to forecasts. The Company's management thinks that the forecasts used to determine the recoverable value reasonably reflects the economic conditions prevailing in the Company's operating environment.

4- Determination of Fair Value of biological assets

IAS 41 requires all biological assets to be carried out by using a fair value calculation that requires the administration makes judgements and assumptions. We consider that our mature biological assets can be measured at its fair value using the income approach, considering that the only existing market is for plants that have attained harvestable specifications, featured by sugar content yield and average weight.

The Agave Azul grows at different rate and there can be considerable spread in the quality and weight of plants, that affects the price. In addition, giving the trends of the agave prices there could be times with more demand than plants available and the opposite, which can increase/decrease the prices and, therefore, the fair value. The maturity cycle of agave ranges between six and eight years; based on this, we consider that, on average, a plant with more than five years is susceptible to be harvested or marketed and, accordingly, such plants are measured at fair value with the methodology previously explained.

Our immature biological assets are counted at historical cost, which approximates fair value, given that the price that would be paid for immature biological assets would be very similar. For mature biological assets, a variation of +/- 1% in a discount rate or a variation of +/- 10% of the purchase price would be insignificant.

5- Determination of the Lease Term

In determining the lease term, the management considers all the facts and circumstances that create an economic incentive to exercise an extension option. The extension options (or periods after termination options) are only included in the lease term if there is the reasonable certainty that the lease would be extended (or not terminated). For the land leases of agave plantations, lease terms are aligned with the estimated harvest period.

6- Acquisitions not qualified as a business combination according to IFRS

The IFRS provides us a specific guide in the cases the investors obtain a control on an existing associated company not complying with the definition of a business. The administration determined that an acceptable treatment is to account an existing associated company applying a cost accumulation approach.

4) MANAGEMENT

A) INDEPENDENT AUDITORS

The Financial Statements of the Company as of December 31, 2021, 2020 and 2019 for the years ended as of such date included in this report were audited by PricewaterhouseCoopers, S.C., according to the International Auditing Standards according to in the provisions of the audit report included in this Report.

The independent auditors were appointed by the Company based on a study of experience and service quality, chosen by decision of the Board of Directors, prior favorable opinion of the Audit and Corporate Practices Committee along with the Board of Directors and the independent auditors.

During the existence of the Company, the independent auditors have no issued an opinion with errors, or a negative opinion, and they have refrained to issue an opinion on the Company's Audited Financial Statements.

The services other than audit services amounted to Ps.\$1,263,255, and were approved by the Audit and Corporate Practices Committee of the Company.

B) TRANSACTIONS WITH RELATED PARTIES AND CONFLICTS OF INTEREST

In the ordinary course of our business and in the future, we may engage different transactions with our shareholders and with companies owned or controlled, directly or indirectly, by us or our majority shareholders, subject to the approval of the Board of Directors. In addition, according to the corporate by-laws and the Securities Market Law, the transactions with related parties are reviewed by the Audit and Corporate Practices Committee, which is comprised of independent members.

Pursuant to the Securities Market Law and the corporate by-laws, the Board of Directors has the following obligations related to transactions between related parties: (i) to approve the guidelines for the use and enjoyment of the assets that comprise our holdings and the legal entities that we control by related parties; (ii) to approve, individually, transactions with related parties, apart from certain exceptions that will not require the approval of the Board of Directors; (iii) to establish guidelines in connection with the granting of any type of loans or guarantees to Related Parties; and (iv) granting of dispersions to the members of the Board of Directors, relevant officers or individuals with the authority in order to take advantage of business opportunities for themselves or in favor of third parties, which initially belong to us or the legal entities that we control or over we have significant influence.

For the Securities Market Law, "Related Parties or Related Persons" means the parties that with respect to the corresponding company, comply with the following criteria: (i) parties controlling or having a significant influence on a legal entity part of a business group or consortium in which the issuer is a party, as long as the members of the Board of Directors and relevant directors of the members of such group or consortium; (ii) the individuals with the power of a legal entity part of a business group, part of the issuer; (iii) the spouse or partners and the parties with a kindship of consanguinity or civil relation up to fourth extent or by affinity up to third extent with individuals in any of the assumptions mentioned in paragraphs (i) and (ii) above, as well as the partners and associates of such individuals mentioned in such paragraphs with a business relations; (iv) legal entities part of a business group or consortium in which the issuer is a party; and (v) legal entities on which there is a person referred to in paragraphs (i) to (iii) above, exercising a control or significant influence.

As we often have transactions with related parties, we generated a top-level authorization matrix allowing to: (i) to make such transactions, (ii) in market conditions, (iii) free from conflict of interest, and (iv) complying with the applicable stock law. Due to the foregoing, the Board of Directors recently approved, previously approved by the Audit and Corporate Practices Committee, the Policy with respect to transactions with related parties.

In addition, we think that all these transactions with related parties have been performed in the normal course of operations of business, under the terms and conditions between no related parties. The terms of these transactions and services are not less favorable than those offered by the non-related parties, and the Company has access to other material sources and services, in the event the related parties cease to offer such services in competitive terms.

As of December 31, 2021, we have executed other transactions with related parties in our ordinary course of business during such period.

Below there is a table with the summary of accounts receivable and payable with related parties:

	December 31,			
	2021 (US)	2021 (Ps)	2020 (Ps)	2019 (Ps)
Accounts receivable:				
Virginia Black	\$ 319	\$ 6,567	\$ -	\$ -
Shareholders	276	5,687	42,415	26,391
Desarrollo Inmobiliario Polanco, S.A. de C.V.	63	1,290	-	-
Other	31	630	14,799	76,903
	<u>\$ 689</u>	<u>\$ 14,174</u>	<u>\$ 57,214</u>	<u>\$ 103,294</u>
Accounts payable				
Maison Villevert SAS	\$ 2,812	\$ 57,881	\$ 40,018	\$ -
Eire Born Spirits, LLC.	-	-	124,586	43,301
Aeroservicios Ejecutivos Corporativos, S.A. de C.V.	-	-	4,344	11,467
Other	627	12,906	603	13,614
	<u>\$ 3,439</u>	<u>\$ 70,787</u>	<u>\$ 169,551</u>	<u>\$ 68,382</u>

Below we have a summary of the main transactions with related parties:

	Year ended as of December 31,			
	2021 (US)	2021 (Ps)	2020 (Ps)	2019 (Ps)
Earnings:				
Servicios administrativos				
Eire Born Spirits, LLC. (2)	\$ 3,894	\$ 80,142	\$ 200,901	\$ -
Salsas de Jalisco Cacu, S. A. de C. V. (1)	-	-	29,795	27,390
Other (1)	649	13,362	14,776	7,445
	<u>\$ 4,543</u>	<u>\$ 93,504</u>	<u>\$ 245,472</u>	<u>\$ 34,835</u>
Sale of finished products:				
Ron Matusalem & Matusa of Florida, Inc. (1)	\$ 893	\$ 18,380	\$ 11,217	\$ 13,805
Other (1)	4	82	128	242
	<u>\$ 897</u>	<u>\$ 18,462</u>	<u>\$ 11,345</u>	<u>\$ 14,047</u>
Interest income:				
Taberna del Tequila, S. A. de C. V. (1)	\$ 3	\$ 61	\$ 113	\$ 125
Rones del Caribe, S. A. de C. V. (1)	-	-	1,001	1,260
	<u>\$ 3</u>	<u>\$ 61</u>	<u>\$ 1,114</u>	<u>\$ 1,385</u>

	Year ended as of December 31,			
	2021 (US)	2021 (Ps)	2020 (Ps)	2019 (Ps)
Expenses:				
Servicios administrativos:				
Grupo Consultoría Santa Fe, S. A. de C. V. (1)	\$ 54	\$ 1,114	\$ 5,040	\$ 5,040
Tequila Espíritu de México, S. A. de C. V. (1)	-	-	1,097	-
Ron Matusalem & Matusa of Florida, Inc. (1)	-	-	-	1,167
Administración Acuario, S. A. de C. V. (1)	-	-	-	940
	<u>\$ 54</u>	<u>\$ 1,114</u>	<u>\$ 6,137</u>	<u>\$ 7,147</u>
Purchase of finished product:				
Ron Matusalem & Matusa of Florida, Inc. (1)	\$ 1,491	\$ 30,698	\$ 22,568	\$ -
Salsas de Jalisco Cacú, S. A. de C. V. (1)	-	-	-	275,616
	<u>\$ 1,491</u>	<u>\$ 30,698</u>	<u>\$ 22,568</u>	<u>\$ 275,616</u>
Expenses for royalties:				
Rones Habanos, S. A. de C. V. (1)	\$ 376	\$ 7,733	\$ 6,594	\$ 8,768
Eire Born Spirits, LLC. (2)	-	-	290,172	87,185
Taberna del Tequila, S. A. de C. V. (1)	-	-	40,521	-
	<u>\$ 376</u>	<u>\$ 7,733</u>	<u>\$ 337,287</u>	<u>\$ 95,953</u>
Lease expenses				
Desarrollo Inmobiliario Polanco, S. A. de C. V. (1)	\$ 1,880	\$ 38,693	\$ 43,986	\$ 90,463
Inmuebles Rústicos Santo Domingo, S. A. de C. V. (1)	384	7,905	7,553	14,751
Bienes Inmuebles de Tequila, S. A. de C. V. (1)	95	1,952	1,866	1,801
	<u>\$ 2,359</u>	<u>\$ 48,550</u>	<u>\$ 53,405</u>	<u>\$ 107,015</u>
Received services:				
Aeroservicios Ejecutivos Corporativos, S. A. de C. V. (1)	\$ 1,095	\$ 22,540	\$ 81,335	\$ 110,988
Tequila Espíritu de México, S. A. de C. V. (1)	1,012	20,826	4,387	-
Desarrollo Inmobiliario Polanco, S. A. de C. V. (1)	366	7,534	6,559	6,281
Administración Acuario, S. A. de C. V. (1)	137	2,815	6,218	7,573
Grupo Consultoría Santa Fe, S. A. de C. V. (1)	69	1,411	3,697	2,343
Eire Born Spirits, LLC. (3)	-	-	6,976	654
	<u>\$ 2,678</u>	<u>\$ 55,126</u>	<u>\$ 109,172</u>	<u>\$ 127,839</u>
Interest expense:				
Destilería Todos Santos, S. A. de C. V. (1)	\$ -	\$ -	\$ 273	\$ -

(1) Affiliated Party

(2) Associated Party

(3) On April 23, 2021, the Company acquired additional shares of EBS. As from such date, the Company maintains the control on EBS assets.

On January 27, 2021, we purchased real estate assets of the tequila manufacturing facilities, to Desarrollo Inmobiliario Polanco, S. A. de C. V. in the amount of Ps. 335,000 (US\$16,793).

Compensation of Management's Key Personnel

The key members of the Management received the compensation which is shown as follows during such periods, which is included in administration expenses in the attached consolidated statements of income:

	December 31,			
	2021 (US)	2021 (Ps)	2020 (Ps)	2019 (Ps)
Short-term direct benefits	\$ 9,222	\$ 189,829	\$ 149,349	\$ 125,282
Long-term direct benefits	-	-	-	19,483
Termination benefits	-	-	-	6,788
	<u>\$ 9,222</u>	<u>\$ 189,829</u>	<u>\$ 149,349</u>	<u>\$ 151,553</u>

License Agreements

With respect to the intellectual property, Casa Cuervo, S.A. de C.V. has necessary authorizations to make use of the Appellation of Origin of Tequila. In addition, to the Federal Law to Protect Industrial Property there is no obligation to execute license agreement in different brands owned by the Company and its subsidiary companies and they are licensed in favor of Casa Cuervo, S.A. de C.V. In this sense, the Company has a general form used to execute such license agreements between the subsidiaries of the brands and Casa Cuervo, S.A. de C.V. Below there is a brief summary of the main terms and conditions of such agreements (the "License Agreements"):

The purpose of the License Agreements is to grant, on a non-exclusive basis, the right and license to use the licensed brands for certain products that such licenses cover. Each agreement is executed with an initial term which is renewed automatically until a party notifies the other in writing the intention not to renew such agreement with specific term of notification in advance.

In the event that the licensee breaches any of its obligations under such License Agreement, such License Agreement will be rescinded subject to the terms set forth in such Agreement.

In exchange of the granting of the rights of use and the license of the brands subject to each License Agreement, licensee must pay the licensor a royalty of 5% on the net sales, which will be the total invoiced sales of the products corresponding to each License Agreement, less the devolutions, discounts and commercial bonds received from such products. This royalty is reviewed from time to time to comply with the provisions of the tax laws with respect to transfer prices.

Each licensee has the obligation to hold each licensor harmless from all and any liability, losses, damages, expenses, claims, complaints or actions filed against such licensor derived from the use of the brands subject to each License Agreement.

It is worth mentioning that the licensee will not totally or partially assign the corresponding License Agreement, or the rights of such Agreement.

Distribution Agreements of Certain Brands

We have entered into distribution agreements with respect to *Matusalem* brand, which is owned by shareholders. The terms and conditions of the distribution agreements are negotiated according to the market conditions.

Transactions with Related Parties to the Company's Directors. Since 2009, we have entered into agreements with Vace Partners for the provision of financial advisory services. Two of the members of our Board of Directors are partners of Vace Partners. These contracts are executed on market terms. We think that the amounts paid and payable under these agreements to Vace Partners are similar to those that would be paid to third parties for such type of services.

C) DIRECTORS AND SHAREHOLDERS

According to the provisions of the Company's by-laws, the management shall be in charge of our Board of Directors. We are subject to different provisions with respect to corporate practices included in our by-laws and in the Securities Market Law, which are described in this section. This description is no exhaustive and is subject to the full text of the corporate by-laws, the applicable provisions of the Securities Market Law, the general provisions issued by the CNBV and the rules issued by the BMV.

The Board of Directors

Our board of directors is comprised of 9 regular members and 3 alternates. Each board member is elected for the term of one year, can be re-elected and pursuant to Mexican law, members of the Board continue in their positions after the expiration of their terms for up to an additional 30-day period if new members are not elected. Furthermore, in certain circumstances provided under the Mexican Securities Market Law, the Board of Directors may elect temporary directors who then may be elected or replaced at the shareholders' meetings. The alternate members may take the place of the regular members and of the independent members only if they have this capacity. The board members are elected or ratified by the shareholders' meeting. All of the current regular members and alternates were elected or ratified in their positions at the shareholders' meeting held on April 29, 2022. Of the eleven members of our board of directors, eight are independent, representing 72.7% of our board and three are not independent, which represents 27.3% of the Board of Directors (in each case, without including the alternate members).

Pursuant to the Mexican Securities Market Law (*Securities Market Law*, "LMV") and to our corporate by-laws, at least 25% of the board members shall be independent and that independence is qualified at the shareholders' meeting that appoints them, subject to the observations of the CNBV. Our board of directors is composed of eleven regular members, ten of which are male, representing 90.9% of our board, and one of which is female, representing 9.1% of our board (in each case, excluding alternates).

Indicated below are the names of the current members of our board of directors:

<u>Name of Regular Director</u>	<u>Position</u>
Juan Francisco Beckmann Vidal	Lifetime Board Member
Juan Domingo Beckmann Legorreta	Chairman
John Randolph Millian	Independent Regular Director
Ricardo Cervera Lomelí	Independent Regular Director
Alexander Gijs Van Tienhoven	Independent Regular Director
Sergio Visintini Freschi	Independent Regular Director
Karen Virginia Beckmann Legorreta	Regular Director
Ronald Anderson	Independent Regular Director
Alberto Torrado Martínez	Independent Regular Director
Luis A. Nicolau Gutierrez	Independent Regular Director
Hernando Carlos Luis Sabau García	Independent Regular Director
Carlos Javier Vara Alonso	Independent Alternate Director
Fernando Suárez Gerard	Alternate Director
Arsenio Farell Campa	Independent Alternate Director
José Antonio Alonso Espinosa	Alternate Director
Luis Fernando Félix Fernández	Alternate Director

The Secretary is Sergio Rodríguez Molleda

The Alternate Secretary is Cynthia Corro Origel.

Below, there is information about our board members:

Juan Francisco Beckmann Vidal holds a degree in Accounting from Instituto Tecnológico de Monterrey (ITESM) and holds a Master's degree in Business Administration from the same institution. In addition, he has completed various postgraduate programs in Business Administration at Stanford University. Mr. Beckmann Vidal joined the Company in 1964. After holding various positions in the areas of operations, finance, sales and marketing, as well as in the international division, he was named Vice-Chairman and, subsequently, in 1972, he was named Chairman of the Board of Directors of the Company. He is an independent member of the Board of Directors of Grupo Financiero Banamex, Grupo Peñoles, and Grupo Aeroméxico, among other companies. In addition, he is a member of Consejo Coordinador Empresarial (E), Consejo Mexicano de Comercio Exterior (COMCE), Consejo Mexicano de Negocios and of the Instituto Mexicano para la Competitividad (IMCO). Mr. Beckmann Vidal is also involved in various non-profit organizations, including Asociación de Adopte una Obra de Arte, A.C., Antiguo Colegio de San Ildefonso, Museo Nacional de Arte, A.C. (MUNAL), Museo Dolores Olmedo, Papalote Museo del Niño, Fondo Mexicano para la Conservación de la Naturaleza, Asociación a Favor de lo Mejor, A.C., Hospital Infantil de México Federico Gómez, Operación Sonrisa, ITESM (Mexico City) and Jose Cuervo Foundation.

Juan Domingo Beckmann Legorreta holds a degree in Business Administration from Universidad Anáhuac. Mr. Beckmann Legorreta began his professional career at the Company as Manager of Tequila Centenario. Subsequently, as Manager of New Product Development, he launched the Jose Cuervo Reserva de la Familia brand and developed a solid track record with regard to innovation, not only in the category of tequila but also in rum, vodka, liqueurs and energy drinks. Since 2002, he serves as Chief Executive Officer of the Company. Under his management, we have received the Premio Nacional de Exportación and the Premio Nacional de Calidad. Mr. Beckmann Legorreta has 31 years of industry experience.

John Randolph Millian holds a bachelor's degree, magna cum laude, in Global Economic Policy from the University of Colorado and a Master's degree in Business Administration from the Tuck School of Business. He has held various positions at Diageo LAC, American Express, Shering-Plough and PepsiCo International. He directed the LAC business for Diageo for more than 13 years. Mr. Millian has been a member of various organizations, including President of the Council of Amcham São Paulo, the Baptist International Advisory Board, the Advisory Board of the Tuck School of Business for Latin America and the Caribbean and Apoyo Seguro.

Ricardo Cervera Lomelí hold a bachelor's degree in Economics, graduated with Honors, from the Instituto Tecnológico Autónomo de México (ITAM), and a Master's Degree in Business Administration from Yale University, where he was elected member of the Dean's Advisory Council. In 1998, Mr. Cervera received Mexico's Premio Nacional Banamex de Economía. Mr. Cervera has over 17 years of Investment Banking experience, having worked at Salomon Brothers in New York, Salomon Smith Barney in New York, Citigroup in New York and Mexico and, since 2009, as Founding Partner of Vace Partners. Mr. Cervera is also Founding Partner, Shareholder and member of the Board of Directors of Fideicomiso Hipotecario. Throughout his career, Mr. Cervera has originated and executed mergers and acquisitions, equity and debt transactions worth over U.S.\$50 billion in the United States, Mexico, Latin America and Europe. Mr. Cervera is a member of the Technical Committee of Fondo Capital Infraestructura (BMV: FCICK16), member of the Board of Directors of Procorp (BMV: PROCORPB) and member of the Investment Committee of DIJ Properties.

Alexander G. Van Tienhoven holds a bachelor's degree in Economics, graduated cum laude from Wharton School of the University of Pennsylvania. He participated in the Stanford Executive Program of Stanford University in 1999. Mr. Van Tienhoven worked for two years in UBS at Zurich where he held the position of Head of Wealth Management for Latin America and before that, for almost 28 years in Citibank NA and Citibanamex where he held a number of positions, among them, as Head of Corporate and Investment Banking for Citibank Mexico, Chairman and Managing Director of Citibank Portugal, Managing Director of Private Banking of Citi Banamex in Mexico and, more recently, as Managing Director of Wealth and Investment Management for Mexico and Latin America. Mr. Van Tienhoven has been a Director of Aeroméxico, Citibanamex and San Luis Rassini. Currently, he is Director of Banco Finterra, Chairman of the Executive Board of the Wharton School in Latin America, Director of the Fundación Internacional para la Libertad, and of the Council of the Americas / Americas Society in New York.

Sergio Visintini Freschi holds a degree in Electronic Engineering from the Universidad Iberoamericana (UIA), and earned a Master's in Business Administration (majoring in Finance) from the Instituto Panamericano de Alta Dirección de Empresas (IPADE Business School). He is an experienced executive with an extensive background in the financial sector, as well as in companies of diverse sectors. Mr. Visintini began his professional career at Richardson Marrell, (now Procter & Gamble), later joining as Vice President of Finance and Chief Financial Officer, and as member of the Board of Industrias Peñoles. He was Vice President of Finance and Chief Financial Officer for several years at Grupo Nacional Provincial. After this, he worked at Rassini for more than ten years where he acted as Vice President of Finance and Chief Financial Officer, as well as member of the Board of Rassini. Since 2015 Mr. Visintini is an independent member of the Board of Metlife Mexico, one of the leading insurance companies in Mexico.

Karen Virginia Beckmann Legorreta has a background in communications, business, and marketing. Ms. Beckmann has built a career as an entrepreneur, and is currently Founder and Chief Executive Officer of PP Marcas, engaged in the production and marketing of luxury footwear, with Crane and Kalaca, premium industry brands in its portfolio. She is the first woman to be a member of Beclé's Board of Directors.

Ronald Anderson is an executive with international experience in various strategic roles throughout the world, perfecting the developed and developing markets. Born in the United Kingdom, he started his career in the retail sector, and then took a sales position with Gillette. Mr. Anderson worked at Diageo for more than 25 years holding several executive and senior management positions throughout the whole business, mainly outside the United Kingdom, or with global responsibilities. In the United States, he led the creation and negotiation of leading market routes in the industry, he became its first Customer Service Officer in the Board of Directors. He held a similar position in the Board of Directors as Vice President of Sales of Bacardi, before becoming a Consultant for McKinsey & Co. and a series of new companies

Alberto Torrado Martínez graduated with a degree in accounting from the Instituto Tecnológico Autónomo de México (ITAM) and holds a Master's degree from the Instituto Panamericano de Alta Dirección de Empresas (IPADE), as well as several diplomas from Harvard and Wharton Universities. Mr. Torrado opened his first Domino's Pizza, after which he obtained the master franchise of the chain for Mexico, which later became Alsea. Alsea has been a public company since 1999 and has received several awards such as "Empresa Socialmente Responsable" (Socially Responsible Company). It has been part of the sustainability index of the Mexican Stock Exchange since 2013 and since 2018 it was included in the Dow Jones Sustainability Index. Similarly, Mr. Torrado holds the position of president of the "Va por mi Cuenta" foundation, which is dedicated to providing food to more than 5,000 people a year and has also served as a member of the Board of Directors of the Mexican Stock Exchange and Banco Santander, among other companies.

Luis A. Nicolau Gutierrez is a member of the board of directors of Coca-Cola FEMSA, S.A.B. de C.V., Genera S.A.B. de C.V., Grupo Posadas, S.A.B. de C.V., GCC, S.A.B. de C.V. (formerly Grupo Cementos Chihuahua), Grupo Coppel, S.A. de C.V., Morgan Stanley Casa de Bolsa, S.A. de C.V. and Fondo Ignia, as well as a member of the Executive Committee of Ritch, Mueller y Nicolau, S.C. and of the Investment and Finance Committees of Promotora Social México, A.C. Previously, Mr. Nicolau was a member of the board of directors of Grupo Modelo, S.A.B. de C.V., Grupo Vitro, S.A.B. de C.V., Grupo MVS Comunicaciones, S.A. de C.V., Grupo Financiero Credit Suisse México, S.A. de C.V., J.P. Morgan Grupo Financiero, S.A. de C.V., Grupo Financiero Santander México, S.A. de C.V., Six Sigma Networks, S.A. de C.V. (KIO Networks), Papalote Museo del Niño and The Indian Mountain School. Mr. Nicolau holds a law degree from Escuela Libre de Derecho. In addition, he holds a Master of Law degree from Columbia University as a Fulbright Scholar.

Hernando Carlos Luis Sabau García holds a bachelor's degree in actuarial science from the Universidad Nacional Autónoma de México. He also holds an M.A. Econ from the University of Manchester and a Ph.D. in Economics from the Australian National University. He began his career as Manager of Actuarial Studies. Subsequently, he participated in various companies and organizations in management positions, until he became a Partner of *SAI Consultores, S.C.*, where he has worked for more than 20 years. In addition, he has worked in the teaching area, giving several lectures in various prestigious institutions. Mr. Sabau has extensive experience as a member of several Boards of Directors, including Mexder, Mercado Mexicano de Derivados, Grupo Financiero Monex, S.A., and Contraparte Central de Valores de México, S.A. de C.V., among others.

Carlos Javier Vara Alonso graduated from the Instituto Tecnológico Autónomo de México (ITAM) with a degree in Economics. He received a Master's Degree in Economics from Yale Graduate School and a Master's Degree in Business Administration from the Yale School of Management. He worked for five years at McKinsey & Co. in Mexico City, Madrid and Caracas. For the last 19 years, he has worked in Investment Banking as Head of the Mexico Office and Head of Latin America at Salomon Smith Barney and Citigroup. He is Founding Partner and Chief Executive Officer of Vace Partners. He is a founding Partner of FHipo and a member of the Board of Concentradora Hipotecaria (the FHipo management company). He is a member of the Board of Directors and of the Finance Committee of Grupo Gigante. He is a member of the Board of Directors of Hoteles Presidente and of México Power Group. He was a member of the Board of Directors of Aeroméxico. He is member of the New Growth Fund Investment Committee. As an Investment Banker, he has completed transactions worth more than U.S.\$100 billion.

Fernando Suárez Gerard holds a bachelor's degree in Economics from the Instituto Tecnológico Autónomo de México (ITAM) and a Master's in Business Administration (majoring in Finance) from the UCLA Anderson School of Management in Los Angeles, California. He began his professional career in investment banking at Salomon Brothers. Then he worked with Grupo Televisa (BMV: TLEVISA; NYSE: TV) as Corporate Finance Director. Mr. Suárez was one of the founding executives of the publicly traded Mexican airline Volaris (BMV: VOLAR-A, NYSE: VLRS). At this company, he acted as Chief Financial Officer for more than 12 years, and ultimately as Executive Vice President of Finance. Mr. Suarez joined Bece as Chief Financial Officer in October 2018.

Luis Fernando Félix Fernández holds a degree in business administration from Universidad Iberoamericana. Mr. Félix began his professional career in the marketing area of Richardson-Vicks Company. He later joined Kimberly Clark de México, S.A.B. de C.V., where he held the position of Group Product Manager. He also served as Director of Global Business at Warner-Lambert. In 2001, he joined the Company as Marketing Director and later became Sales Director for the Self-Service channel. Since 2009 he has held the position of Managing Director for Mexico, and as of July 2015 he was given responsibility for the LATAM operation. Mr. Félix has also held positions at Pfizer and Procter & Gamble and has over 15 years of experience in the industry.

José Antonio Alonso Espinosa studied at the Universidad Iberoamericana in Mexico City with a degree in International Relations. He is currently Chairman of the Board and Chief Executive Officer of Grupo JAAE, a private equity fund which has invested in several equity funds. Until May 2011, he served as Chairman of the Board and Chief Executive Officer of Quinta Real Hotels and Resorts, a Mexican company dedicated to luxury hospitality, which he helped to expand for eleven years. During that period, he also chaired more than twenty Boards of Directors in the hotel industry. Prior to this, he was involved in various roles, most notably as president of Grupo Espalse S.A., which is a holding company for franchises in the fast-food industry. He also collaborated with Chase Manhattan Bank in New York City as a debt arbitrator, as well as in the area of internal control and private banking. Mr. Alonso is a member of the board of the Amparo Foundation in Puebla. In addition to his philanthropic work, he has contributed to the publication of several articles in foreign newspapers.

Arsenio Farell Campa is an attorney by the Universidad Iberoamericana and has worked since 1973 in the law firm *Bufete Farell, S.C.* until today. He has been a practicing attorney for the past 45 years and in his extensive career has collaborated with several companies, including Teléfonos de México, S.A.B. de C.V., Gruma, S.A. de C.V., Minera Fresnillo, S.A. de C.V., Industrias Peñoles, S.A. de C.V., Montepio Luz Saviñón I.A.P., among others. He is currently a member of the Board of Directors of the Mexican Association of Automobile Distributors, Club Yates Acapulco and Yates, S.A.

Powers of the Board of Directors

The Board of Directors is our legal representative and is authorized to take action as collegiate body to approve any matter related to our transactions not expressly reserved to the shareholders.

The Board of Directors is authorized to:

- Approve the general business strategy of the Company;
- Authorize with the opinion of the audit and corporate practices committee: (1) the execution of any transaction with related parties, subject to certain limited exceptions; (2) the appointment and removal of the CEO and other relevant directors, as well as to determine the contributions and remunerations; (3) the guidelines of internal control and internal audit of the Company and its subsidiaries; (4) the financial statements of the Company and the subsidiaries; (5) the unusual and non-recurrent transactions and any other transaction or series of transactions with related parties involved in a same exercise, (a) the acquisition or disposal of assets representing a value equal or exceeding 5% of the consolidated assets of the Company, or (b) the granting of guarantees or assumption of liabilities representing a value equal or exceeding 5% of the Company's consolidated assets; and (6) the contracting of independent auditors;
- Call to shareholders' meeting and execute its resolutions;
- Create special committees and delegate powers to such committees, except those which exercise exclusively corresponds to shareholders or the Board of Directors according to the law or the corporate by-laws;
- Present to the general shareholders' meeting (i) the annual report of the CEO (including the annual audited financial statements), (ii) the opinion of the Board of Directors with respect to the CEO's report, and (iii) a report on the accounting policies and criteria followed in the preparation of the financial information;
- Issue an opinion with respect to the initial placement price of the Shares of the Company through a tender offer of shares;

- Approve the policies related to the information disclosure;
- Determine the measures to be adopted in the case the irregularities are detected; and
- Exercise the general powers of the Company to comply with its purpose.

The meetings of the Board of Directors shall be valid with the attendance of the majority of its members; and the resolutions shall be valid if adopted by the majority of the attendance unless the corporate by-laws require a greater number of votes. The Chairman of the Board of Directors has casting vote in the event of a tie. Notwithstanding the foregoing, the general shareholders' meeting may forbid at any time the decisions adopted by the board.

The Board of Directors meetings may be called by (1) 25% of the directors, (2) the chairman of the Board of Directors, (3) the President of the audit and corporate practices committee, or (4) the secretary of the Board.

The Securities Market Law imposes the director certain diligence and loyalty duties. For a detailed description of certain duties, read section "Information on Securities Market—Securities Market Law."

The members and, if applicable, the secretary of the Board of Directors must refrain from participating in any deliberation and voting during the meetings treating any matter with a conflict of interest with the Company, without affecting the calculation of the necessary quorum for such meeting.

The members and the secretary of the Board of Directors incur in disloyalty and will be responsible for the damages caused to the Company and, if applicable, to the subsidiary companies, if having a conflict of interest, they vote or adopt any decision with respect to the assets of the Company or its subsidiaries, or if they refrain from disclosing any conflict of interest that they may have, unless they are subject to confidentiality obligations preventing them to disclose any conflict.

Audit and Corporate Practices Committee

The LMV imposes the obligation to have an audit committee, comprised of at least three independent members appointed by the board of directors (except in the case of companies controlled by a person or group holding 50% or more of the outstanding capital stock, in which case the majority of the members of the audit committee must be independent). The Audit and Corporate Practices Committee (together with the board of directors, which has additional responsibilities) replaces the auditor that was previously required pursuant to the Mexican General Business Law (*Ley General de Sociedades Mercantiles*).

We established an audit and corporate practices committee at our general shareholders' meeting held on January 25, 2017. We consider the members of that committee to be independent board members in accordance with the LMV and at least one of its members qualifies as a financial expert. The parameters of quality of independence and financial expertise pursuant to Mexican laws differ from those of the New York Stock Exchange, NASDAQ Stock Market or the securities laws of the United States.

The principal duties of the audit and corporate practices committee include supervising our independent auditors; analyzing the reports of the aforementioned auditors; reporting to the board of directors on any existing internal controls and any irregularities relating to the internal controls; as well as supervising the execution of transactions with related parties, the activities of the Chief Executive Officer, the function of the internal audit and the delivery of an annual report to the board of directors. The committee is also responsible for issuing opinions to the board of directors in relation to the performance of our key executives, the operations with related parties, the requests for opinions of independent experts, calling the shareholders' meeting and supporting the board of directors in the preparation of reports for the annual shareholders' meeting.

Our audit and corporate practices committee is composed of the following three members:

<u>Name</u>	<u>Position</u>
Sergio Visintini Freschi	Chairman
John Randolph Millian	Member of the Board
Ricardo Cervera Lomelí	Member of the Board

Top Level Executives

Below there is a top-level executives, their main responsibility is experience in the business, including other directorships in which they have served, and their years of service in the current position or with our subsidiaries.

<u>Name</u>	<u>Position</u>	<u>Years of Service</u>
Juan Domingo Beckmann	CEO	31 years
Fernando Suárez Gerard	Chief Financial Officer	3 years
Sergio Rodríguez Molleda	General Counsel	1 year

Juan Domingo Beckmann Legorreta read section: “*Management—Board of Directors*”.

Fernando Suárez Gerard read section *Management —Board of Directors*”.

Sergio Rodríguez Molleda studied law at the Instituto Tecnológico Autónomo de México (ITAM). Mr. Rodríguez Molleda has extensive experience, having joined Teléfonos de México in 1994, where he served as Legal Director of International Affairs and Secretary of the Board of Directors of all the Group’s companies in Mexico an LATAM. At the same time, he served as attorney general of the Board of Trustees of the Club Universitario Nacional and was a member of its board of directors until 2006. Subsequently, he joined Industrias Peñoles, S.A.B. de C.V. in 2008 as Legal Director and Secretary of the Board, where he was involved in several negotiations and legal strategies that had a positive impact on the business.

During the year ended as of December 31, 2021, the total amount of the remunerations paid by the Company to the Top-Level Executives and other global Directors for the services provided in any position amounted approximately to Ps.\$189.8 million.

Remuneration of Directors, Secretary and Top-Level Executives

The compensation to Directors, Secretary of the Board and members of the Committees of the Company is determined by the General Ordinary Shareholders’ Meeting. As of this date, the last meeting approved that each member of the Board of Directors will receive US\$3,750 net, per each meeting of the Board of Directors attending thereat and US\$3,200 net, per each meeting of the Committee attending thereat.

Shareholders

The following table shows certain information with respect to the interest of the main shareholders of the Company as of the date of this Report.

<i>Shareholder</i>	<i>Shares</i>	<i>Percentage of the Outstanding Capital</i>
JDBL y Compañía, S.A. de C.V. ⁽¹⁾	1,833,803,4326	51.06%
Members of Beckmann Legorreta family	2	0.01%
Public Investors	1,757,372,869	48.93%
Total Subscribed and Paid-in Shares	3,591,176,301	100%

(1) Juan Domingo Beckmann Legorreta, the CEO, exercises the control of such company.

In the last three fiscal years, there have been significant changes in the ownership maintained by the majority shareholders.

As of the date of this Report, the only shareholders that hold more than 10% of our capital stock are JDBL y Compañía, S.A. de C.V. and Karen Virginia Beckmann Legorreta. It may be considered that, for certain purposes, such people exercise control, significant influence on the Company and as a result, they have the power to command the Company. No other board members hold more than 1% of the Company's capital stock.

With the exception of the provisions described in this section, no other individual or legal entity, including foreign governments, has a shareholder interest exceeding 10% of the capital stock and as of this date, there is no commitment, known by the Company that could imply a change in the control of our shares.

In the last fiscal year, we have not been subject to any tender offer to take the control and no offer has been made to take the control of other companies which shares are publicly listed at the BMV or in any other stock exchange.

Additional information of directors and shareholders

As mentioned above, we have a Code of Conduct which was renewed and updated at the beginning of year 2021. The Code of Conduct is an essential element of the integrity program and explains our expectations in areas that may cause ethical or legal issues, if they are handled incorrectly. The Code of Conduct applies to all the employees working in this Company included the members of the Board of Directors and the Relevant Directors. In this sense, we are committed to make business always acting on an ethical and honest manner.

The Code of Conduct consists of five sections grouping different topics; for example, respect, inclusion and no harassment environment; human rights and appropriate labor conditions; welfare, health and security; protection of the environment; responsible consumption of alcohol; conflict of interest; privileged information; Company's assets; as well as the anti-corruption guidelines, money laundering and protection of personal data.

D) CORPORATE BY-LAWS AND OTHER AGREEMENTS

Below, there is a brief summary of certain relevant provisions of the corporate by-laws and the Mexican laws. This description must be considered as a summary and for full comprehension it is suggested to make a review of the corporate by-laws and the applicable laws

General

The Company was incorporated by notarial instrument number 74,489, dated November 5, 2002, attested by Carlos de Pablo Serna, Notary Public number 137 in and for Mexico City, entered in the Public Registry Bureau of Commerce under electronic mercantile folio number 295,310, with the name "Becele" as a business corporation of variable capital (sociedad anónima de capital variable). The term of the Company is indefinite, located at Guillermo González Camarena No. 800, Piso 4, Col. Santa Fe, C.P. 01210, Mexico City, Telephone number 5258 -7000.

With notarial instrument number 117,951, dated January 25, 2017, attested by Carlos de Pablo Serna, Notary Public number 137 in and for Mexico City entered in the Public Registry Bureau of Commerce under electronic mercantile folio number 295,310, the total amendment to the by-laws of the company to adopt the type of Stock Market Corporation (Sociedad Anónima Bursátil) was made and, therefore, the legal system of chapter II, Title II of the Securities Market Law was amended thereby; the foregoing subject to the condition to approve the initial tender offer of the Company on February 9, 2017.

Movements in capital stock

The fixed and variable portions of the capital stock of the Company may be increased or decreased by a resolution adopted by the shareholders holding, at least, 60% of the shares in a general shareholders' meeting, if the fixed portion increases or decreases, simultaneously with the increase or decrease, the corporate by-laws will be modified to reflect the resulting capital stock. The variable portion of the capital stock of the Company may increase or decrease, without requiring that the by-laws are amended. Any increase or decrease of capital, whether in the fixed or variable portion must be entered in the registry book of changes of capital stock maintained by the Company complying with the General Business Law. No new shares will be issued, except the issued and outstanding shares at the time of the issue are totally paid-up, except in certain limited cases.

Voting Rights

All the shares representing the Company's capital stock have full voting rights. Each share grants to the holder a vote in any shareholders' meeting.

Shareholders' Meetings

The calls for the general shareholders' meetings must be published with a notification in the electronic system determined by the Ministry of Economy, at least 15 natural days before the date of the corresponding meeting. From the time the call is published for the shareholders' meeting, the information and documents related to each item of the agenda of the general shareholders' meeting must be provided. Each call must indicate the time, place and agenda of the general shareholders' meeting subject matter and must be signed by the party calling to such meeting.

In order for the shareholders or the representatives to be entitled to attend to the general shareholders' meeting and to vote therein, at least 24 (twenty-four) hours before the date and time stated for the Meeting, counted as working days, must show the share certificates and/or, if applicable, the evidences of the share certificates deposited in an institution for the deposit of

securities with the corresponding concession, under the terms of the Securities Market Law. Such certificates will be exchanged with a certification issued by the Company evidencing the name and the number of shares represented by the Shareholder. Such certificate shall be used as admission cards for the Meetings.

The shareholders may attend at the Meetings by means of proxies appointed with a simple proxy letter, or with a power granted under the terms of the common law and by forms of a power of attorney prepared by the Company and provided to the shareholders through the intermediaries of the securities market or at its offices, at least 15 natural days in advance to hold such meeting.

According to the current by-laws of the Company, the general shareholders' meeting may be ordinary or extraordinary. The general ordinary shareholders' meetings are those called to analyze any matter not reserved for the extraordinary shareholders' meeting. A general ordinary shareholders' meeting must be convened at least once a year within the first four months following the closing of each tax year to analyze, among other things, the approval of the financial statements, the report prepared by the CEO along with the report of the Board of Directors, on the financial statements, the appointment of the members of such Board of Directors and the determination of the remuneration thereof, appoint the chairman of the Audit and Corporate Practices Committee, determine the distribution of profits, determine the maximum amount of resources to purchase shares and approve the relevant transactions.

The Extraordinary Shareholders' Meetings are those called to consider any of the following matters, including: change of the term of the Company; early dissolution; increase or reduction of the fixed capital stock, as well as increase of the capital under the terms of article 53 of the Securities Market Law in order to carry out a tender offer; a change of object; change of nationality; transformation; merger with other company and split-off ; issuance of privileged shares; amortization of own shares and issuance of shares; issuance of bonds, obligations or debt instruments, capital and other with the characteristics thereof, provided they are convertible in shares of other company, amendment to the corporate by-laws; cancellation of the registry of shares at the RNV and the domestic or foreign stock exchange in which they are registered, but not in the listed systems or in other markets not organized as stock exchange; and any other matter for which a general extraordinary meeting is specifically required according to the applicable Mexican law or the by-laws.

The General Shareholders' Meetings must be held at the corporate domicile of the Company, i.e., Mexico City. The Board of Directors, the Chairman of the Board or the Audit and Corporate Practices Committee, the Vice Chairman of the Board of Directors or the Secretary of the Board of Directors may call to any shareholders' meeting. In addition, the shareholders holding the shares representing 10% of the capital stock shall be entitled to require the chairman of the Board of Directors or the committee to maintain the functions with respect to audit and corporate practices, at any time in which a general shareholders' meeting is called.

Quorum

In order for a general ordinary shareholders' meeting to be legally convened in first or further call, at least 51% of the ordinary shares must be represented at the meeting and the resolutions shall be valid if adopted by a majority of votes of the shares represented in such meeting.

In order for a general extraordinary shareholders' meeting to be considered legally convened in first call, at least 75% of the capital stock must be represented thereat. In the event of second or further call, in order for a general extraordinary shareholders' meeting to be considered legally convened, at least 50% of the capital stock must be represented thereat. In order for the resolutions

of the general extraordinary shareholders' meeting to be valid, the favorable vote of the number of shares represented thereat must be adopted, at least 50% of the capital stock.

Dividends and distributions

Generally, in an annual general ordinary shareholders' meeting, the Board of Directors presents the financial statements prepared by the CEO, corresponding to the previous tax year to the shareholders to be approved. Once the general shareholders meeting approves such financial statements, the distribution of the net profits of the previous year will be determined, if any.

The law demands that the net profits of each Company are separated before paying any dividend, annually 5%, at least, as long as there is no reserve fund, until the fifth portion of the capital stock is reached. The reserve fund must be restated when it is decreased for any reason. Amounts additional to other reserve funds may be assigned, as determined by the shareholders, including the amount assigned for the repurchase of shares. The balance, if any, may be distributed as a dividend.

All the outstanding shares at the time a dividend or other distribution is declared are entitled to participate in such dividend or other distribution.

Appointment of directors

The Board of Directors is currently comprised of 7 regular directors and 3 alternate directors. Each member is appointed for a term of 1 year, but it may be reelected and must remain in office until a successor is appointed and holds position. The directors are appointed by the shareholders in an annual meeting. All the current regular and alternate directors were appointed or ratified in their positions on January 25, 2017.

According to the Securities Market Law and the by-laws of the Company, at least 25% of the directors must be independent and such independency is qualified by the Shareholders' Meeting appointing them, subject to the remarks by the CNBV.

Board of Directors

According to the Securities Market Law and the corporate by-laws, the Board of Directors must be in charge of establishing the general strategy for the management of the business and legal entities controlled by the Company, as well as to surveil the management and operation of the legal entities controlled by the Company, for which it may use the support of one or several committees.

The Board of Directors is responsible for surveilling the compliance with the resolutions of the Shareholders' Meeting, which may be performed through the Committee exercising the audit functions.

In addition, the Board of Directors has the representation of the Company and is empowered to execute any legal acts and adopt any determination necessary or convenient to attain the corporate purpose.

The Board of Directors' meeting are validly convened and held if the majority of the members are present thereat. The resolutions adopted in such meetings shall be considered as valid if approved by the majority of the members of the Board of Directors attending thereat and without a conflict of interest. If necessary, the chairman of the Board of Directors may issue a casting vote.

The meetings of the Board of Directors may be called by (i) 25% of the members; (ii) the chairman of the Board of Directors or the Vice Chairman thereof; (iii) the chairman of the Audit and Corporate Practices Committee; and (iv) the Secretary of the Board of Directors. The calls for the meetings of the Board of Directors must be made in writing and notified to other directors at least 1 (one) working day in advance to the date fixed to hold the meeting in any other case, by certified mail or e-mail confirming

receipt to the domicile, places or e-mail provided by the directors or the Secretary in writing for such purpose. However, the call shall not be necessary if all the directors or alternate members are present thereat. The meetings of the Board of Directors shall be held at the corporate domicile, or in any other place appointed by the Board of Directors or necessary, and such meetings may be held by telephone, provided that the Secretary must draft the corresponding minutes, which must be signed by the Chairman and the Secretary and collect the signatures of the directors participating thereat. The Securities Market Law sets forth a diligence and loyalty duties of the directors. The diligence duty, in general, requires that the directors obtain sufficient information and are sufficiently prepared to act in the best interest of the Company. The diligence duty is mainly complied, requesting and obtaining all the information that may be necessary to make decisions (including the contracting of independent experts), attending to the Board of Directors' meeting and disclosing to the Board of Directors relevant information in possession of the corresponding director. The noncompliance with the diligence duty by a director, derives in a joint liability of the director along with other responsible directors, with respect to the damages and losses caused to the Company and its subsidiaries.

The loyalty duty mainly consists of a duty to act in benefit of the Company and mainly includes the duty to maintain the confidentiality of the information received by the directors in connection with the exercise of their duties, refraining from analyzing or voting in matters where the director has a conflict of interest and refraining from using business opportunities corresponding to the Company. In addition, the loyalty duty is not complied in the event a shareholder or a group of shareholders is notoriously favored or if, without the expressed approval of the Board of Directors, the director takes advantages of a business opportunity of the Company or any of its subsidiaries.

The loyalty duty is not complied if a director uses the assets of the company and approves the use of the assets against any of its policies, discloses false or deceitful information, orders not to be entered, or prevents to enter any transaction in the Company's records that may affect the financial statements, or causes that the relevant information is not disclosed or modified.

Noncompliance with the loyalty duty makes the corresponding director subject to a joint liability with all the noncomplying directors, with respect to the damages and losses caused to the Company and the individuals controlled by the Company. There is also liability in the event of damages and losses as a result of benefits obtained by the directors or third parties resulting in activities performed by the directors.

Claims of noncompliance with the diligence duty or the loyalty duty may be filed only in benefit of the Company (as a derived action), and not of the shareholders and only by the Company or shareholders representing at least 5% of the outstanding shares.

As a protection measure for the directors with respect to the breaches to the diligence duty or the loyalty duty, the Securities Market Law sets forth that the liabilities derived from noncompliance with the diligence duty or the loyalty duty shall not apply if the director acted in good faith, and (a) comply with the applicable law and the corporate by-laws, (b) based on facts and information provided by the directors, independent auditors or independent experts, which capacity and credibility may not be subject to reasonable doubt, and (c) chooses the most appropriate alternative of good faith or if the negative effects of such decision are not reasonably predictable according to the available information. The Mexican courts have not interpreted the meaning of such provision and, therefore, the scope and meaning thereof is uncertain.

According to the Securities Market Law and the corporate by-laws, the CEO and the relevant directors of the Company must also act in benefit of the Company and not in benefit of a shareholder or a group of shareholders. Mainly, such directors must subject the Board of Directors to the approval of the main business strategies and the business of companies controlled by the Company, and to make

the resolutions of the Board of Directors, comply with the provisions related to the repurchase and offer of shares, verify the contributions of capital and comply with any provision related to the return and payment of dividends, submit to the audit committee proposals related to the internal control systems, prepare all the material information related to activities and activities of companies controlled by the Company, disclose all the material information to the public, maintain appropriate accounting and record systems, as well as internal control devices and prepare and submit the board to approve the annual financial statements.

Audit and Corporate Practices Committee

The Company maintains an Audit and Corporate Practices Committee, supporting the Board of Directors in the management, conduction and execution of the Company's matters, performing the audit and corporate practices activities determined by the Securities Market Law and which analyzes and assesses the transactions in which the Company has a conflict of interest. The Company is obliged that such committee is only comprised by independent directors and of at least three directors.

Dissolution or Liquidation

Before the dissolution or liquidation of the Company, one or more liquidators must be appointed in one extraordinary shareholders' meeting. All the shares of the capital stock totally paid-up and outstanding will have the right to equitably participate in any distribution result of the liquidation.

Registry and Transfer

We have requested the registry of the Shares at the RNV, according to the Securities Market Law and the provisions issued by the CNBV. The Shares are covered by certificates to be deposited with Indeval. The brokers, banks and other Mexican and foreign financial institutions, as well as other entities authorized by the CNBV as well as participants in Indeval, may maintain accounts with Indeval. According to the Mexican laws, only the individuals entered in the shareholders registry or the holders of certificates issued by Indeval or the participants in Indeval, will be recognized as shareholders. According to the Securities Market Law, the certificates issued by Indeval, along with the evidences issued by the participants in Indeval, are sufficient evidence to prove the ownership of the Shares and to exercise the rights attributable to such shares in the shareholders' meetings or for any other matter.

Preemptive Subscription Right

According to the corporate by-laws, the shareholders of the Company are entitled to preemptive subscription with respect to the issuance of shares or increases of capital stock, except for certain exceptions. Generally, if the Company issues additional shares, the shareholders are entitled to subscribe the number of new shares of the same series sufficient for such shareholder to maintain the same percentage of interest in shares of such series. The shareholders must exercise the preemptive rights in the period of time determined by the meeting approving the issuance of additional shares subject matter. This period shall not be less than 15 days after the publication of the corresponding notice in the electronic system established by the Ministry of Economy or any other legally permitted means.

Subject to the Mexican laws, the shareholders shall not waive to the preemptive right on an early basis, and the preemptive rights will not be represented by an instrument negotiable independently from the corresponding share. The preemptive rights shall not apply to (i) shares issued by the Company in connection with the mergers, (ii) shares issued in connection with the conversion of convertible negotiable instruments which issuance is approved by the shareholders, (iii) shares issued in connection with the capitalization of accounts specified in the balance sheet or dividends in shares, (iv) the place of shares deposited in the Treasury as a result of the repurchase

of such shares by the Company in the BMV, and (v) shares placed as part of the tender offer according to article 53 of the Securities Market Law, in which event the issuance of such shares are approved in a general shareholders' meeting.

It is possible that the foreign shareholders may not exercise the preemptive subscription rights in the event of increases of future capital, except for certain conditions. The Company is not obliged to adopt any measure or obtain any necessary authorization to permit such exercise. Read "*Risk Factors— It is possible that the preemptive rights to subscribe shares of the Company are not available for foreign shareholders.*"

Amortization

The corporate by-laws set forth that the Company may amortize its shares with distributed profits without reducing capital stock in the event it is approved by resolution of a general extraordinary shareholders' meeting. The amortization must be maintained according to the terms set forth in a general extraordinary shareholders' meeting, proportionally or with respect to the shares chosen by the group.

Minority rights

According to the Securities Market Law and the General Business Law, the corporate by-laws include certain protections for minority shareholders. Such protections include:

1. Holders owning at least 10% of the total outstanding capital stock with the right to vote may require to call to a general shareholders' meeting; request that the resolutions in connection with a matter for which were not sufficiently informed are adjourned; and appoint or revoke a member of the board of directors, as well as the corresponding alternate member;
2. The holders owning at least 20% of the outstanding shares judicially reject the resolutions adopted in a shareholders' meeting, provided certain requirements are complied with, such as (i) that the resolution is against the applicable law and the corporate by-laws, (ii) that the rejecting shareholder fails to attend to the meeting or has not voted in favor of such resolution, and (iii) the opposing shareholder presents a document before the court guaranteeing the payment of any damage that may result from the suspension of the resolution adopted in the event such court fails against the rejecting shareholder; and
3. In addition, the shareholders owning at least 5% or more the capital stock may exercise the share per liability set forth in the Securities Market Law, against all or any of the directors for causing damages and/or losses in the noncompliance with the diligence and loyalty duties. This responsibility shall be exclusively in favor of the Company and the shares to demand it shall prescribe in five years.
4. The shareholders representing at least 10% of the capital stock of the Company may request the Company to enter and list the shares of the Company in a securities registry and in a stock exchange or in any other recognized market. In addition, the Company is obliged to cooperate with such shareholders, in the event it pretends to perform a sale of the Shares with a tender offer.

The rights granted to the minority shareholders according to the Mexican law are other than those granted in the US and other jurisdictions. The loyalty and diligence duties of the directors is not subject to an extensive judicial interpretation in Mexico, as in the United States where the diligence and loyalty duty developed by judicial resolutions helps to define the rights of the minority shareholders.

As a result of these factors, in the practice, it may be more difficult for the minority shareholders to exercise rights against the Company, the directors or majority shareholders in comparison to the shareholders of a US company.

Measurements tending to prevent certain acquisitions

The corporate by-laws set forth that any transfer of more than 10% of the shares, consumed in one or more transactions by any person or group of persons acting jointly, requires prior approval of the Board of Directors, except in certain transfers permitted under the by-laws.

For the previous purposes, an authorization request must be submitted in writing sent to the Chairman and Secretary of the Board of Directors. Such request must include, among other information, the following: (i) the number and class of shares issued by the Company owned by the person or group of persons pretending to make the acquisition; (ii) the number and class of shares or rights thereon, subject to the acquisition; (iii) the identity and nationality of each of the potential purchasers; and (iv) statement if there is a intent of acquiring a significant influence (as such term is defined in the Securities Market Law) or the Control (as such term is defined in the corporate by-laws) on the Company. The Board of Directors will issue the resolution within a term not exceeding three (3) months as from the date on which the corresponding request is submitted or as of the date the additional information is totally received, as the case may be.

The abovementioned measurements will not apply to transfers made by one or more of the following acts: a) the transfer by inheritance or consanguinity parents or by affinity up to third grade, actions by any means, including assignments, donations or any other disposals, directly or through any company, trust or equivalent vehicle, entity, company or other form of economic or commercial association, according to the laws of any jurisdiction and as such companies or vehicles are denominated and which in any of the previous cases under the control of the individual directly or indirectly owning or the beneficiary of such shares prior to the transfer, b) the increases to the interest percentages due to reductions or increases of capital stock agreed by the shareholders' meeting of the Company, c) mergers of the Company with other companies except for mergers with company's member of other business group other than that of the Company, d) acquisitions in compliance with a final and firm judgement ordered by the competent judicial authority, and e) donation of shares under a free certificate received by the descendants from their ascendants in straight line, or received by the ascendants from the descendants in straight line, provided such shares are not donated by the ascendant to other descendant in straight line without limitation of degree.

Suspension of listing or cancellation of the registry of the shares at the RNV

In the assumption that the Company decides to cancel the registration of the shares at the RNV, or if it is cancelled by the CNBV, it shall be bound to make a tender offer of purchase with respect to all the outstanding shares in possession of the minority shareholders, before proceeding with such cancellation. Such offer will be extensive to those individuals not part of the group of shareholders exercising the control on the Company. The shareholders maintaining the "control", as defined in the corresponding provisions of the Securities Market Law, are those with the property of the majority of the shares and with the capacity to control the results of the decisions adopted in the

shareholders' meeting, or else, they have the possibility to appoint or revoke the appointment of the majority of the members of the board of directors, directors or officers equivalent, or that may directly or indirectly control the administration, strategy or the main policies of the Company.

In the event of completing the tender offer of purchase and if there are still shares owned by the investors, the Company may be required to create a trust with a term of six months, and to contribute to such trust the resources in the amount necessary to acquire at the same price offered in the purchase tender offer, all the shares owned by the investors and not soled as a result of the offer.

Unless the CNBV authorizes otherwise, the price of the offer in the event of cancellation of the registry at the RNV, must be the higher from (i) the average weighted of the closing prices of such shares at the BMV during the last 30 days of operation, and (ii) the net value of such shares reported in the last quarter report presented to the CNBV and BMV.

The cancellation of the registration voluntarily is subject to (i) the prior authorization by the CNBV, and (ii) the favorable vote of at least 95% of the shares representing the capital stock, met in a general extraordinary shareholders' meeting.

Additional Aspects

Loss of right on the shares

In compliance with the provisions of the Mexican laws, the by-laws set forth that the foreign shareholders are considered Mexican with respect to the shares they hold, exclusive rights, concessions and interests of the Company as well as the rights and obligations derived from the agreement executed by the Company with the Mexican government. According to this provision, the foreign shareholders have agreed to refrain from invoking the protection of their governments. In the event of noncompliance with such agreement, they shall be subject to the penalty of forfeiting the rights on the shares or interest in the capital stock, in benefit of the Mexican government.

The Mexican law demands that such provision must be included in the by-laws of all the Mexican companies, unless the by-laws prohibit that foreign individuals be shareholders.

Purchase of own shares

According to the by-laws, the Company may repurchase own Shares at the BMV at any time at the market price in force as of such time. Any purchase under these terms must be subject to the provisions of the Mexican law, and the maximum amount authorized to repurchase shares must be approved by a general ordinary shareholders' meeting. The proprietary rights and voting rights corresponding to the repurchases shares will not be exercised during the period on which the Company holds such shares, and such shares shall not be considered as outstanding shares for the purposes of the quorum or voting in any meeting by the shareholders during such period.

Conflict of Interest

Subject to the Business Companies Law, a shareholder that in a specific transaction has an interest against that of the Company, must refrain from any deliberation related to such transaction. The shareholder against such provision will be responsible for damages and losses, if even without its vote the majority is not obtained to validate the determination.

Any member of the Board of Directors or the members of the committee performing the audit or corporate practices duties with a conflict of interest with the Company must inform such conflict

and refrain from any deliberation or voting in connection thereof. The noncompliance by any member of the Board of Directors or such committee with any obligation may result in a liability for damages and losses caused by such member.

Separation right

In the event the shareholders' meeting approves the amendment to the corporate object, the change of nationality or the transformation of the Company from one type of company to other, any shareholder with the right to vote with respect to such right voting against thereof, will be entitled to exercise the separation right from the Company, and, if applicable, to receive the value of its contribution, provided such right is exercised according to the law and the corporate by-laws within 15 days following the closing date of the meeting approving such change.

5) CAPITAL MARKET

A) SHAREHOLDING

As of the date of this Report, the shares representing the capital stock of the Company amount to 3,591,176,301 considered as “Sole” common, ordinary, registered shares without par value entered at the RNV. Such shares are listed at the BMV since February 9, 2017, when the Company made its initial tender offer.

B) BEHAVIOR OF THE SHARES IN THE SECURITIES MARKET

The following table shows the maximum and minimum listing prices of the Shares according to the publication of Bloomberg and BMV:

Monthly Behavior

2021	Maximum	Minimum	Closing	Shares (Daily Average Volume)	(Total Operated) Shares	Amount (\$)
January	50.50	43.73	43.73	1,321,394	26,427,872	1,269,966,887
February	46.75	40.50	43.15	1,552,008	29,488,144	1,292,994,315
March	47.01	43.16	46.76	1,289,530	28,369,659	1,289,442,570
April	49.38	46.63	48.31	1,468,566	29,371,317	1,417,254,340
May	50.19	47.07	50.19	1,455,262	30,560,498	1,488,716,470
June	53.28	50.74	52.44	2,126,211	46,776,638	2,446,815,560
July	53.15	49.61	49.81	592,841	13,042,491	670,954,000
August	51.19	45.12	51.19	902,056	19,845,232	945,377,690
September	50.88	44.26	44.82	1,153,589	24,225,359	1,125,274,080
October	47.06	42.85	47.06	2,353,788	49,429,556	2,227,976,860
November	49.11	46.44	49.11	1,081,213	21,624,264	1,038,655,390
December	52.68	47.69	51.21	1,173,176	25,809,868	1,319,036,427

2020	Maximum	Minimum	Closing	Shares (Daily Average Volume)	(Total Operated) Shares	Amount (\$)
January	35.56	33.43	35.04	1,336,220	29,396,846	1,005,085,885
February	35.90	29.97	29.97	1,920,955	36,498,148	1,236,638,207
March	32.20	27.50	28.99	2,368,560	49,739,756	1,486,387,490
April	38.01	27.87	36.97	3,525,825	70,516,509	2,440,296,850
May	38.87	35.52	38.40	7,712,999	154,259,986	5,788,887,740
June	44.50	38.77	44.26	3,093,618	68,059,590	2,800,730,870
July	46.78	40.35	44.59	1,748,909	40,224,918	1,731,617,939
August	44.71	40.23	41.81	2,142,893	45,000,745	1,870,990,020
September	45.13	40.83	45.13	1,217,484	25,567,166	1,096,220,460
October	47.65	43.39	44.53	1,676,750	36,888,501	1,687,068,720
November	49.24	43.50	47.39	2,202,495	41,847,397	1,980,130,760
December	50.33	47.03	49.94	1,156,180	25,435,970	1,242,199,830

2019	Maximum	Minimum	Closing	Shares (Daily Average Volume)	(Total Operated) Shares	Amount (\$)
January	27.06	23.38	24.43	2,834,678	62,362,916	1,553,500,550
February	27.12	24.45	27.12	2,908,129	55,254,443	1,390,942,818
March	29.88	27.03	29.88	2,725,337	54,506,733	1,547,816,300
April	30.51	28.89	29.79	1,778,100	35,562,007	1,051,945,469
May	32.44	28.61	28.61	3,134,497	68,958,925	2,127,508,380
June	30.06	28.65	29.78	2,006,613	40,132,252	1,191,022,000
July	29.30	26.96	28.43	2,155,020	49,565,456	1,415,484,200
August	30.60	28.07	28.11	3,217,988	70,795,744	2,053,373,030
September	30.46	28.00	29.09	1,542,263	30,845,268	900,593,439
October	33.95	29.50	33.24	2,506,118	57,640,722	1,790,366,450
November	33.62	33.09	33.09	1,111,029	22,220,583	741,697,221
December	35.41	33.18	35.16	1,060,560	21,211,209	727,039,773

The listing prices of the Shares will be affected by the financial position, the results of operation, the requirements of resources and prospectus of the Company, as well as other economic and financial factors and market conditions. Read “1) General Information—c) Risk Factors”. There is no guarantee that the listing prices of the Shares will be maintained within such margins.

C) MARKET FORMER

The Company did not receive market former services.

6) RESPONSIBLE PARTIES

We state under oath that according to our corresponding duties, we prepared the information related to the Company included in this annual report, which, in our opinion, reasonably shows the position. In addition, we state that we do not have any knowledge of relevant information omitted or false in this annual report or that it may include information that may induce to error for the investors.

Becle, S.A.B. de C.V.

Juan Domingo Beckmann Legorreta
CEO

Fernando Suárez Gerard
CFO

Sergio Rodríguez Molleda
Legal Counsel

I state under oath that the financial statements included in this annual report for the years ended as of December 31, 2019 were reported on March 9, 2020, according to the IAS.

In addition, I state that I have read this annual report and based on my reading and within the scope of work of the audit performed, there is no knowledge of relevant errors or inconsistencies in the information included herein and which source derives from the financial statements reported stated in the previous paragraph, or information omitted or false in this annual report or including information that may induce to error for the investors.

Notwithstanding, I was not contracted and I did not make additional procedures in order to express an opinion with respect to other information included in this annual report not derived from the financial statements that I report herein.

PricewaterhouseCoopers, S.C.

José Luis Guzman Ortiz, CPA
Audit Partner

[●]
Legal Representative

Exhibit 1

FINANCIAL STATEMENTS

**Audited Consolidated Financial Statements as of December 31, 2021, 2020 and 2019 issued
by PricewaterhouseCoopers, S.C.**

Exhibit 2
LETTER ISSUED BY THE INDEPENDENT AUDITOR

Exhibit 3
ISSUER'S AUDIT AND CORPORATE PRACTICES REPORT
FOR THE YEAR 2021, 2020 and 2019